

Tuesday
29th November, 1949

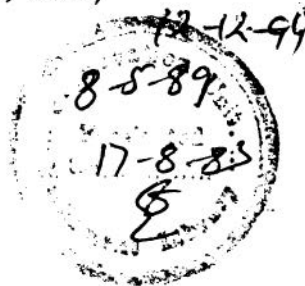
THE
CONSTITUENT ASSEMBLY OF INDIA
(LEGISLATIVE) DEBATES

(PART I—QUESTIONS AND ANSWERS)

OFFICIAL REPORT

VOLUME IV, 1949

(28th November to 24th December, 1949)



SIXTH SESSION
OF THE
CONSTITUENT ASSEMBLY OF INDIA
(LEGISLATIVE)

1949

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CONSTITUENT ASSEMBLY OF INDIA (LEGISLATIVE DEBATES)

(PART I—QUESTIONS AND ANSWERS)

Tuesday, 29th November, 1949

The Assembly met in the Assembly Chamber of the Council House at a Quarter to Eleven of the Clock. Mr. Speaker (The Honourable Mr. G. V. Mavalankar) in the Chair.

STARRED QUESTIONS AND ANSWERS

(a) ORAL ANSWERS

INCOME-TAX INVESTIGATION COMMISSION

*53. **Shri R. K. Sidhva:** (a) Will the Honourable Minister of Finance be pleased to state as to what stage the Income-tax Investigation Commission has reached in its deliberations?

(b) How many cases have been disposed of and how many are still pending?

(c) What is the total amount likely to be recovered from the disposed of cases?

(d) If no amount has so far been recovered, what are the reasons thereof?

(e) Has any amicable settlement been arrived at between the Commission and the parties concerned? If so, what is the number of such cases and what are the amounts involved?

(f) When is the Commission likely to complete its work?

(g) Has the Taxation on Income (Investigation Commission) Act been applied to the Indian States?

The Honourable Dr. John Matthai: (a) The Commission completed the first part of its task by submitting their Report relating to the adequacy or otherwise of the existing law to prevent evasion of tax, copies of which were made available to Honourable Members during the last session. Fair progress has been made by the Commission in relation to the second part of its task involving (i) collection of information relating to deposits and movements of substantial sums of money, and (ii) investigation of individual cases. As regards item (i) a vast mass of material has already been collected and the results are ready for application to individual cases. As regards item (ii), the Commission's investigation has reached different stages in different cases. Some have been completed and others are nearing completion. But in the majority of cases investigations are still proceeding.

(b) 93 cases have been disposed of and 1,276 cases are still pending.

(c) It is not possible to give any precise estimate at this stage of the amount likely to be recovered from such cases because it has yet to be worked out by Income Tax Officers on the combined result of the figures of evaded income reported by the Commission and the figures adopted in the previous assessments. The amount of evaded income according to the reports made by the Commission so far is roughly Rs. 260 lakhs.

(d) So far Rs. 8,08,388 has been recovered and further recovery proceedings are in progress.

(e) 65 cases have been amicably settled so far, and the amount of evasion in terms of income involved in them was Rs. 1,88,67,886.

(f) The progress of the Commission's work depends on so many factors that it is not possible to make a definite statement.

(g) The Act has been applied only to the merged States, but the Commission's power of obtaining information relating to the referred cases has been extended in a modified form to other States also by appropriate legislation passed by the respective States.

Shri R. K. Sidhva: I understood the Honourable Minister to say that 260 lakhs have been assessed and that out of that sum 3 lakhs have been recovered?

The Honourable Dr. John Matthai: Yes.

Shri R. K. Sidhva: May I know whether the balance of these 260 lakhs actually assessed will be promptly recovered or whether there is any difficulty in effecting the recovery, in view of the fact that only three lakhs have been recovered?

The Honourable Dr. John Matthai: The best way in which I can answer this question is to give the Honourable Member some idea of the practical problems involved in this matter. What the Commission is expected to do is to report on the actual amount of income evaded in the cases investigated. It is really for the Income-tax Department to determine the amount of tax payable on the evaded income. Now, what exactly is the rate to be applied to the evaded income will depend necessarily on this income which has been reported on by the Commission plus the income already assessed, because the rate applicable will depend upon the total income. Therefore the recovery is necessarily a slow process.

Apart from that, there is also this question that in the case of many of these assesses on whose cases reports have been made, their capacity to pay has been greatly reduced since the war years. Therefore it is necessary for the Income-tax Department to give facilities for payment in instalments and recoveries are bound to be slow.

Shri R. K. Sidhva: May I know whether these sums were arrived at by amicable settlement or were the actual figures given by the Commission?

The Honourable Dr. John Matthai: I said in my answer that about 65 cases out of 98 were settled amicably.

Shri R. K. Sidhva: May I know the names of the firms which evaded the tax and whether substantial rates were charged on them?

The Honourable Dr. John Matthai: I am not in a position to answer that question.

Ch. Rambr Singh: May I know what steps the Government propose to take to recover the sums due?

The Honourable Dr. John Matthai: Every possible step is being taken consistently with the circumstances I have just mentioned.

Shri Ajit Prasad Jain: May I have an idea of the time it will take to decide these cases?

The Honourable Dr. John Matthai: I am not in a position to give any idea, because the Commission is a Judicial body. It will take its own time.

Shri C. Subramaniam: May I have the names of the persons whose cases have been disposed of and also the extent of the sums involved?

The Honourable Dr. John Matthai: No.

Shri R. K. Sidhya: Were they big industrialists or middle class industrialists?

Shri Arun Chandra Guha: Is there any proposal to curtail the activities of the Investigating Commission?

The Honourable Dr. John Matthai: No.

An Honourable Member: May I know whether these 260 lakhs are the agreed amounts and, if so, what is the amount that the Commission determined?

The Honourable Dr. John Matthai: 260 lakhs is the total amount for 98 cases. Out of these 65 cases were agreed to.

Shri Arun Chandra Guha: What is the total amount involved in the remaining 28 cases?

The Honourable Dr. John Matthai: I have not got the information ready. I could get it.

Shri B. Das: May I enquire whether representatives of capitalists and black-marketiers approached the Finance Minister and other high officials for a settlement over unpaid income-tax and wanted a certain settlement by paying up on a percentage basis the amounts agreed upon?

The Honourable Dr. John Matthai: Nobody has approached me, Sir.

Shri Mahavir Tyagi: How much expenditure has been incurred by this Commission?

The Honourable Dr. John Matthai: I could give the information to the Honourable Member, but I have not got it ready here.

Shri P. T. Chacko: May I know whether the Government of India at present have any control over similar Commissions appointed in acceded States?

The Honourable Dr. John Matthai: I am not aware of any Commissions appointed in other States.

Dr. P. S. Deshmukh: Is the Honourable Minister aware if the Commission can go across any honest evaders?

The Honourable Dr. John Matthai: As a matter of fact I do not have any private conversations with the Commission which is doing its work independently as a judicial body.

Shri P. T. Chacko: May I know whether the Government are aware that a similar Commission was appointed in the United State of Travancore and Cochin?

The Honourable Dr. John Matthai: I have no information.

Pandit Balkrishna Sharma: Sometime ago a policy was announced in the House by the Honourable the Finance Minister that the Government of India will do something by which this sort of Commission business will not be required to be brought into action very much and that the capitalists will be given an opportunity to declare their hidden money if any. What steps have the Government taken in that matter?

The Honourable Dr. John Matthai: The schemes contemplated in the proposal are under active consideration.

Shri R. K. Sidhya: May I have some idea of the schemes?

The Honourable Dr. John Matthai: I am not in a position to give any idea at present, because of the stage at which we have arrived in the matter of these proposals. What Government intend to do is to place certain alternative schemes they have in mind before the *ad hoc* Devaluation Committee recently appointed.

Pandit Balkrishna Sharma: Is it a fact that the Government have been considering this sort of proposal for more than six months and no decisions have been arrived at?

The Honourable Dr. John Matthai: I made this announcement on behalf of Government I believe on 5th October.

Shri Ajit Prasad Jain: May I know the date when the policy is likely to be announced?

The Honourable Dr. John Matthai: As soon as the consideration is completed.

Shri Mohan Lal Gautam: Much harm has been done by the dilatory policy of the Government.

The Honourable Dr. John Matthai: I am not aware of it.

Oh. Ranbir Singh: Whether it is a fact that the firms so assessed have ceased to exist under the old names and have started business under new names?

The Honourable Dr. John Matthai: Probably the Commission is aware of that.

RETRENCHMENT

54. Shri R. K. Sidhva: (a) Will the Honourable Minister of Finance be pleased to state the extent of reduction in expenditure in the Central Government during the period from January to October, 1949?

(b) What will be the effect of this retrenchment on the finances of India?

(c) Has any retrenchment in personnel also been effected and if so, what are the details?

(d) Have Provincial Governments also been asked to retrench the allotment of loan for the construction of houses?

(e) What is the latest proposal of Government in regard to giving of loans to Provinces for the construction of houses for refugees?

The Honourable Dr. John Matthai: (a) The required information cannot be ascertained easily without detailed enquiry from all disbursing officers spread over the whole country. Monthly Accounts of expenditure do not represent all the liabilities incurred during the month and a comparison of same would not lead to any definite conclusion. In any case, the accounts for October 1949, are not yet available.

(b) It is not possible to estimate at present.

(c) The information is being collected and will be laid on the table of the House in due course.

(d) A loan of Rs. 2 crores for the Bombay Government provided in the Budget for 1949-50 for Industrial Housing, is not proposed to be given now. The Central Government have no information whether this will lead to any reduction by the Provincial Government in the allotment of loan for construction of houses.

(e) The Ministry of Rehabilitation have set up a Special Committee to advise *inter alia* on the manner and extent of grant of loans to Provinces for the construction of houses for refugees.

Shri R. K. Sidhva: The Honourable Minister in reply to my question has stated that the detailed enquiry throughout the country will take some time, but my question relates to the Central Government. My question is how much reduction has been caused in the expenditure of the Central Government from January to October. Will the Honourable Minister kindly give us the approximate figure, if not the actual?

The Honourable Dr. John Matthai: I think I told the House in the course of my speech on devaluation what exactly is the total amount that we expected to save in revenue and capital expenditure. The Government of India, have introduced schemes for the purpose of implementing their policy. As far as I am in a position today to give any figures, forty crores for 1949-50 and eighty crores for the year 1950-51 are the amounts which we expect to save.

Shri R. K. Sidhva: May I know how much actual retrenchment has been caused by the report of the Economy Committee that was appointed, apart from the other proposals?

The Honourable Dr. John Matthai: The actual amount of saving made during the current year is not possible to arrive at because the monthly accounts of expenditure, as I mentioned in my answer, do not cover all the liabilities incurred. Therefore I am not at present in a position to give the exact figure to the House.

Shri R. K. Sidhva: What is the recommendation of that Committee? What is the total amount that that Committee recommended for retrenchment?

The Honourable Dr. John Matthai: The proposals of that Committee in the first year would have meant a saving of approximately 3½ crores.

Shri R. K. Sidhva: May I know whether that Committee's report will be made available to the Members?

The Honourable Dr. John Matthai: I should be glad to place copies of the report at the disposal of the House.

Shri Arun Chandra Guha: May I know what loans have been granted to the West Bengal and Assam Governments for the construction of houses for refugees?

The Honourable Dr. John Matthai: As regards the loans for the construction of houses for refugees, that is a matter which is the concern of the Ministry of Relief and Rehabilitation.

Sardar Hukam Singh: May I know what policy the Government of India is following in regard to retrenchment? Is it a question of merely last come first out, or is there any other consideration?

The Honourable Dr. John Matthai: Well, as far as saving is concerned, the Government's policy at present is to effect as much saving as possible without causing retrenchment on any large scale, because retrenchment on a large scale is likely to create social and political problems of a difficult character, but it all depends upon the financial position of the Government whether it is necessary to go to the extent of effecting any large scale retrenchment.

Shri Mahavir Tyagi: Do these amounts of forty crores and eighty crores which are expected to be saved comprise capital expenditure or revenue expenditure?

The Honourable Dr. John Matthai: It comprises both.

Shri Mahavir Tyagi: May I know if any reduction in the services also is contemplated with regard to that expenditure which is curtailed on account of capital expenditure?

The Honourable Dr. John Matthai: Necessarily a saving in capital expenditure will also mean a saving in revenue expenditure.

Dr. P. S. Deshmukh: May I know how many offices have been created and also the approximate expenditure involved in connection therewith, ever since the retrenchment drive has been undertaken?

The Honourable Dr. John Matthai: I am not aware of any office created but I would be very glad to provide the Honourable Member with the information required.

Shri M. Tirumala Rao: Has the attention of the Honourable Minister been drawn to an article published in The Economist of London on the top-heaviness of the administration of the Central Government and suggesting a reduction?

The Honourable Dr. John Matthai: I have seen a report in the press of the article which has appeared in The London Economist. I would like to say that as regards the articles relating to India which appear in this journal, I am not in a position to judge the validity of their conclusions because they are not in the habit of giving the evidence on which their conclusions are based. These are somewhat esoteric articles written with a certain squint in their eye.

Shri H. V. Kamath: As a result of the retrenchment in the various Ministries of the Government of India, how many men have been thrown out of employment during the last ten months?

The Honourable Dr. John Matthai: I have not got the information ready here.

Ch. Rabbir Singh: I hope that whatever men are retrenched, the government intends to switch them over to other production schemes, etc.?

The Honourable Dr. John Matthai: This general principle is acceptable to government.

INDIAN DEFENCE MISSION'S TOUR

*55. **Shri R. K. Sidhva:** (a) Will the Honourable Minister of Defence be pleased to state whether the Indian Defence Mission's tour to U.S.A., has been completed?

(b) If so, what are the results of this mission?

(c) What was the object of the mission and have any orders been placed by the mission for arms and ammunition?

The Honourable Sardar Baldev Singh: (a) The Mission returned to India, on 22nd May, 1949.

(b) and (c). The object of the Mission was to study generally the Defence Organisations of the countries visited by it, namely, U.K., U.S.A., Canada and Switzerland.

Shri R. K. Sidhva: Is it not a fact, Sir, that the authorities in America have stated that they would not be in a position to supply any military equipment to the Indian Army in the near future because they require that equipment for the European countries? Is that correct?

The Honourable Sardar Baldev Singh: It is not entirely correct.

Shri R. K. Sidhva: May I know, Sir, what is the correct position?

The Honourable Sardar Baldev Singh: The correct position is that some materials are available, and other materials which are not available cannot be made available in the near future. Naturally they have to meet their own requirements first. When there is a surplus, we hope to get it.

Shri R. K. Sidhva: May I know when it will be forthcoming?

The Honourable Sardar Baldev Singh: I am not in a position to give that information.

Shri R. K. Sidhva: Is it a fact that the Defence Secretary made a statement in Ottawa that he was profoundly impressed by the Canadian defence system of light defence, and that if it could be adopted here, seven lakhs of men could be retrenched in the Indian Army. I want to know, what kind of equipment Government have ordered by which seven lakhs of men could be retrenched?

The Honourable Sardar Baldev Singh: The statement to which reference has been made and which is supposed to have been made by the Defence Secretary has been contradicted.

Shri M. Tirumala Rao: Are heads of Departments authorised to make statements on Government policy?

The Honourable Sardar Baldev Singh: No, Sir.

Shri R. K. Sidhva: The Honourable Minister said that the statement referred to has been contradicted. May I know by whom?

The Honourable Sardar Baldev Singh: The statement is attributed to the Defence Secretary and naturally it was contradicted by him.

DELEGATION TO SECOND WORLD HEALTH ASSEMBLY

*56. **Shri R. K. Sidhva:** (a) Will the Honourable Minister of Health be pleased to state the names of the members of the delegation who attended the Second World Health Assembly of the World Health Organisation held in Rome on 13th June, 1949?

(b) What were the important resolutions passed in this Conference and to what extent will these be implemented as far as India is concerned?

(c) How many sittings of this Conference were held?

(d) What was the expenditure incurred by the Government of India in sending this Delegation?

The Honourable Rajkumari Amrit Kaur: (a) to (d). A statement giving the information required is placed on the table of the House (See Appendix IV, annexure No. 1).

Shri R. K. Sidhva: May I know, Sir, whether any of the meetings of this Conference had to be adjourned for want of a quorum?

The Honourable Rajkumari Amrit Kaur: No, Sir.

Shri R. K. Sidhva: May I know, Sir, whether the Honourable Minister's attention has been drawn to a statement issued by the Minister of Health and Local Administration in the Government of Ceylon to the effect that some of the meetings were deprived of the quorum, owing to the absence of certain members who seemed to be more interested in sight-seeing than in attending the session?

The Honourable Rajkumari Amrit Kaur: I may say, speaking on behalf of the Indian delegation that we were never absent from any of the meetings.

Shri R. K. Sidhva: I want to know who were the members of the delegations who attended these meetings?

The Honourable Rajkumari Amrit Kaur: That is not information that I can furnish to the Honourable Member.

Mr. Speaker: The Honourable Member is going into unnecessary details. He is proceeding with a cross-examination and not asking for any information.

Shri H. V. Kamath: What is India's annual contribution to the W.H.O.?

The Honourable Rajkumari Amrit Kaur: India pays to the W.H.O. according to the schedule which is laid down by the United Nations for and on behalf of all the countries. As to how much we pay to W.H.O., India has been paying about six lakhs a year.

Shri H. V. Kamath: Is India's representation on the W.H.O. or its executive commensurate with the contribution that she pays to the organisation?

The Honourable Rajkumari Amrit Kaur: The benefits that India derives from W.H.O. are very much more than what she pays.

Shri Deakbandhu Gupta: May I ask the Honourable Minister to give the information in reply to part (b) as it involves one figure?

The Honourable Rajkumari Amrit Kaur: Rs. 12,000.

Shri Arun Chandra Guha: May I know what are the benefits that India has derived by attending the W.H.O.?

The Honourable Rajkumari Amrit Kaur: I think it will be best for me perhaps to circulate a small note as to what the W.H.O. does for India, but at the moment we have four teams working in India, one team for V. D., one maternity child welfare team etc. and in addition we are getting 15 scholarships for our people to go abroad for further studies.

Shri H. V. Kamath: In the delegation referred to in part (a) of the question, was any member of the House included apart from the Honourable Minister herself?

The Honourable Rajkumari Amrit Kaur: I may say for the information of the House that delegates to this Conference could only be members of the medical profession or those connected with medical administration in any country.

Shrimati G. Durgabai: May I know from the Honourable Minister whether it is a fact that recently the W.H.O. has contributed to the Tuberculosis Fund which has been started in India? If so, what is the amount?

The Honourable Rajkumari Amrit Kaur: It is wrong to say that the W.H.O. has contributed a certain amount. It is the United Nations International Children's Emergency fund that has contributed this year \$75,000 of which a sum is being spent on Tuberculosis, and I hope to get more for Tuberculosis next year from them.

Shri R. K. Sidhva: The Honourable Minister stated that the cost was Rs. 12,000. May I know whether that represents the total cost or was some other amount contributed by the W.H.O.?

The Honourable Rajkumari Amrit Kaur: Rs. 12,000 refers to the expenditure on the Delegation which is the question that I was asked. Now the contribution of India to the Organization comes under another category and I have already replied to that question.

Shri Arun Chandra Guha: May I ask the Honourable Minister where these units are situated in the country, in which part of the country?

The Honourable Rajkumari Amrit Kaur: Of the Malaria units one is in Madras, one in Mysore, one in Orissa and one in the Nepal Terai area in the U.P.

Begum Alzar Rasni: May I ask whether the teams just mentioned by the Honourable Minister are working free of payment?

The Honourable Rajkumari Amrit Kaur: The cost of the teams work out at approximately 50:50, i.e., 50 per cent. to be given by the W.H.O. and 50 per cent. expenditure undertaken by the Government of India.

PRE-FABRICATED HOUSES

*57. **Shri R. K. Sidhva:** (a) Will the Honourable Minister of Health be pleased to state when pre-fabricated houses will be manufactured by the factory installed in India?

(b) Is it a fact that their manufacture has been delayed and if so, what are the reasons therefor?

(c) What will be the total output of houses per day and how are these likely to be disposed of?

(d) Have Government any definite programme and plan for the utilisation of these houses when manufactured?

The Honourable Rajkumari Amrit Kaur: (a) It is hoped that the factory will be able to start production early in 1950.

(b) Yes. The delay in the manufacture of houses has been due to the following reasons:

- (i) The dock strike in England and congestion in the Bombay Harbour delayed the arrival of machinery in Delhi; (ii) Difficulties in the supplies of essential raw materials have delayed the execution of orders placed with the Indian machinery manufacturers; and (iii) The technical personnel required have not been readily available.

(c) and (d). Sixteen houses per day when the factory is in full production. A statement showing the procedure for allotment of the houses when manufactured is placed on the table of the House. (See Appendix IV, annexure No. 2).

Shri E. K. Sidhva: The Honourable Minister stated that when the machinery arrived in Bombay Harbour there was delay due to congestion. May I know on what day they arrived and when they were delivered here in Delhi.

The Honourable Rajkumari Amrit Kaur: I cannot give the actual date of the arrival, but I believe they arrived sometime towards the end of June and when I arrived back from Europe at the end of July, they were still there and delivery had not been possible. They came here early in August.

Shri E. K. Sidhva: Is it not a fact that there is no congestion in the Bombay docks since the end of July?

The Honourable Rajkumari Amrit Kaur: Yes, but my dates were that they arrived somewhere in June and they were released towards the end of July and arrived in Delhi in August.

Dr. P. S. Deshmukh: Is the retrenchment drive, Sir, calculated to have any healthy repercussions on the programme for pre-fabricated Houses? What is the original capital cost and what is the present cost likely to be when it is completed?

The Honourable Rajkumari Amrit Kaur: These questions have been answered very many times before in this House. The capital expenditure on this factory was in the neighbourhood of 60 to 70 lakhs and the current Budget expenditure is in the neighbourhood of 50 lakhs and next year it will be very much less.

Shri H. V. Kamath: Is it a fact, Sir, that the pre-fabricated houses scheme was submitted by the present Managing Director of the Housing Factory to the Mysore Government some years ago and the Mysore Government discarded it?

The Honourable Rajkumari Amrit Kaur: That, is not the case.

Mr. Frank Anthony: Have any tests been made to ascertain whether these pre-fabricated Houses are suitable for the extremes of climate in India?

The Honourable Rajkumari Amrit Kaur: Due precautions were taken and it is the opinion of the Government that these houses will be absolutely all right for the Indian climate.

Shri H. V. Kamath: On the Board of Directors of the Housing factory, is it a fact that apart from the Managing Director, there is no expert engineer?

Mr. Speaker: Order, order. The Honourable Member is introducing so many inferences in this matter.

Shri Mahavir Tyagi: May I know how the Honourable Minister has managed to keep the scheme from the retrenching eye of the Finance Minister?

Shri H. V. Kamath: Have any experts been recently brought to India from England to expedite the work of the factory?

The Honourable Rajkumari Amrit Kaur: No, Sir, except the technical personnel that have come according to the agreement signed with the factory.

Shri B. K. Sidhva: Has any royalty to be paid to the contractors and if so, what is the amount of royalty?

The Honourable Rajkumari Amrit Kaur: There is no royalty paid to the contractors.

Shri Jainarain Vyas: May I ask the Honourable Minister whether she knows that the lime-gumite houses constructed at Erinpura and other places are cheaper than the pre-fabricated houses?

Mr. Speaker: Order, order.

Shri B. K. Sidhva: The Honourable Minister stated that there was no royalty but on an examination of the agreement here I find that the licensee gets a royalty varying from Rs. 5 per square to Rs. 4 per square. May I know whether that is correct or what she stated is correct? She said that there is no royalty, but the agreement says a royalty has to be paid.

Shri L. Krishnaswami Bharathi: What is it that the Honourable Member is reading from?

Shri B. K. Sidhva: I am reading from the agreement executed by the Contractors and this is an agreement entered into between the manufacturers and the Government of India.

Mr. Speaker: He will get the information later.

NAVAL SHIPS

†*58. **Shri B. K. Sidhva:** (a) Will the Honourable Minister of Defence be pleased to state the number of naval ships purchased by the Government of India during the year 1949? How many ships have actually arrived and how many are yet to arrive in India?

(b) How many of these are destroyers, how many cruisers and how many belong to other categories?

(c) What is the total number of such naval ships purchased after the Independence from foreign countries and what is their total value?

The Honourable Sardar Baldev Singh: (a) and (b). Three Destroyers. They are expected in India within the next month or two.

(c) The total number of ships acquired after Independence is seven. Their total value is about Rs. 248 lakhs.

PRIVILEGE TICKET ORDERS

*59. **Shri Mahavir Tyagi:** (a) Will the Honourable Minister of Home Affairs be pleased to state the circumstances under which privilege ticket orders (P.T.O.) are issued to the employees of the Government of India?

(b) What is the total amount spent by Government during the period from 1st April, 1948 to 31st March, 1949 on this item?

(c) What was the number of employees and their relatives who availed of this privilege?

† Answer to this question laid on the table, the questioner having exhausted his quota.

The Honourable Sardar Vallabhbhai Patel: (a) The P.T.O. concession was introduced on the recommendation of the Central Pay Commission to enable the civil Central Government servants to travel once a year for rest and recreation. The concession has since been suspended for one year with effect from the 5th October, 1949.

(b) and (c). The information is not readily available.

Sardar Hubam Singh: How much money has been saved on account of the suspension of the P.T.O. concession?

The Honourable Sardar Vallabhbhai Patel: The information is not available.

GOLD SMUGGLING

*60. **Dr. Mono Mohon Das:** (a) Will the Honourable Minister of Finance be pleased to state as to how many cases of smuggling of gold into India have been detected from 15th August, 1947 to date?

(b) What is the total amount of gold recovered from smugglers?

(c) How many Indians and non-Indians have been convicted for gold smuggling?

(d) Which are the main ports of India where gold smuggling is carried on?

The Honourable Dr. John Matthai: (a) 751 cases of smuggling of gold into India were detected from the 15th August, 1947 to the 30th September, 1949.

(b) The total quantity of gold recovered during the period was 79,030 tolas.

(c) Indians—402; Non-Indians—231.

(d) The main ports through which gold smuggling is carried on are Bombay and Calcutta.

Dr. Mono Mohon Das: What are the factors which inspire these gentlemen to carry on smuggling activities?

Mr. Speaker: The Honourable Minister does not know the mind of the gentlemen concerned. The Honourable Member can ask for information if any.

Shri B. K. Sidhva: What is the amount of gold recovered?

Mr. Speaker: The Honourable Minister said that it was 70,000 tolas.

MAJOR GENERAL EL EDROOS

*61. **Dr. Mono Mohon Das:** (a) Will the Honourable Minister of States be pleased to state whether Major General El Edroos is still in Hyderabad?

(b) If so, is he still holding the same post in the Hyderabad Army which he held before?

The Honourable Sardar Vallabhbhai Patel: (a) Yes.

(b) No. He has retired from the Hyderabad Army with effect from 1st October, 1949.

Dr. Mono Mohon Das: Was there any service term between the Nizam Government and Maj.-Gen. El Edroos?

The Honourable Sardar Vallabhbhai Patel: He was in the regular service of the Hyderabad Government.

Dr. Mono Mohon Das: May I know whether he has left any property in Hyderabad?

The Honourable Sardar Vallabhbhai Patel: Not that I know of. He has no immovable property.

Shri H. V. Kamath: How many officers and men who served in the Hyderabad army before our police action still continue to serve in that State's armed forces?

The Honourable Sardar Vallabhbhai Patel: That question does not arise out of this.

ORIGINAL WRITINGS OF MAHATMA GANDHI

***62. Dr. Mono Mohon Das:** (a) Will the Honourable Minister of Education be pleased to state whether the original writings of Mahatma Gandhi have been placed in the National Archives of India?

(b) Is it the policy of Government to preserve the original writings of great Indian writers in the National Archives of India?

The Honourable Shri Satyanarayan Sinha (Minister of State for Parliamentary Affairs): (a) No, Sir.

(b) No, Sir. The primary object of the National Archives is the preservation, publication and study of records of the Government of India.

Dr. Mono Mohon Das: May I know whether any arrangement has been made for the exhibition of the original writings of Mahatma Gandhi?

The Honourable Shri Satyanarayan Sinha: Yes, Sir. For some time past the Government has been considering the collection of his writings for the National Archives of India but the Memorial Trust which was consulted in the matter have decided to establish a national museum where they are going to collect all the writings and other materials relating to Mahatma Gandhi.

Dr. Mono Mohon Das: Do Government propose to make some provision for the collection and preservation of the writings of other great authors of this country?

The Honourable Shri Satyanarayan Sinha: No. At present accommodation is not available in the National Archives.

Ch. Ranbir Singh: Do Government propose to make some contribution to the Memorial Trust for it?

The Honourable Shri Satyanarayan Sinha: I do not think it stands in need of any.

Shri Ajit Prasad Jain: Is there not any building available which may be added to the National Archives, where papers and documents may be lodged?

Mr. Speaker: It does not arise out of this question.

HOMOEOPATHIC ENQUIRY COMMITTEE

***63. Shri Satis Chandra Samanta:** (a) Will the Honourable Minister of Health be pleased to state when the report submitted by the Homoeopathic Enquiry Committee is going to be published?

(b) What are the main recommendations of the Committee?

(c) What steps do Government propose to take to implement their recommendations?

The Honourable Rajkumari Amrit Kaur: (a) The report of the Homoeopathic Enquiry Committee was published on the 17th October, 1949.

(b) The main points in the report are summarised at pages 54 to 73 of the Report copies of which are available in the Library of the House.

(c) The Report is under consideration and a decision regarding the action to be taken will be reached as soon as possible.

Shri H. V. Kamath: Has the report been brought up before the Standing Committee of the Ministry of Health?

The Honourable Rajkumari Amrit Kaur: Not yet.

Shri H. V. Kamath: Why not?

Shri Deshbandhu Gupta: How long will it take Government to form their opinion?

The Honourable Rajkumari Amrit Kaur: Government will try to be as expeditious as possible in this regard.

Shri R. K. Sidhva: What is the meaning of "as expeditious as possible" in the Government dictionary?

An Honourable Member: Ten years!

Shri M. Tirumala Rao: What is the agency which considers this report in the Ministry of Health? Are there any experts in Homoeopathy in the Health Ministry to consider the report?

The Honourable Rajkumari Amrit Kaur: The committee that was appointed had homoeopaths serving on it and as such the report naturally contains the opinion of homoeopaths. The Government consider the report at the Centre and it is circulated to all provinces for their consideration. As soon as their replies are received further consideration is given and the Standing Committee of the Ministry of Health is also then consulted.

I.A.S. AND I.P.S.

*64. **Shri Satis Ohandra Samanta:** (a) Will the Honourable Minister of Home Affairs be pleased to state the number of (i) candidates who have appeared for the I.A.S. and I.P.S. examinations since 1947; and (ii) successful candidates?

(b) What is the number absorbed in the administration (i) from successful candidates; and (ii) by nomination?

The Honourable Sardar Vallabhbhai Patel: (a) and (b). A statement giving the information is laid on the table of the House (See Appendix IV, annexure No. 3).

NATIONAL CADET CORPS

*65. **Shri H. V. Kamath:** Will the Honourable Minister of Defence be pleased to state:

(a) the present strength of the senior and junior divisions of the National Cadet Corps, in each of the provinces;

(b) whether the Corps has been organized in any of the States; if not, why not; and

(c) whether the Girls' Division of the National Cadet Corps will be organized shortly, and if so, when?

The Honourable Sardar Baldev Singh: (a) I lay a statement on the table of the House. (See Appendix IV, annexure No. 4.)

(b) The N.C.C. has been organized in all States except the Patiala and East Punjab States Union, Hyderabad and Kashmir. The P.E.P.S.U. Government will be raising their units in 1950.

(c) Three units of the Girls' Division have been raised this year in Calcutta, Nagpur and Ludhiana as an experimental measure in the first instance.

Shri H. V. Kamath: What has been the response to the organisation of the Girls' Division? How many girls have joined?

The Honourable Sardar Baldev Singh: The total number that was required to constitute these units has been forthcoming and there has been no difficulty.

Shri H. V. Kamath: How many women were trained at headquarters for this corps?

The Honourable Sardar Baldev Singh: None were trained at the headquarters except the instructors. It is not possible for me to give the number of officers who were trained at the headquarters but if the honourable member wishes to know I shall get the information.

Shrimati G. Durgabai: May I know whether the girls that are enrolled to the N.C.C. units are only from the high schools or colleges or is the help of other women's organisations sought in the matter?

The Honourable Sardar Baldev Singh: It depends on the division. If they are required in the junior division they are enrolled from schools and if for the senior division they are enrolled from the colleges.

Shri Ajit Prasad Jain: What is the scope of the word "girl" here? What is the age span included there? Does it include spinsters also?

Shri Arun Chandra Guba: Do the Government consider the political inclination or affiliation of the recruits before taking them on the N.C.C.

The Honourable Sardar Baldev Singh: I do not know what the honourable member means by political inclinations but certainly some kind of scrutiny is made. But as far as the National Cadet Corps is concerned we are not very particular, because it is not a regular enrolment in the armed forces.

Sardar Bhopinder Singh Man: Why has the N.C.C. so far not been organised in the P.E.P.S.U.?

The Honourable Sardar Baldev Singh: There are so many difficulties. First of all we have got to train the instructors. Unless the instructors are available the scheme cannot be started.

Shri H. V. Kamath: Is the kind of training imparted to girls different from that imparted to boys?

The Honourable Sardar Baldev Singh: Yes, certainly.

Mr. Speaker: Honourable Members will not begin to ask questions unless they are called upon; otherwise it creates a great deal of difficulty.

Shrimati G. Durgabai: Is it the intention of the Government to confine the enrolment only to high schools and colleges? Will the Honourable Minister consider the desirability of consulting the All-India Women's Conference so as to give an impetus to the enrolment?

The Honourable Sardar Baldev Singh: The Honourable member's question is not quite clear. When this Bill was introduced in this House I made it quite clear that in the beginning we have to confine the enrolment to schools and colleges. When the experiment has succeeded we can then think of expanding the scope.

Sh. Ranbir Singh: Do the Government propose to help the P.E.P.S.U. to organise the N.C.C.?

The Honourable Sardar Baldev Singh: I have stated in reply to part (b) of the question that the P.E.P.S.U. Government is organising one unit in 1950.

Shri M. Tirumala Rao: Will Government consider the desirability of recruiting girls from institutions other than recognised schools who are conducting educational institutions?

The Honourable Sardar Baldev Singh: It all depends on where the unit has been started. All the local colleges or schools can certainly take part in it.

Shri Mahavir Tyagi: Is there any possibility of the rural boys also participating in the scheme?

The Honourable Sardar Baldev Singh: Yes, if the rural boys are studying in those schools.

Shri S. V. Krishnamoorthy Rao: May I know why Girls' Divisions have not been organised in South India?

The Honourable Sardar Baldev Singh: There is no restriction in starting Girls' Divisions anywhere. The difficulty is about Instructors. When Instructors are available and the experiment of raising the Girls' Division is successful in these three places, we will start it in South India and at other places also.

WORLD BANK LOAN

***66. Shri H. V. Kamath:** Will the Honourable Minister of Finance be pleased to state:

(a) whether it is a fact that loans have been granted by the World Bank to India recently;

(b) if so, the amount of each loan, and the terms on which each has been advanced; and

(c) the purposes for which the loans will be utilized by Government?

The Honourable Dr. John Matthai: (a) to (c). As the Honourable Member is aware, I am bringing a motion for consideration, dealing with our loan transactions with the International Bank before the House and in the course of discussion of that motion. I shall deal with the points raised in this question.

Shri R. K. Sidhva: May I know the rate of interest?

Mr. Speaker: That will be left to the motion.

COMMON COMMONWEALTH COMMERCIAL POLICY

***67. Shri R. L. Malviya:** (a) Will the Honourable Minister of Finance be pleased to state if there has recently been any exchange of notes between the Governments of India and Pakistan on devaluation of the rupee?

(b) Has any decision been reached on the subject?

(c) Have the Government of India been approached by other commonwealth countries with a view to formulate a common commercial policy to face problems arising out of devaluation?

(d) If so, will any steps be taken accordingly?

The Honourable Dr. John Matthai: (a) and (b). Some communications have been exchanged and informal talks have taken place on the subject of holding an Inter-Dominion Conference to consider the issues arising out of Pakistan's decision. The matter is still under correspondence.

(c) No, Sir.

(d) Does not arise.

SALE OF GOLD

***68. Shri R. L. Malviya:** Will the Honourable Minister of Finance be pleased to state whether there has been any depreciation in bullion prices on account of the recent open market operations by the Reserve Bank of India?

The Honourable Dr. John Matthai: Bullion prices have fallen by about Rs. 25 per 100 tolas in the case of silver and about Rs. 4 per tola in the case of gold.

ELECTORAL ROLLS IN HYDERABAD

*69. **Seth Govind Das:** Will the Honourable Minister of States be pleased to state:

(a) whether it is a fact that electoral rolls for the election to the Constituent Assembly are ready in Hyderabad;

(b) whether it is a fact that conditions have returned to normal in the State; and

(c) if so, what steps are Government taking to hold elections to the Constituent Assembly of Hyderabad?

The Honourable Sardar Vallabhbhai Patel: (a) The electoral rolls are almost complete.

(b) Yes.

(c) All necessary steps are being taken to hold the elections to the Constituent Assembly of Hyderabad by March 1950.

NEPOTISM IN STATES

*70. **Seth Govind Das:** Will the Honourable Minister of States be pleased to state:

(a) whether Government are aware that many public appointments made in the integrated States and the Unions of such States are not based on any competitive examination or suitable selection according to established practices; and

(b) the steps the States Ministry propose to take to safeguard appointment of efficient officers by established practices?

The Honourable Sardar Vallabhbhai Patel: (a) I am not clear whether the Honourable Member is referring to established practice in the Provinces or in the States. As far as I am aware, the appointments have been made in accord with the established practice in the States. The Honourable Member is doubtless aware that in a large majority of the States, the system of recruitment by competitive examination did not exist.

(b) The Governments of these Unions have agreed to take part in the scheme for the extension of the Indian Administrative Service and to this extent, in due course, a certain number of posts in each Union will be filled by recruits to the Indian Administrative Service. For the rest a Public Services Commission has been established in all the Unions, except Vindhya Pradesh. These Commissions have been entrusted with the necessary powers under properly framed rules and the Government of India have taken adequate steps to see that the Commissions' work is effective. The appointment of the Chairman and Members of the Public Service Commission in each Union will be made by or with the approval of the Government of India. Pending a decision on the future of Vindhya Pradesh, a Public Service Commission has not yet been formed in that Union.

ELECTORAL ROLLS IN STATES

*71. **Seth Govind Das:** Will the Honourable Minister of States be pleased to state the steps being taken by the Government of India to get electoral rolls prepared in the various States and States Unions and the time by which elections are expected to take place there?

† Answer to this question laid on the table, the questioner being absent.

The Honourable Sardar Vallabhbhai Patel: Apparently the Honourable Member is referring to elections under the new Constitution. It is understood that instructions in regard to the preparation of electoral rolls have been issued by the Secretariat of the Constituent Assembly and that progress is satisfactory.

ECONOMY IN MINISTRY OF DEFENCE

***72. Shri Basanta Kumar Das:** (a) Will the Honourable Minister of Defence be pleased to state whether any measures of economy have been introduced in the Ministry of Defence?

(b) If the answer to part (a) above be in the affirmative, what are the particular items affected and what are the respective amounts saved?

The Honourable Sardar Baldev Singh: (a) Yes:

(b) The Ministry of Defence is subject to the same cuts and economies as are enforced in the case of all other Ministries of the Central Government, namely 5 per cent. on pay and allowances and 10 per cent. on Travelling Allowances and Contingencies. Every effort will be made to secure further economies if they are found to be possible.

Shri H. V. Kamath: Is the Honourable Minister in a position to assure the House that any economies effected with regard to the Army will not lead to a deterioration in the efficiency or morale of the Army?

The Honourable Sardar Baldev Singh: Yes, Sir. That is the first consideration.

Shri Mohan Lal Gautam: Is it not a fact that the question of economy in this Department is under the consideration of the Standing Committee of the Legislature for Defence?

The Honourable Sardar Baldev Singh: I am not aware of any such proposal. But the economies have already been effected, and as I have stated, the general economy rule of 5 per cent. and 10 per cent. applies to this Ministry also.

Prof. N. G. Ranga: How much does it come to? What is the estimate of the approximate economy?

The Honourable Sardar Baldev Singh: I have not got the approximate figures here. And it will be difficult for me to give the figures straightaway. It will be possible after a month or two when we have the actual figures.

Shri Basanta Kumar Das: Has there been any reduction in the staff?

The Honourable Sardar Baldev Singh: Economy includes to some extent reduction in staff also.

Dr. Mono Mohon Das: May I know which of the three units of the Defence Forces—the Army, the Navy and the Air Force—has suffered or has been affected most by this financial cut?

The Honourable Sardar Baldev Singh: If the Honourable Member will refer to the question it only asks for information about the economy effected in the Defence Ministry and not in the three units of the Defence Forces.

Shrimati Renuka Ray: May I ask what attempts have been made to bring about any economy in the Supply Stores which consume a considerable portion of Defence expenditure?

The Honourable Sardar Baldev Singh: There are no Supply Stores as far as the Ministry of Defence is concerned. This question should be addressed to the proper Ministry.

Mr. Frank Anthony: Is it a fact that because of the false economy in the matter of officers' salaries which is practised, the number of offences such as misappropriation of money is on the increase among officers of the Indian Army?

The Honourable Sardar Baldev Singh: This question does not cover the salaries of the officers—it refers to the Defence Ministry only.

Shri Arun Chandra Guha: Is there any proposal to retrench temporary commissioned officers?

The Honourable Sardar Baldev Singh: I am not aware of any proposal for the retrenchment of officers holding temporary commissions. But such officers as are surplus to our requirements are naturally retrenched.

BANK FAILURES

*73. **Shri Arun Chandra Guha:** (a) Will the Honourable Minister of Finance be pleased to state the number of scheduled banks that have suspended their activities in West Bengal?

(b) How many of these have gone into liquidation and how many are under moratorium?

(c) What is the amount of the deposits involved in those banks and what is the number of depositors?

(d) What were the assets of those banks when they had stopped payments?

(e) Have Government enquired into the cause of these bank failures?

(f) Has any Managing Director, or Manager or the principal officer of these banks been prosecuted?

(g) Has any enquiry into the private assets of these men been made?

The Honourable Dr. John Matthai: (a) Five Scheduled Banks have suspended payment in West Bengal since September, 1948.

(b) According to the information available, the Calcutta High Court has directed the winding up of one bank and has passed orders directing the appointment of liquidators in respect of three other banks without prejudice to the question of sanctioning their schemes of arrangement with the creditors and shareholders. One bank is at present working under moratorium pending sanction of a scheme of arrangement.

(c) Information regarding the number of depositors is not available but the total amount of deposits in India involved in these banks is about Rs. 538.15 lakhs.

(d) The total book value of the assets of the five banks in India was about Rs. 672.66 lakhs, but the realisable value of these assets is probably much less.

(e) The main causes for the failure of these banks were lack of experience and trained staff, over-extended loan portfolios, policy of reckless branch expansion, declaration of high rates of dividend despite poor reserves and large capitalised expenses, speculative transactions in Government securities, and unsound policy followed in granting loans and advances.

(f) According to a press report the Managing Director, Cashier and General Manager of one Bank, along with five others, are being prosecuted by the Calcutta police for committing acts of misappropriation of the bank's funds to the extent of Rs. 181.22 lakhs. Government have no information in respect of the other four banks.

(g) Government have no information.

Shri Arun Chandra Guha: The Honourable Minister has stated that the proposal for the reorganisation of one bank is now under consideration. Will the Government see that this bank, if revived, is not placed under the same old management?

The Honourable Dr. John Matthai: Which bank is the Honourable Member referring to?

Mr. Speaker: The one under moratorium.

The Honourable Dr. John Matthai: As far as that is concerned, they proposed a scheme of arrangement which has been rejected by the Reserve Bank.

Shri Arun Chandra Guha: What about the other banks now under moratorium?

The Honourable Dr. John Matthai: There is only one bank now under moratorium. As I stated in my answer, one bank has been directed to be wound up. There are three banks in respect of which liquidators have been appointed.

Shri Arun Chandra Guha: What is the arrangement with regard to the banks which have not yet been ordered to be wound up?

The Honourable Dr. John Matthai: As regards the three banks, schemes of arrangement with the creditors and shareholders have been approved by the Reserve Bank of India, but orders of the High Court are being awaited.

Shri Arun Chandra Guha: Even in those cases, if those banks are revived, will Government see that the same old management is not put in charge?

Mr. Speaker: Order, order. The question is hypothetical.

Sardar Bhopinder Singh Man: Is it a fact that the non-payment of pre-emption dues by the Government of India to these banks has resulted in many cases to their failure?

The Honourable Dr. John Matthai: I am not aware of it.

Prof. N. G. Ranga: What steps were taken by the Reserve Bank of India in order to see that these banks would not fail in the manner in which they have failed—considering the fact that the Reserve Bank of India must have known the defects to which the Honourable Minister had alluded.

The Honourable Dr. John Matthai: As a matter of fact, the position with regard to these banks is this. All these irregularities occurred before we passed the Banking Companies Act here. The Banking Companies Act now confers upon the Reserve Bank, in my opinion, effective powers in order to prevent happenings of this kind in future.

Prof. N. G. Ranga: Whose is the responsibility to see whether the others also could not be prosecuted and brought to book in the same way as the managers and other people of the one bank had been prosecuted?

The Honourable Dr. John Matthai: That is a matter that rests entirely with the West Bengal Government and the Calcutta High Court.

Shri Arun Chandra Guha: Will the Government press upon the West Bengal Government the urgency of the case so that they may take up enquiry into all these cases?

Mr. Speaker: Order, order. He is making a suggestion for action. He might ask for information.

Shri R. K. Sidhva: May I ask whether the Reserve Bank had made any inspection of this bank and if so with what result? Did they make any note during their inspection as required under the Reserve Bank Act?

The Honourable Dr. John Matthai: These banks suspended payments before the Banking Companies Act came into operation. Since then the Reserve Bank has conducted a thorough inspection of all these banks and the causes that I mentioned in my reply for the failure of these banks are a summary of the report submitted by the Reserve Bank inspector.

Shri R. K. Sidhva: May I know whether prior to the failure of these banks the inspector has carried out inspection?

Mr. Speaker: The position has been explained. The causes for failure came into existence prior to the passing of the Banking Companies Act which gave powers to the Reserve Bank to inspect.

Shri M. Tirumala Rao: May we know the name of the Bank whose directors have misappropriated about Rs. 180 lakhs?

The Honourable Dr. John Matthai: It is the Calcutta Commercial Bank.

Shri Arun Chandra Guha: Is the Government satisfied that there was no case of *malis fides* on the part of the Managers or Managing Directors of those banks?

Mr. Speaker: Order, order, a question of opinion again.

Shri Kishorimohan Tripathi: In the case of banks under liquidation, what steps do Government propose to take to expedite liquidation and thus safeguard the interests of the depositors?

Mr. Speaker: The matter is *sub judice*. It is entirely in the hands of the High Court.

Sardar Bhopinder Singh Man: Is there any information as to the number of non-scheduled banks that have collapsed in West Bengal?

The Honourable Dr. John Matthai: I have no information.

Shri Arun Chandra Guha: The Honourable Minister has given figures to show that the book value of the assets of these banks is rather higher than the total deposits. Will the Government see that the depositors may get their proportionate share from this money?

Mr. Speaker: It is not a matter for Government. The matter is *sub judice*, liquidation proceedings are taking place and the High Court will do the whole thing now.

Shri Arun Chandra Guha: Sir, during the liquidation process the entire assets may be eaten up.

Mr. Speaker: Order, order. Whatever it is, it is a matter for the High Court.

Shri Arun Chandra Guha: The Reserve Bank and the Government of India can interfere.

Mr. Speaker: No arguments on that. He may put questions asking for information.

AYURVEDIC SYSTEM

*74. **Shri Kishorimohan Tripathi:** (a) Will the Honourable Minister of Health be pleased to state whether the Government of India have taken any decision to recognise the Ayurvedic System of Medicine and to provide facilities for training in Ayurveda to those who desire?

(b) What were the salient features of the recommendations of the Chopra Committee as regards recognising Ayurveda as a System of Medicine in India?

(c) How many of the members, if any, on the Chopra Committee were purely Ayurvedic physicians?

The Honourable Rajkumari Amrit Kaur: (a) A statement showing the views of the Government of India on the main recommendations of the Chopra Committee is placed on the table of the House. (See Appendix IV, annexure No. 5). The Governments of the provinces and States are being consulted.

(b) A summary of the recommendations of the Chopra Committee will be found in Chapter XIII of Vol. I of their report copies of which are available in the Library of the House.

(c) The attention of the Honourable Member is invited to the replies given by me to part (b) of Starred Questions Nos. 74 and 85 asked by Dr. V. Subramaniam and Shri R. V. Dhulekar on the 19th November, 1947.

Shri Kishorimohan Tripathi: Has the Committee specifically recommended the establishment of a Government Research Institute for carrying on research in Ayurveda?

The Honourable Rajkumari Amrit Kaur: That is one of the recommendations.

Shri Deshbandhu Gupta: Have Government formulated their views about these recommendations?

The Honourable Rajkumari Amrit Kaur: I have just stated in reply to part (a) that a statement showing the views of the Government of India on the main recommendations is placed on the table of the House.

Shri M. Tirumala Rao: With regard to part (b), the Honourable Minister stated that Government are consulting the Provincial Governments. Are Government aware that the Minister in charge of Health in the Madras Province is a confirmed and unrelenting opponent of Ayurveda and no useful purpose will be served?

Mr. Speaker: Order, order. I would not allow that question.

Shri P. T. Chacko: As regards the facilities, may I know whether Government are maintaining any garden where medicinal plants are grown?

The Honourable Rajkumari Amrit Kaur: The Central Government is not maintaining any such garden.

Shri H. V. Kamath: Does the Government propose to provide any facilities or grant for research in well-established Ayurvedic Universities such as the one at Jhansi?

The Honourable Rajkumari Amrit Kaur: All this will come up for consideration when the Provinces and States have replied as to what their views are in regard to the policy which has been formulated by the Government of India.

Prof. N. G. Ranga: Have Government accepted the recommendation made by this Committee to establish a Central Research Institute?

The Honourable Rajkumari Amrit Kaur: You will find all this given in the statement that has been placed on the table of the House. Government would like to have a Central Research Institute.

SCIENTIFIC MANPOWER COMMITTEE

*75. **Shri V. C. Kesava Rao:** (a) Will the Honourable Minister of Education be pleased to state whether the Scientific Manpower Committee has submitted its final report?

(b) What are its main recommendations?

(c) What steps are proposed to be taken to implement them?

The Honourable Shri Satyanarayan Sinha (Minister of State for Parliamentary Affairs): (a) Yes.

(b) A summary of the recommendations of the Scientific Manpower Committee is placed on the table of the House. (See Appendix IV, annexure No. 6.)

(c) The final report of the Committee is under the consideration of Government. In pursuance of the interim recommendations made by the Committee in July, 1947 provision was made in the current year's budget for operating a scheme of practical training stipends for students and for the institution of research training scholarships and for development of research training facilities in Universities and other educational institutions. Preliminary arrangements for the establishment of the Eastern Higher Technical Institution at Hijli (District Khargpur) have also been completed.

The Council of Scientific and Industrial Research has been entrusted with the compilation of the National Register of Scientific and Technical personnel of India and over 30,000 persons have so far registered themselves with the Council. The first two volumes of the Register are expected to be published shortly.

Due to financial stringency it is most unlikely that Government will undertake any new schemes arising out of the final recommendations of the Committee, which involve financial commitments.

Prof. N. G. Ranga: What steps are being taken by Government in order to see that a good portion at least of these 30,000 people who have registered themselves are placed in suitable positions?

The Honourable Shri Satyanarayan Sinha: The matter is under consideration.

Dr. P. S. Deshmukh: Has the Government taken any steps to see that scientific people are not removed from their present jobs and put into administrative jobs?

The Honourable Shri Satyanarayan Sinha: Notice.

LOAN TO MADRAS GOVERNMENT

***76. Shri V. C. Kesava Rao:** Will the Honourable Minister of Finance be pleased to state whether any request has been received from the Government of Madras for a major loan for the development of the province?

The Honourable Dr. John Matthai: No request of this nature was received but a provision of a loan of Rs. 6 crores to the Government of Madras was made in the Central Government's budget for 1949-50 and this provision has now been omitted, as a result of a review of the ways and means position of the Central Government.

Shri V. C. Kesava Rao: In view of the fact that the Madras Government is spending a lot of money on prohibition, will Government consider the possibility of giving a loan to the Madras Government?

The Honourable Dr. John Matthai: As far as I understand, the Madras Government has found money for various schemes like the nationalization of electric supply companies.

Shri H. V. Kamath: Have Government made it clear to the Madras Government that unless they go slow with regard to certain other projects, it would be difficult for them to obtain major loans from the Central Government?

Mr. Speaker: It is both an argument and a suggestion for action.

The question hour is over.

(b) WRITTEN ANSWERS

NAWAB MOIN NAWAZ JUNG

***77. Shri B. N. Munavalli:** Will the Honourable Minister of States be pleased to state:

(a) whether it is a fact that the former Finance and Foreign Minister of Hyderabad State, Nawab Moin Nawaz Jung was entrusted with money by

H.E.H. the Nizam of Hyderabad in September 1949, when he was heading a delegation to the U. N. Assembly;

(b) if so, what the amount is; and

(c) whether the Nizam of Hyderabad has proceeded against Nawab Moin Nawaz Jung in courts of law, to recover the said amount?

The Honourable Sardar Vallabhbhai Patel: (a) and (b). Yes; an amount of £4,11,065 was transferred by the then Hyderabad Agent General in the United Kingdom to the joint account of Nawab Moin Nawaz Jung and Zahir Ahmed in the Barclay's Bank, London, for expenses in connection with the Hyderabad, Delegation to the U. N. Assembly.

(c) Yes.

ARMED FORCES UNIFORMS

*78. **Shri B. N. Munavalli:** Will the Honourable Minister of Defence be pleased to state:

(a) whether Government intend to make any important changes in the uniforms, worn by the Indian Armed Forces; and if so, when; and

(b) what those changes are?

The Honourable Sardar Baldev Singh: (a) and (b). Yes, the changes will be made on the inauguration of the new Constitution. An announcement will be made giving details of these changes as soon as they are finalised and all connected preliminary arrangements are completed.

USE OF WORD 'ROYAL'

*79. **Shri B. N. Munavalli:** Will the Honourable Minister of Defence be pleased to state whether Government intend to remove the word 'Royal' from R.I.A.F., R.I.N. and Royal Units of the army; and if so, from what date?

The Honourable Sardar Baldev Singh: Yes, the changes will be made on the inauguration of the new Constitution. An announcement will be made giving details of these changes as soon as they are finalised and all connected preliminary arrangements are completed.

NIZAM'S GOLD

*80. **Shri B. N. Munavalli:** (a) Will the Honourable Minister of Finance be pleased to state whether it is a fact that the Reserve Bank of India offered gold for sale, on behalf of H.E.H. the Nizam of Hyderabad?

(b) If so, what is the quantity of gold so offered for sale?

The Honourable Dr. John Matthai: (a) Yes. I would invite the attention of the Honourable Member to the press communiques issued by the Reserve Bank of India in this connection on the 7th and 8th October, 1949.

(b) The total quantity of gold sold up to the 4th November 1949, was 70.500 tolas. I regret I am not in a position to indicate the total quantity to be offered for sale.

MOTOR ACCIDENTS

*81 { **Sjt. Kuladhar Chakha:**
Shri Lakshminarayan Sahu:

Will the Honourable Minister of Home Affairs be pleased to state:

(a) the number of motor accidents which occurred in Delhi City during the current year, month by month;

- (b) the number of persons killed;
- (c) the number of people disabled;
- (d) the number of people injured; and
- (e) whether these accidents were covered by the Third Party Insurance?

The Honourable Sardar Vallabhbhai Patel: (a) to (d). A statement containing available information is laid on the table of the House (*See* Appendix IV, annexure No. 7). I regret we do not have figures of disabled persons.

- (e) Yes.

COMMUNISTS

*82. **Shri Ajit Prasad Jain:** Will the Honourable Minister of Home Affairs be pleased to state:

- (a) the regions and localities in the Indian Dominion which are the stronghold of the Communists;
- (b) the nature, method and extent of the trouble being caused by them;
- (c) the steps taken to combat the conditions created by the Communists; and
- (d) the amount of success so far obtained in combating Communism?

The Honourable Sardar Vallabhbhai Patel: (a) and (b). I would invite the Honourable Member's attention to the pamphlet entitled *Communist Violence in India* recently issued by the Ministry of Home Affairs, copies of which were circulated to the Honourable Members and are also placed in the Library of the House.

(c) and (d). So far as Provinces are concerned, it is for the Provincial Governments concerned to take such action as may be necessary. As regards the centrally-administered areas, there is no appreciable Communist trouble in these areas but, whenever necessary, precautionary measures such as preventive detention are taken by Government. The situation is well under control.

I.C.S., I.P. AND INDIAN POLITICAL SERVICE

*83. **Lala Raj Kanwar:** Will the Honourable Minister of Home Affairs be pleased to state:

- (a) the total number of I.C.S., I.P. (Indian Police) and the Indian Political Service officers still serving under the Central Government, Provincial Governments, Centrally administered areas and Unions of Indian States;
- (b) the date by which the last of these Officers is likely to retire in the normal course; and
- (c) whether any of these Officers were given the option of joining the Indian Administrative Service; and if so, with what result?

The Honourable Sardar Vallabhbhai Patel: (a) A statement giving the information is laid on the table of the House. (*See* Appendix IV, annexure No. 8).

- (b) In 1979.
- (c) No.

INDIAN ADMINISTRATIVE SERVICE

*84. **Lala Raj Kanwar:** Will the Honourable Minister of Home Affairs be pleased to state:

- (a) the total number of Officers recruited to the Indian Administrative Service since the 15th August 1947; and

- (b) how many of them were appointed—
- (i) from the Provincial Civil Service,
 - (ii) from among Military Service men,
 - (iii) from among the political sufferers,
 - (iv) from among the refugees,
 - (v) after interview by the Federal Public Service Commission or any Special Board or Committee appointed for the purpose,
 - (vi) after Competitive Examination, and
 - (vii) on other considerations without any interview or competitive examination?

The Honourable Sardar Vallabhbhai Patel: (a) and (b). A statement giving the information is laid on the table of the House. (*Vide* Appendix IV, annexure No. 9).

RETIRED GOVERNMENT SERVANTS

***85. Lala Raj Kanwar:** Will the Honourable Minister of Home Affairs be pleased to state:

(a) the total number of retired officers appointed to Gazetted posts in the various Ministries of the Government of India and Attached offices since 15th August, 1947; and

(b) the total number of retired officials similarly appointed to non-gazetted posts?

The Honourable Sardar Vallabhbhai Patel: (a) Seventy-nine. Out of these seventeen persons have since been discharged.

(b) Fifty. Out of these five persons have since been discharged.

WATER SHORTAGE IN DELHI

***86. Sardar Bhopinder Singh Man:** Will the Honourable Minister of Health be pleased to state:

(a) whether it is a fact that Delhi experienced water shortage in summer during the years 1948 and 1949; and

(b) if so, what steps Government are taking to see that such a situation does not arise in future?

The Honourable Rajkumari Amrit Kaur: (a) Yes.

(b) A scheme for the improvement of the supply of filtered water in Delhi costing over a crore of rupees is under execution by the Joint Water and Sewage Board. The plant and machinery required are expected to be installed early in 1950, and it is hoped that adequate water supply will be available during the summer of 1950.

CHOLERA AND DYSENTERY IN DELHI

***87. Sardar Bhopinder Singh Man:** Will the Honourable Minister of Health be pleased to state:

(a) the number of deaths due to (i) cholera and (ii) dysentery in Delhi in the years 1947, 1948 and 1949; and

(b) what are the causes of the increase in the incidence of death due to these diseases?

The Honourable Rajkumari Amrit Kaur: (a) A statement giving the information is laid on the table of the House. (*See* Appendix IV, annexure No. 10).

(b) The very slight increase in the number of deaths on account of Cholera during 1949 and Dysentery and Diarrhoea during 1948, is due to the fact that the population of Delhi Province has increased by about 5,00,000 during 1948 on account of partition. It is not in fact an increase.

ADULTERATION OF MILK AND FOOD-STUFFS

*88. **Sardar Bhopinder Singh Man:** Will the Honourable Minister of Health be pleased to state:

(a) whether it is a fact that adulteration of milk is on the increase in Delhi; and

(b) if so, what steps Government have taken to check the adulteration of milk particularly and other food stuffs generally?

The Honourable Bajkumari Amrit Kaur: (a) and (b). A statement is laid on the table of the House. (See Appendix IV, annexure No. 11).

FEDERAL COURT

*89. **Dr. P. S. Deshmukh:** Will the Honourable Minister of Home Affairs be pleased to state:

(a) the number of Judges in the Federal Court of India in the years 1947, 1948 and 1949;

(b) the number of cases decided by the Federal Court of India in 1947 and 1948;

(c) the number of cases pending at the end of 1948 and the number of cases pending as on 1st November, 1949;

(d) whether there is any proposal to expand the Federal Court of India on its conversion into the Supreme Court of India; and

(e) what the proposed strength on and after the 26th January, 1950 will be?

The Honourable Sardar Vallabhbhai Patel: (a) Three in 1947, three in 1948 up to October, and five from October 1948 onwards till date.

(b) Twenty-five in each of the years 1947 and 1948.

(c) Thirty-seven cases were pending at the end of 1948 and seventy-nine on the 1st November 1949.

(d) and (e). The Honourable Member's attention is invited to Article 124 (1) of the new Constitution which provides that the Supreme Court shall consist of a Chief Justice of India and, until Parliament by law prescribes a larger number, not more than seven other Judges.

CENSUS OFFICERS

*90. **Dr. P. S. Deshmukh:** Will the Honourable Minister of Home Affairs be pleased to state the directions proposed to be issued to the Census Officers and Enumerators with regard to the recording of castes and sub-castes of the people of India?

The Honourable Sardar Vallabhbhai Patel: It has been decided to record only those castes whose enumeration is required for purposes laid down in the draft Constitution. Accordingly the enumeration will be confined to Scheduled Castes, scheduled tribes and other economically and educationally backward castes. The Provincial Governments have been asked to give a list of such castes.

REVENUE FROM INFORMATION AND BROADCASTING

*91. **Dr. P. S. Deshmukh:** Will the Honourable Minister of Information and Broadcasting be pleased to state:

(a) the actual income on (i) Information and (ii) Broadcasting for the years 1945-46, 1946-47, 1947-48 and 1948-49; and

(b) what the expectation of revenue for the year 1949-50 is?

The Honourable Shri B. E. Diwakar: (a) and (b). A statement is laid on the table of the House. (See Appendix IV, annexure No. 12).

POLITICAL PENSIONS

***92. Lala Raj Kanwar:** Will the Honourable Minister of States be pleased to state:

(a) whether any political pensions are still being paid to the descendants of:

- (1) Moghul Emperor, Bahadur Shah of Delhi,
- (2) Maharaja Ranjit Singh, the Sikh Ruler of Lahore,
- (3) The Bhonsla Ruler of Nagpur,
- (4) Tippoo Sultan,
- (5) any other Ruler with whom the British Authorities at any time entered into treaty arrangements to ensure such payments; and

(b) if so, the amounts now being paid in each of the above mentioned cases?

The Honourable Sardar Vallabhbhai Patel: (a) A statement showing the amounts of political pensions paid to the descendants of the various Rulers is laid on the table of the House. (See Appendix IV, annexure No. 13).

(b) Information regarding payment of pensions to the descendants of the Moghul Emperor Bahadur Shah is being collected from the Accounts authorities and will be furnished as soon as it is available.

RANCHI EUROPEAN MENTAL HOSPITAL

***93. Lala Raj Kanwar:** Will the Honourable Minister of Health be pleased to state:

(a) the number of European inmates in the Ranchi European Mental Hospital as on the 1st April, 1947;

(b) their present number;

(c) whether any Indians suffering from mental diseases are now admitted into this Hospital; and

(d) if not, whether Government propose to consider the feasibility of doing so?

The Honourable Rajkumari Amrit Kaur: (a) Seventy-one.

(b) Thirty-five.

(c) Yes.

(d) Does not arise.

PROHIBITION IN DELHI AND AJMER-MERWARA

***94. Pandit Mukut Bihari Lal Bhargava:** (a) Will the Honourable Minister of Home Affairs be pleased to state what progress has so far been made in the implementation of the prohibition policy in the Provinces of Delhi and Ajmer-Merwara, and to what extent revenue has been affected thereby?

(b) Have Government fixed any target date by which complete prohibition will be introduced in these Provinces? If not, why not?

The Honourable Sardar Vallabhbhai Patel: (a) and (b). I lay on the table of the House a statement giving the information asked for by the Honourable Member. (See Appendix IV, annexure No. 14).

PRODUCTION OF DRUGS

***95. Pandit Mukut Bihari Lal Bhargava:** (a) Will the Honourable Minister of Health be pleased to state what steps, if any, the Government of India have taken so far or contemplate to take in future, to standardise the production of drugs, in India, and what progress has been made in this direction in the various Provinces, States and Unions of States, and by which date it is expected to be fully brought into force?

(b) In which Provinces the provisions of the Drugs Act and the Rules thereunder are being strictly enforced and the Drug Manufacturers required to obtain a Licence for manufacturing drugs?

(c) In which Provinces does a Government machinery exist to check and test the various drugs manufactured before those are sent to market for sale?

(d) In which of the Centrally Administered areas are the provisions of the Drugs Act and the Rules thereunder being enforced and with what results?

The Honourable Rajkumari Amrit Kaur: (a) The Drugs Act and the Rules made thereunder provide for the regulation of import into and the manufacture, distribution and sale of drugs in India. The rules are being enforced by the Central and Provincial Governments from the 1st April 1947. Under the Act and the Rules, drugs manufactured in the country or those imported from abroad are required to conform to the prescribed standards and patent or proprietary medicines have either to be registered at the Central Drugs Laboratory after their formula has been disclosed to the Director of the Laboratory or their formula or the list of ingredients has to be displayed on the label of the container.

(b) and (d). The Drugs Act and the Rules are in force in all the Provinces and the Centrally Administered Areas and the Drugs manufacturers have to obtain a licence for the manufacture of drugs. The Act does not however, extend to the States or the Unions of States.

(c) It is the responsibility of the manufacturer to ensure that the products made by him are of the prescribed standards. If any one manufactures for sale, or sells Drugs which are not of the prescribed standard he renders himself liable to prosecution.

NATIONAL CADET CORPS

***96. Shri Yudhisthir Mishra:** Will the Honourable Minister of Defence be pleased to state as to how many centres have so far been opened in Orissa to train students for the National Cadet Corps and whether any further steps are being taken for its expansion?

The Honourable Sardar Baldev Singh: There are two Infantry Battalions of the Senior Division Army Wing of the National Cadet Corps in Orissa. The 1st Orissa Battalion, whose headquarters is in Cuttack, consists of four companies, one each at Cuttack, Sambalpur, Baipada and Balasore. The 2nd Orissa Battalion has its headquarters at Berhampur and consists of two companies, one located at Berhampur and the other at Puri. In addition, there are twenty Junior Division Troops in various High Schools located in important district towns.

It is proposed to raise next year a Medical unit of the Senior Division in the Medical College at Cuttack.

PRIVY PURSE OF MAHARAJA OF TRAVANCORE

***97. Shri P. T. Chacko:** Will the Honourable Minister of States be pleased to state:

(a) whether the privy purse of the Maharaja of Travancore is finally fixed

- (b) if so, the amount thus fixed;
- (c) the amount the Maharaja used to draw from the State Revenues before he was appointed as the Raj-pramukh;
- (d) if the privy purse is not finally fixed, the amount provisionally given as privy purse; and
- (e) whether the representatives of the people or the popular Government in the state were consulted before fixing the privy purse, or the amount which is now given as privy purse?

The Honourable Sardar Vallabhbhai Patel: (a) The privy purse of the present Maharaja has been fixed.

- (b) Rupees 18 lakhs.
- (c) Rupees 15 lakhs: but on the eve of integration, His Highness made over to the State certain lands the income from which was formerly allotted to his exclusive personal use: this income was of the order of Rs. 5 lakhs per annum.
- (d) Does not arise.
- (e) Yea.

OPIMUM

*98. { **Sjt. Kuladhar Chalhha:**
Shri Ishambhadrarayan Sahu:

- (a) Will the Honourable Minister of Finance be pleased to state the income derived from opium by the different provinces and the integrated states of India?
- (b) Has it been ascertained from the provinces and states that they are willing to fall in line with the All India policy?
- (c) Which are the states which have so far prohibited opium entirely in their jurisdictions and which are the provinces and states that have taken to partial prohibition?
- (d) What was the decision arrived at in the Excise Ministers' Conference held at Delhi in August last?
- (e) What steps have been taken by the provinces to implement the said decision?

The Honourable Dr. John Matthai: (a) Attention of the Honourable Member is invited to reply to Question No. 9 answered on the 1st February, 1949.

The information for the later period is being called from the various units and will be placed before the House when received.

- (b) Yes.
- (c) The information is being collected and will be placed before the House when complete.
- (d) The Conference adopted a number of resolutions a copy of which is placed on the table of the House. (*See* Appendix IV, annexure No. 15).
- (e) They have agreed to make a gradual cut in the supplies of opium authorised for addicts, to prescribe issues of opium only on medical advice and to resort to total or partial prohibition of opium as may be found feasible.

STERLING BALANCES

*99. **Prof. N. G. Ranga:** Will the Honourable Minister of Finance be pleased to state:

- (a) whether he has seen the speech of Sir Stafford Cripps in the British House of Commons on 26th October 1949 regarding sterling balances; and
- (b) whether statements made in that speech affect India's claim for full and early repayment of the balances?

The Honourable Dr. John Matthai: (a) Yes.

(b) As the Honourable Member is aware, I am moving a motion for consideration of the 1949 Sterling Balances Agreement today immediately after question hour is over. In the course of my speech on that motion I shall deal with the points raised in this part of the question. It would, I suggest, be more appropriate, therefore, not to attempt to reply now.

UNSTARRED QUESTION AND ANSWER.

INDIAN ADMINISTRATIVE SERVICE (RECRUITMENT)

S. Lala Raj Kanwar: Will the Honourable Minister of Home Affairs be pleased to state:

(a) the total number of applications received for admission to the Indian Administrative Service since its inauguration;

(b) how many of these applicants were called for interview by the Federal Public Service Commission or any other body;

(c) how many of those interviewed were finally appointed and how many were rejected;

(d) the number of those who still remain to be interviewed;

(e) the total number of vacancies still remaining to be filled up in this service under the Central Government, the Provinces, the Centrally administered areas and the Unions of States; and

(f) the period likely to be taken to fill up the above vacancies?

The Honourable Sardar Vallabhbhai Patel: (a) 22219.

(b) 3840.

(c) 205, the rest were rejected.

(d) None.

(e) (i) 97 in the Provincial Indian Administrative Service Cadres.

(ii) There is no separate cadre for the Central Government or the Centrally Administered Areas.

(iii) The Indian Administrative Service cadres strength in the Unions of States have not yet been finalised. No estimate of the number of vacancies can yet be given.

(f) The Indian Administrative Service cadres in all the Provinces are expected to be brought up to full strength by 1953.

Tuesday
29th November, 1949

**THE CONSTITUENT ASSEMBLY OF INDIA
(LEGISLATIVE) DEBATES**

**(PART II—PROCEEDINGS OTHER THAN QUESTIONS
AND ANSWERS)**

Official Report

Volume VI, 1949

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Sixth Session
of the
CONSTITUENT ASSEMBLY OF INDIA (LEGISLATIVE)
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CONSTITUENT ASSEMBLY OF INDIA (LEGISLATIVE)
DEBATES

(PART II—PROCEEDINGS OTHER THAN QUESTIONS AND ANSWERS).

Tuesday, 29th November, 1949

The Assembly met in the Assembly Chamber of the Council House at a Quarter to Eleven of the Clock. Mr. Speaker (The Honourable Mr. G. V. Mavelankar) in the Chair.

QUESTIONS AND ANSWERS

(See Part I)

11-45 A.M.

MOTION FOR ADJOURNMENT

ENHANCEMENT OF EXPORT DUTY ON BLACK PEPPER

Mr. Speaker: I have received notice of an adjournment motion from Mr. Poonacha, which reads as follows: "To discuss a definite matter of urgent public importance, viz., the difficulties caused to the growers of black pepper in India by the recent enhancement of Export duty on black pepper and the consequent repercussions caused thereby." The matter seems to be vague, but I would like to know how the position factually stands.

The Honourable Shri K. C. Neogy (Minister of Commerce): I should have preferred to answer a question on the subject even on short notice, but I want to tell the House that there is a serious misapprehension on which the proposed motion has been based, and when I explain to the House the particular point, I am hopeful that the hon. Member would withdraw his notice. It has been said that the duty has been imposed at 30 per cent. It is undoubtedly true that the duty has been expressed at 30 per cent., but then the most important factor that would determine the ultimate incidence of this duty is that the duty will be payable on the tariff valuation which stands at the present moment at Rs. 200 per cwt., although the market value of the stuff stands at Rs. 450, so that in effect this duty will operate as a duty on the invoice value at the rate of very nearly 13 per cent. as against 30 per cent., although it has been expressed in terms of 30 per cent. I understand there was a deputation representative of the trading interests concerned which met the officers of the Ministries of Commerce and Finance and when the position was explained to them they apparently went back more or less satisfied.

Shri Mahavir Tyagi (U.P.: General): I submit this is no argument, because the duty is there.

Mr. Speaker: Order, order. I am not going into the merits of the case at all. I only wanted to know whether the matter was really urgent, of public

[Mr. Speaker]

importance and definite. It appeared to me to be vague enough, but it seems now, in the light of the facts stated by the hon. Minister, that there is no urgency about it. I therefore do not see any reason to admit it.

Shri C. M. Poonacha (Coorg): May I ask one question now?

Mr. Speaker: No, not now. We will proceed with the business of the House.

PAPERS LAID ON THE TABLE

- (i) REPORT OF REHABILITATION FINANCE ADMINISTRATION, ENDING 30TH JUNE, 1949.
- (ii) GENERAL REVIEW OF WORKING OF REHABILITATION FINANCE ADMINISTRATION.
- (iii) AMENDMENTS TO INDUSTRIAL FINANCE CORPORATION OF INDIA EMPLOYEES' PROVIDENT FUND REGULATIONS, 1948.

The Honourable Dr. John Matthai (Minister of Finance): I lay on the Table a copy of each of the following papers in accordance with sub-section (2) of Section 1A of the Rehabilitation Finance Administration Act, 1948:

(i) Report of the Rehabilitation Finance Administration for the half-year ended 30th June, 1949. (See Appendix IV, annexure No. 16.)

(ii) General review of the working of the Rehabilitation Finance Administration for the period ending 31st August, 1949. [*Copy placed in the Library. See No. F A.O. (67a).*]

I also lay on the Table a copy of certain amendments to the Industrial Finance Corporation of India Employees' Provident Fund Regulations, 1948, in accordance with sub-section (3) of Section 43 of the Industrial Finance Corporation Act, 1948. [*Copy placed in the Library. See No. F-20/49. Also published in the Gazette of India, Part III, September 3, 1949.*]

FOREIGN EXCHANGE REGULATION (AMENDMENT) BILL

The Honourable Dr. John Matthai (Minister of Finance): I beg to move for leave to introduce a Bill further to amend the Foreign Exchange Regulation Act, 1947.

Mr. Speaker: The question is:

"That leave be granted to introduce a Bill further to amend the Foreign Exchange Regulation Act, 1947."

The motion was adopted.

The Honourable Dr. John Matthai: Sir, I introduce the Bill.

MERCHANT SHIPPING AND LIGHTHOUSE (AMENDMENT) BILL

The Honourable Shri K. C. Neogy (Minister of Commerce): I beg to move for leave to introduce a Bill further to amend the Indian Merchant Shipping Act, 1923, and the Indian Lighthouse Act, 1927.

Mr. Speaker: The question is:

"That leave be granted to introduce a Bill further to amend the Indian Merchant Shipping Act, 1923, and the Indian Lighthouse Act, 1927."

The motion was adopted.

The Honourable Shri K. C. Neogy: Sir, I introduce the Bill.

ABDUCTED PERSONS (RECOVERY AND RESTORATION) BILL

Dr. B. V. Keskar (Deputy Minister of External Affairs): I beg to move for leave to introduce a Bill to provide, in pursuance of an agreement with Pakistan, for the recovery and restoration of abducted persons.

Mr. Speaker: The question is:

"That leave be granted to introduce a Bill to provide, in pursuance of an agreement with Pakistan, for the recovery and restoration of abducted persons."

The motion was adopted.

Dr. B. V. Keskar: Sir, I introduce the Bill.

BUSINESS OF THE HOUSE

Shri B. Daa (Orissa: General): Before you call upon the hon. **Dr. John Matthai** to move the motions standing in his name on the Order Paper, may I suggest that he may move both the motions No. 1 and 2, because the speeches will be overlapping each other if they are moved separately. The general discussion may be on both the Motions.

Mr. Speaker: If that is suitable, I have no objection. He may move both the motions.

PAPERS LAID ON THE TABLE

- (i) WHITE PAPER ON 1949 STERLING BALANCES NEGOTIATIONS
(ii) LOAN AGREEMENTS RELATING TO RAILWAY AND AGRICULTURAL MACHINERY

The Honourable Dr. John Matthai (Minister of Finance): Before I move the motions, I wish to lay on the Table of the House the following papers:

- (i) A White Paper on the 1949 Sterling Balances Negotiations with the United Kingdom Government. [*Copy placed in the Library. See No. IV. O. 4(6a).*]
(ii) Copies of loan agreements relating to railway and agricultural machinery projects entered into with the International Bank for Reconstruction and Development. [*Copy placed in the Library. See No. IV. O. 4(30) and No. IV. O. 4(31).*]

I would like to explain that copies of the White Paper were made available to hon. Members some days ago. At the same time, I circulated summaries of the main terms of the two agreements with the International Bank. Copies of these agreements are also in the Library of the House. I have not circulated to each hon. Member copies of the full agreements, as they are bulky documents covering several pages each. I am sure the House will appreciate the need for economy in these difficult days. Further, they are verbose documents couched in legal and technical language, and I thought it would help hon. Members if I had brief summaries prepared of the main articles, so that the gist of the agreements would be quickly accessible.

Prof. N. G. Ranga (Madras: General): Very good.

- (i) MOTION RE STERLING BALANCES AGREEMENT OF JULY 1949.
(ii) MOTION RE POLICY OF GOVERNMENT ABOUT NEGOTIATIONS FOR LOANS FOR FINANCING DEVELOPMENT PROJECTS AND AGREEMENTS CONCLUDED WITH INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT.

The Honourable Dr. John Matthai (Minister of Finance): Sir, I now move:

"That the Sterling Balances Agreement of July, 1949, entered into with the United Kingdom Government be taken into consideration."

[Dr. John Matthai]

I also move:

"That the policy of the Government of India in entering into negotiations with the International Bank for Reconstruction and Development for loans for financing reconstruction and development projects in India, and the Agreements concluded so far, be taken into consideration."

As regards the first motion, the House will recall that on my return from London I made a detailed statement at a Press Conference held on the 4th of August, 1949, and I shall now only touch on the main features of the Agreement. In the first place, by the beginning of July 1949 we had overdrawn to the extent of £81 million during the period July 1948 to June 1949, for which period the 1948 discussions did not provide for any release. The House is aware of the reasons for this overdrawal, which are, briefly: that through the operation of a liberal import policy and greater availabilities in soft currency countries of the goods required by us, our imports increased more than we had originally anticipated and our exports, particularly after March 1949, began to decline. This overdrawal has now been regularised and will not affect the releases of sterling for 1949-50 and 1950-51.

Secondly, when the Open General Licence No. XI was withdrawn in May 1949 it was considered desirable, both in the interest of our own economy and that of the United Kingdom, that there should not be a too sudden cancellation of outstanding orders and that the process of bringing down our imports to a more realistic level should be a gradual and tapering one. Provision has, therefore, been made in the agreement that the sterling required for meeting the charges arising out of this "tapering off" process will be available in addition to the normal release. We have undertaken to complete this process by June 1950 and the United Kingdom have agreed that a sum of approximately £50 million will be released for this purpose. It is not possible to say at present what the amount finally involved will be, but in our own interest, it is desirable that it should not be excessive and we believe it will not exceed the tentative figure of £50 million.

Thirdly, the annual release for 1949-50 and 1950-51 has now been increased from the original figure of £40 million agreed on during the July 1948 discussions to £50 million.

I now turn to the dollar sector of the agreement. The 1948 agreement allowed us £15 million, that is at the old rate of exchange 60 million dollars in convertible releases. Our estimated deficit at the time was 160 to 180 million dollars and we were expected to meet the difference by purchasing a hundred million dollars from the International Monetary Fund. The final estimate of the dollar deficit for the 12 months ending June 1949 is 213 million dollars, against a provisional figure of 217 million dollars which I mentioned at my Press Conference. This increase in our deficit together with the fact that we were able to purchase only 56 million dollars from the International Monetary Fund during this period and a fall in our export earnings resulted in an overdrawal of dollars which is now estimated at 80 million dollars. The Agreement provides that this overdrawal shall be regularised.

Hon. Members will, therefore, see that since July 1948 we have obtained convertibility to the extent of 140 million dollars against the original figure of 60 million dollars.

As regards 1949-50, the problem of convertibility was discussed not on a bilateral basis with the United Kingdom Government, but was negotiated as a part of the Commonwealth Finance Ministers discussions. In order not to deplete the central reserves of gold and dollars any further all Commonwealth Governments agreed to limit their dollar imports during the twelve months ending June 1950 to 75 per cent. of their dollar imports during the calendar year 1948. The acceptance of this "cut" by us was part of a joint effort by

the Commonwealth and appears already to be achieving the results desired. It is not possible precisely to evaluate what this arrangement means to us in terms of convertibility, for it is difficult at this stage to forecast the trend of our dollar export earnings owing to devaluation. But on a predevaluation basis of those earnings it was estimated that we should be entitled to draw approximately 140 million dollars. Thus for the twenty-four months beginning July 1948 and ending June 1950 we shall have obtained 12 Noon dollar convertibility of 280 million dollars.

As a result of the removal during the recent discussions of the quantitative limitation on our convertibility drawings from the central reserves we have once again assumed full rights, however, as a member of the Sterling Area. These rights also entail corresponding obligations and it must be our aim in the interest of the sterling area as well as of ourselves to increase our dollar earnings to the fullest extent possible.

There are two other points to which I would refer. The first is that it has been agreed that any assistance we may obtain from the International Bank will not be set off against the dollar resources available to us under the new arrangement. In other words imports financed from the International Bank loans will be in addition to the 75 per cent. of the 1948 import level.

The second point relates to hard currency countries other than dollar countries, namely, Belgium, Switzerland, Western Germany, Japan and the Argentine. We have separate trade arrangements with Switzerland, Western Germany and Japan which are not affected by the new agreement. Negotiations for a barter deal with the Argentine are contemplated. As regards Belgium no final arrangements have been reached, but negotiations are proceeding between that country and the United Kingdom in regard to the settlement of payment arrangements between Belgium and the sterling area.

These, Sir, in brief, are the main features of the new Sterling Balance arrangements and I hope that hon. Members will agree that in the circumstances they are satisfactory.

Pandit Lakshmi Kanta Maitra (West Bengal: General): What about Switzerland?

The Honourable Dr. John Mathai: It is a bilateral agreement which is not affected by this.

It is too early yet to say what will be the results of devaluation on our dollar earnings and it would be unwise to attempt to forecast long-range tendencies from present data. But during the four months July to October 1949 for which we have preliminary figures dollar payments have exceeded dollar receipts by only a small margin. It must be remembered, however, that we had completely suspended dollar licensing of imports from the 25th of June 1949 for a period of about two and a half months and we have not so far made any payments against fresh licences for the period July-December 1949 since their issue has been delayed.

In the overall position our sterling assets have declined from Rs. 1,537 crores at the end of June 1948 to Rs. 820 crores at the end of June 1949, a difference of Rs. 717 crores. To this figure is to be added the sterling equivalent of our dollar purchases from the International Monetary Fund amounting approximately to Rs. 19 crores, giving a total decline during the period of Rs. 736 crores. This heavy outgo is due to a number of causes.

The first is the payment to the United Kingdom Government in accordance with the agreement reached with them in July 1948 of Rs. 296 crores for the purchase of annuities for financing the payment of sterling pensions and the acquisition of defence installations and stores left behind in India by the United

[Dr. John Mathai]

Kingdom at the end of the war. The second is the payment of about Rs. 187 crores to the State Bank of Pakistan as Pakistan's share of these balances following the separation of its currency from that of India. The third factor is India's adverse balance of payments which has amounted to about Rs. 250 crores, of which may I add payments for purchase of food from abroad have accounted for Rs. 126 crores (Rs. 42 crores from Dollar areas and Rs. 84 crores from other areas).

It is clearly not possible for us to continue to sustain a deficit of this order and after the 1949 Agreement, we framed a foreign exchange by which to cater for a deficit of approximately Rs. 130 crores which corresponds to the £100 million release negotiated with the United Kingdom for the period. We estimated at that time total payments of Rs. 600 crores excluding, of course, payments for imports for schemes financed by the International Bank. These Rs. 600 crores comprise roughly Rs. 100 crores for food, Rs. 100 crores for Government imports and Rs. 400 crores for commercial imports and invisible payments. Against this, our export and invisible earnings were estimated at about Rs. 490 crores, leaving a deficit thus of Rs. 110 crores. To this is to be added Rs. 20 crores payable to Pakistan in current sterling on account of our adverse balance of payments with that country. The total deficit thus came to Rs. 130 crores.

In the light of the devaluation of the rupee, however, new estimates will have to be framed and these are under preparation. One clear fact emerges— if we cannot increase the value of our exports at least to offset to the extent of devaluation, to that extent imports will have to be reduced, for, the limit of our overall deficit is inexorably fixed at the figure of £50 millions to which is to be added for the current year only the amount on account of special licensing under the old Open General Licence.

Sir, there is one point more to which I would like to refer regarding our sterling balances. Hon. Members will no doubt have been perturbed over the recent discussions in the British Parliament on the sterling balances. When the Prime Minister of Britain and the Chancellor of the Exchequer indicated the possibility of our utilisation of these balances being restricted in future I asked our High Commissioner in London to express our concern at such unilateral statements of policy in matters which were recently the subject of bilateral negotiations. I also asked him to find out exactly what were their intentions in the matter. I am in a position to inform the House that I have received what I consider to be satisfactory assurances. I am assured that there is no intention to take any unilateral action, that the agreement recently negotiated is not affected, that there is no question of any scaling down of the balances and that there is no intention to take any unfair advantage of India.

The House may rest assured that, as in the past, we shall continue to watch the matter with vigilance and shall not hesitate to take such action as may be necessary to safeguard our position.

Sir, I will now pass to a survey of the Loan Agreement with the International Bank.

The House will recall that on the first February this year, I referred to the transactions which the Government of India had entered into with the International Monetary Fund and the International Bank for Reconstruction and Development and I indicated that a Mission from the International Bank had recently arrived in India and was engaged in a general study of conditions obtaining in the country and was examining certain projects with a view to ascertaining whether they were suitable for financing by the Bank. I said at that time that it was not possible to give any indication either of the amounts for which we might ultimately apply for a loan or the terms and conditions on which the

loan might be granted. I mentioned, however, that projects relating to the Railways, Agriculture and Hydro-electric schemes were under examination by the Bank in consultation with the Government of India. On the return of the Mission to the United States in April, a detailed report was submitted to the Board of the Executive Directors of the Bank. This was a confidential report, but naturally, India's executive Director and the Government of India became apprised of the contents. The main purpose of the Mission's visit and of the report was to assess the "creditworthiness" of the country, that is to say, was India a country to which the Bank should lend; could India meet the service charges involved in loan operations; were there projects which had reached such a detailed stage of planning that the only item holding up their implementation was lack of foreign exchange; were there administrative and technical personnel in position or prospect who could adequately supervise and control the execution of the schemes. I am committing no breach of confidence when I tell the House that the general tenor of the report was that India was, in the view of the Mission, "a good risk".

And here I should like to refer to some of the criticism of the alleged contents of the report which appeared in the Press at the time. It was stated that the Mission had criticised certain plans of the Provincial Governments; that they had stated that there was lack of co-operation and co-ordination between the Centre and the Provinces; that there had been a great deal of talking about plans, but that few detailed plans really existed. These reports which appeared in the Press about the contents of the Mission's report were not true. (*Hear, hear*). What the Mission in effect said was that if India was effectively to utilise loan money from the International Bank for the purpose of reconstructing and developing her economy, it was their view that a strict scheme of priorities would have to be drawn up and that, though many schemes might be desirable in themselves, it would be necessary to concentrate first on those projects which would remove the basic bottlenecks in the country's economy. Therefore they suggested concentration on projects relating to increased food production and the overcoming of transport difficulties.

These suggestions, in fact, fitted in broadly with the Government of India's own views. After the contents of the report were known, Government decided to submit a formal application to the Bank. This was done last July.

And at this stage, I would like to refer to the various suggestions which have been made that India asked for \$300 or \$350 million and that she has not received all that she asked for, and that the Bank has not been as sympathetic as it should have been. Hon. Members will appreciate that our ability to borrow from the International Bank is limited by our capacity to meet each year the service charges on the loans. We have, therefore, to make an assessment of our ability to find the dollars for these charges. In doing this, we have to keep in mind our other dollar commitments such as our liability to repay \$100 million we have borrowed from the International Monetary Fund, the necessity, although for a strictly limited period, to import foodgrains, and a certain basic minimum of capital equipment from the United States in order to maintain our industrial production and at the same time to proceed as rapidly and as rationally as possible with our development plans. This assessment of our ability to service foreign loans is not by any means an easy task, for it depends upon a number of factors which are not always capable of exact and certain appreciation. Further, the calculations which were made earlier have been upset by devaluation. Another point to be borne in mind is that the Bank does not give what are known as "balance of payments" loans. That is to say, if our current balance of payment position with the dollar areas is adverse, we cannot finance the deficit by borrowing from the Bank. For such finance, we must approach the International Monetary Fund, and altogether up to date we have now borrowed \$100 million from that institution. Clearly, we cannot go

[Dr. John Matthai]

on borrowing indefinitely for current purposes from the International Monetary Fund since the interest charges become prohibitive in the third, fourth and fifth years.

Loans from the International Bank, on the other hand, are granted for specific projects and the proceeds of such loans can only be used for approved schemes. This, indeed, is one of the terms embodied in the Agreements. This inevitably means that our projects must have been fully developed and planned, for we must be able to tell the Bank that we desire to purchase particular capital equipment for a particular project and that the only thing which prevents our carrying out the execution of the scheme is the lack of dollar finance to purchase the capital equipment. Now it takes a very great deal of time to work out plans in such detail, and indeed some of the schemes for which we now think that we may require dollar finance have by no means reached that stage of planning. When, therefore, we put in our formal application to the International Bank, we did not ask for \$300 or \$350 million but requested that the Bank would examine schemes of which the dollar content could then be only roughly estimated. These schemes were broadly, the purchase of railway equipment, including locomotives; plans for increasing food production by the reclamation of weed-infested land and virgin jungle; hydro-electric projects and the erection of steel plants. We said that we had made preliminary estimates of the dollar elements of these plans, but since the supply position changed from day to day, these estimates could not be regarded as final. We asked that the Bank would take them up one by one, examine them and see how they could help us. And this, in fact, is what is happening. Each project is being examined not only from the narrow point of view as to how much dollar finance is involved but also from the wider angle as to how best it will help us to overcome our basic shortages whether of food, or transport or steel or electrical energy. Hon. Members will appreciate that these processes necessarily involve time, but I am glad to say that we have received every co-operation from the Bank which has been most sympathetic in their discussions with our Loan Negotiator and we feel certain that we shall continue to receive their support. Indeed, the President of the Bank declared not long ago in an address to the New York Savings Association that he considered loans to India "risks worth while taking" and he was confident that the Bank would be able to extend further assistance.

Before I turn to discuss the details of the two loans already negotiated, I would like to deal with a point to which considerable attention has been directed, *viz.*, the rates of interest charged by the Bank. As hon. Members are aware, the capital of the Bank is subscribed by the member countries. Thus India's share of the capital is \$400 million, but all of this has not yet been called up. Only 20 per cent. has so far been paid. It is this 20 per cent. subscription of all the member countries which forms the working funds of the Bank out of which loans are granted. Of this 20 per cent., each country has paid 2 per cent. in gold or dollars and the rest in their own domestic currency. Thus, when the Bank formally started its operations in 1946, its total available cash resources in dollars consisted of these contributions and amounted to approximately \$725 million. By July 1947, the Bank had already granted loans totalling \$250 million, and negotiations were far advanced for another loan. Further, applications had been received from other member countries for loans totalling nearly \$1,500 million.

The Bank therefore considered it necessary to increase its resources and floated two issues of bonds aggregating \$250 million on the New York market. The first issue was at 2½ per cent. and the second at 3 per cent. It is this money which the Bank is now lending to member countries, for it has utilised all the \$725 million made available by the initial subscriptions. It is therefore the rates at which the Bank can borrow funds whether short, medium or long-term

that conditions the rate at which it can lend to member countries. In addition to these basic rates, the Articles of Agreement lay down that the Bank shall charge a 1 per cent. commission. This is a statutory obligation and the amounts received on this account go towards building up a reserve fund. This contribution may therefore be looked upon as a kind of compulsory saving by member countries.

Pandit Lakshmi Kanta Maitra: Does it go to a sinking fund?

The Honourable Dr. John Matthai: To a reserve fund, for the money is not spent and, if the Bank were to cease to operate, the amount would be available for distribution among member countries. At the end of March 1949, there was nearly \$7 million in this fund. The Bank also generally adds a further $\frac{1}{4}$ per cent. to these two rates in order to cover its working expenses. It will thus be seen that, to arrive at the effective rate of lending by the Bank, $1\frac{1}{4}$ per cent. is to be deducted from the overall rate. There is one more point in this connection to which I would like briefly to refer. Hon. Members will recall that the Bank was originally created because it was felt that, in the postwar years, with political and economic uncertainties in so many countries, private capital might not be willing to move freely. The prime purpose of the Bank was to create a sense of confidence and pave the way for private investment, for it was realised that the resources available to the Bank could never fully meet the investment needs of the world. To the extent therefore, that the Bank can induce equity investment to flow into a country, to that extent can the demand on its own funds be reduced and those funds be utilised over a wider area. One of the terms of the loans is, therefore, that the Bank can call upon the borrowing country to make available its own bonds for the principal amounts of the loans. The Bank will then sell these bonds on the market, the dollars it thereby receives being utilised for other loan operations. By this process a direct nexus will be created between the borrowing country and the holder of the bond. Thus a public investment by the Bank can be turned into a private investment and it is by operations of this nature that the Bank hopes to create conditions which will be attractive to private investors in member countries.

I will now deal with the terms of the two Agreements already negotiated. The Railway project Loan Agreement is dated the 18th of August, 1949 and is for a sum of \$34 million. Of this sum of \$34 million, \$26·7 million will be spent on the purchase of locomotives and boilers and \$7·3 million on the purchase of spare parts. The equipment to be purchased with this loan money forms part of the total equipment needed for the rehabilitation of the railways and will make available 418 new American and Canadian locomotives out of a total of 863 locomotives ordered in the U.K., France, U.S.A. and Canada. The Government of India at first proposed to borrow a larger sum than \$34 million but, since considerable amounts had already been paid by the time the Agreement was negotiated, it was considered advisable not to ask for reimbursement of the sums already expended, but to take the \$34 million which represented payments to be made after the 1st of July, 1949. This decision, in effect, meant that further loan money would be available for other projects. The loan is for a period of 15 years and bears interest at the rate of 4 per cent. Repayment of principal, interest and commission is to be made in semi-annual instalments of approximately \$1·5 million on the 15th of February and 15th of August each year; but there is half a year's period of grace on the principal only, the first instalment on this account being due on the 15th of August, 1950. The total amount of interest and commission that will be payable on the loan is \$11·82 million.

The second loan which was signed on the 29th of September, 1949, is for a sum of \$10 million for the purchase of agricultural machinery. When the Government of India first considered approaching the Bank for a loan on this

[Dr. John Matthai]

account, it was calculated that the dollar element would be very much greater, but as availabilities improved in the soft currency areas, it was found possible to limit purchases in the dollar areas to \$10 million. The machinery to be purchased with the loan will be used on two projects—the reclamation of the *Kans* weea infested lands in the U.P., C.P., Madhya Bharat and Bhopal and for the reclamation of virgin-jungle lands in the United Provinces. The total amount of *Kans* infested lands in these areas...

Sardar Bhopinder Singh Man (East Punjab: Sikh): On a point of clarification Sir, as you have stated to these two projects, will we be entitled to purchase simple tractors or wider range agricultural machinery which will be required incidentally for reclamation and subsequent sowing?

The Honourable Dr. John Matthai: Will the hon. Member kindly wait? If questions could be raised after I had made my statement, I think it would save the time of the House.

The total amount of *Kans* infested lands in these areas is estimated at about 10 million acres and the present scheme relates to approximately 3 million acres. It is proposed to reclaim about 290,000 acres in the first year of operations and 460,000 acres in each of the six following years. It is calculated that, over the 7 years of the scheme, four million tons of extra foodgrains will have become available and that, at the end of that period, there will be a permanent addition of 1 million tons to the foodgrain supplies of the country.

The machinery to be purchased for this part of the project consists of 845 heavy tractors, ancillary equipment such as land clearing blades, special tools for serving and spare parts, costing approximately \$6.75 million.

The second part of the project consists of clearing about 100,000 acres of virgin jungle land in the U.P. Work of this type has already been carried out with reconditioned surplus army machinery and has given excellent results. It is now proposed to proceed with the scheme with thirty new heavy tractors and the necessary ancillary equipment. The cost of these will be approximately \$1.25 million.

This loan of \$10 million is for a period of 7 years and carries a rate of interest and commission of $3\frac{1}{2}$ per cent., payable semi-annually. There is a two year period of grace in the principal, which is repayable in 10 equal semi-annual instalments. Thus, for 1950-51, the annual amount payable to the Bank will be \$350,000 and from 1952-56 sums varying from a maximum of \$2.3 million in the former year to \$2 million in the latter year. The total amount of interest and commission that will be payable on the loan is \$1.6 million.

Thus in order to service the two loans already negotiated, it will be necessary to find a minimum of \$8.5 million in 1950-51 and a maximum of \$5.2 million in 1955-56.

A third loan is under negotiation for the Bokaro Thermal Unit of the Damodar Valley Project. It is not yet possible to indicate the final figure of the amount of the loan but it is expected to be in the neighbourhood of \$22 million. It is hoped that the negotiations may be completed by the end of the current calendar year. Assuming that the amount is \$22 million; that the period of the loan is 25 years and that the rate of interest is $4\frac{1}{2}$ per cent., the yearly payments due to the Bank would be a minimum of \$0.9 million in 1950-51 and a maximum of \$1.7 million in 1955-56 which will continue upto 1974-75.

We can now have an idea of the extent of the total service charges which will be involved in these three loans totalling approximately \$66 million. They

will rise from a minimum of \$4.4 million in 1950-51 to a maximum of \$7 million in 1955-56. As I mentioned before, we shall also have to make provision for the interest payments on the \$100 million which we have purchased from the I.M.F. These payments will be of the order of approximately \$:7 million in 1950; \$ 06 million in 1951; \$1.42 in 1952; \$1.75 million in 1953 and onwards, assuming that we make no further purchases during these years. While it must be our endeavour to repay this \$100 million as soon as possible, in order to reduce interest charges, we feel that this is a matter which must be dealt with on a sterling area basis as a whole and not by India individually. But were we to make provision for repayment of even a modest sum of \$10 million per year over the next ten years, our total commitments on account of borrowings from the Fund and the Bank would rise from a minimum of about \$15 million in 1950 to a maximum of about \$19 million in 1956.

Hon. Members will thus appreciate that the problem which faces us, in these uncertain times, of raising this surplus in the dollar sector of our economy is not an easy one and that our present commitments place inexorable limits on our ability to take on further liabilities.

Yet, if our plans of reconstruction and development are to proceed at the necessary pace further investment of foreign capital, either public or private, is essential. It is our main endeavour to create conditions which will be attractive to foreign private investors, for equity investment lightens the burdens of annual service charges. Until the flow of that capital is stimulated, it will be our policy, consistent with our internal and external financial resources, to seek further assistance from such international bodies as the World Bank. We feel that, with the signing of the three loan agreements, the first stage of our operations will have been completed. The Bank is examining further schemes relating to steel plants and multipurpose projects and we expect that early in the New Year a small Mission will visit India when we shall be able to discuss in more detail our future plan of operations.

I trust that what I have said will have enabled hon. Members more fully to appreciate the policies and processes of the Bank. The negotiations must necessarily be somewhat protracted; but, personally, I would not consider this a disadvantage, for it ensures that our projects are fully examined and explored and that they pass the test of expert scrutiny. The fact that the Bank is willing to finance a project may be taken as setting a hallmark on its quality, and once private investors abroad come to know that our economy and plans are sound, we may hope for a freer flow of equity investment into the country.

These agreements with the Bank are the first foreign loan operations which India has entered upon since we became independent and this is the first occasion in our history when we have raised loans in the U.S.A. The significance of these operations is not, therefore, to be judged with reference to the amounts which we have so far borrowed, or may borrow in the future. Their true significance is that we have now established our independent position in the world of international finance and we have laid foundations on which we can build, surely and realistically, the development of our country with external financial assistance.

Mr. Speaker: There are two motions and I will place both of them before the House. Motions moved:

"That the Sterling Balances Agreement of July, 1949, entered into with the United Kingdom Government be taken into consideration."

"That the policy of the Government of India in entering into negotiations with the International Bank for Reconstruction and Development for loans for financing reconstruction and development projects in India, and the Agreements concluded so far be taken into consideration."

[Mr. Speaker]

The discussion will be common to both the motions. There are a number of amendments. I should like to be clear as to which amendments are going to be moved and which not. After the amendments are moved, the House can discuss the whole matter including the original motions and the amendments, which will be formally in the possession of the House.

(Amendments to motion re Sterling Balances Agreement.)

Prof. Shibban Lal Saksena (U.P.: General): Sir, I move:

"That for the original motion, the following be substituted, namely:

"That the policy of the Government of India with regard to the negotiations with respect to the sterling balances with the British Government and the agreements concluded so far be taken into consideration."

Mr. Speaker: This amendment seems to be more or less verbal.

Prof. Shibban Lal Saksena: I wanted to extend the scope of the discussion. The original motion restricts the discussion to the 1949 agreement but I want the entire policy to be discussed.

Mr. Speaker: When the agreements are under discussion, certainly you cannot discuss merely the wording of the agreements. The discussion of the entire policy is covered even in the original motion as it stands. I should like to know from the hon. Finance Minister if that is correct.

The Honourable Dr. John Matthai: I was not able to understand any distinction between the hon. Member's motion and the motion before the House.

Mr. Speaker: That is what I am pointing out to him. What he wants is a discussion of the entire policy and that is permissible under the motion as made by the hon. Finance Minister.

Prof. Shibban Lal Saksena: In that case I do not want to press my amendment.

Mr. Speaker: I shall not put it to the House.

Shri Ajit Prasad Jain (U.P.: General): Sir, I move:

"That for the original motion, the following be substituted, namely:

"This House is in agreement with the action of the Government of India in entering into the Sterling Balances Agreement of July 1949 with the United Kingdom Government."

Mr. Speaker: Amendment moved:

"That for the original motion, the following be substituted, namely:

"This House is in agreement with the action of the Government of India in entering into the Sterling Balances Agreement of July 1949 with the United Kingdom Government."

Shri M. Tirumala Rao (Madras: General): On a point of information, Sir, does the Finance Minister ask for the approval of the House for this agreement? It is an agreement which was concluded in July 1949, nearly six months ago. Is there any force in having the approval of this House at this stage?

Mr. Speaker: The motion is quite in order. The motion says that the agreement be taken into consideration. It is perfectly competent for the House to examine the policy and endorse it or rectify it.

Shri M. Tirumala Rao: It is only a suggestion but it is not for the vote of the House.

Mr. Speaker: It is for the vote of the House. The motions will be put to the House and if the House accepts them it means that the House endorses the policy.

Mr. Naziruddin Ahmad (West Bengal: Muslim): I do not know whether there is essentially no difference between the original motion and the amendment. If the House takes the motion into consideration, it is by implication accepting the agreement.

Mr. Speaker: I think there is some difference.

Mr. Naziruddin Ahmad: Verbally different but not substantially different.

Mr. Speaker: The motion need not be talked out by taking it into consideration. The House comes to a conclusion. That is a substantial difference.

Shri B. P. Jhunjhunwala (Bihar: General): Sir, I move:

"That for the original motion, the following be substituted, namely :

"That having regard to the effect of devaluation of sterling and rupee, the Sterling Balances Agreement of July 1949 entered into with the United Kingdom Government be reviewed."

Mr. Speaker: Amendment moved:

"That for the original motion, the following be substituted, namely :

"That having regard to the effect of devaluation of sterling and rupee, the Sterling Balances Agreement of July 1949 entered into with the United Kingdom Government be reviewed."

Mr. Arun Chandra Guha's Amendment is practically the same, though the wording is different. However, if he wants to move it he may do so.

Shri Arun Chandra Guha (West Bengal: General): Sir, I move:

"That in the motion, for the words 'be taken into consideration' the words 'be reconsidered in the light of the situation created by the devaluation of sterling and of rupee in terms of gold' be substituted."

Mr. Speaker: Amendment moved:

"That in the motion, for the words 'be taken into consideration' the words 'be reconsidered in the light of the situation created by the devaluation of sterling and of rupee in terms of gold' be substituted."

With regard to the amendment of Prof. K. T. Shah, I may point out to the hon. Member that his amendment is argumentative and, if he accepts, I would suggest to him that he may delete sub-paragraphs (i), (ii) and (iii). They are more or less arguments in support of his proposition, the words beginning from 'inasmuch as' to 'by the British Government'. When he says 'that the releases...are utterly insufficient' that is one reason; the second reason is 'that no provision has been made against any depreciation...'; and the third reason is 'that no effective and adequate guarantees have been taken...'. These are all arguments in support of what he is stating. They may better be advanced by him during his speech and may not form part of the amendment itself.

Consequently the words 'noted above' in line 5 from the end of his amendment will also have to be deleted.

Prof. K. T. Shah (Bihar: General): I shall move the amendment as suggested by you. Sir, I move:

"That at the end of the motion the following be added, namely :

'and that, having considered the Agreement of July, 1949, this Assembly is of the opinion that that Agreement does not safeguard, adequately and effectively the interests of India in this matter of utilising her accumulated sterling balances,

and further that before the Agreement is approved by this Assembly, this Assembly do appoint a Committee of this House consisting of the Honourable Dr. Jiba Mathai, the Honourable Shri K. C. Neogy, Shri M. Ananthasayanam Ayyangar,

[Prof. K. T. Shah]

Shri H. V. Kamath, Shri R. K. Sidhva, Sardar Hukam Singh, Shri Lakshminarayan Sahu, Shri B. P. Jhunjhunwala, Shri Mahavir Tyagi, Shri B. Das and the Mover to review the history of these Balances, examine their origin, nature, purpose and use with special reference to the actual economic situation in India and to advise the House as to the amendments necessary in the Agreement so as to remedy their shortcomings, with instructions to report by the 10th December 1949 and that the number of members whose presence shall be necessary to constitute a meeting of the Committee shall be five."

Mr. Speaker: Amendment moved:

"That at the end of the motion the following be added, namely :

'and that, having considered the Agreement of July, 1949, this Assembly is of the opinion that that Agreement does not safeguard, adequately and effectively, the interests of India in this matter of utilising her accumulated sterling balances,

and further that before the Agreement is approved by this Assembly, this Assembly do appoint a Committee of this House consisting of the Honourable Dr. John Matthai, the Honourable Shri K. C. Neogy, Shri M. Ananthasayanam Ayyangar, Shri H. V. Kamath, Shri R. K. Sidhva, Sardar Hukam Singh, Shri Lakshminarayan Sahu, Shri B. P. Jhunjhunwala, Shri Mahavir Tyagi, Shri B. Das and the Mover to review the history of these Balances, examine their origin, nature, purpose and use with special reference to the actual economic situation in India and to advise the House as to the amendments necessary in the Agreement so as to remedy their shortcomings, with instructions to report by the 10th December 1949 and that the number of members whose presence shall be necessary to constitute a meeting of the Committee shall be five."

(Amendments to motion re Loan Agreements.)

Shri Ajit Prasad Jain: Sir, I move:

"That for the original motion, the following be substituted, namely :

'This House is in agreement with the policy of the Government of India in entering into negotiations with the International Bank for Reconstruction and Development for loans for financing reconstruction and development projects in India and with the agreements so far concluded.'

Mr. Speaker: Amendment moved:

"That for the original motion, the following be substituted, namely :

'This House is in agreement with the policy of the Government of India in entering into negotiations with the International Bank for Reconstruction and Development for loans for financing reconstruction and development projects in India and with the agreements so far concluded.'

Dr. P. S. Deshmukh (C.P. and Berar: General): Sir, I move:

"That in the motion, for the words 'be taken into consideration', the following be substituted, namely :

'be approved but the Agreements be modified so as to expend not more than a third of the loans on manufactured goods and the rest on setting up factories in India for manufacturing these goods'

Mr. Speaker: Amendment moved:

"That in the motion, for the words 'be taken into consideration', the following be substituted, namely :

'be approved but the Agreements be modified so as to expend not more than a third of the loans on manufactured goods and the rest on setting up factories in India for manufacturing these goods.'

Prof. K. T. Shah: Sir, I beg to move:

"That at the end of the motion, the following be added, namely :

'and that having considered this policy as expressed in these negotiations, this Assembly is of the opinion that the policy of the Government of India in this regard does not envisage any co-ordinated and comprehensive plan of national development in all sectors of the country's economy and accordingly considers that the loans sought are likely to be used not to promote a well-considered,

allround programme of economic development spread over a number of years, but to meet *ad hoc* requirements of the present emergency or to promote specific projects already in hand or likely soon to be taken in hand and accordingly does not approve of this policy."

Mr. Speaker: Amendment moved:

"That at the end of the motion, the following be added, namely :

and that having considered this policy as expressed in these negotiations, this Assembly is of the opinion that the policy of the Government of India in this regard does not envisage any co-ordinated and comprehensive plan of national development in all sectors of the country's economy and accordingly considers that the loans sought are likely to be used not to promote a wellconsidered, allround programme of economic development spread over a number of years, but to meet *ad hoc* requirements of the present emergency or to promote specific projects already in hand or likely soon to be taken in hand and accordingly does not approve of this policy."

Shri B. K. Sidhva (C.P. and Berar: General): The hon. Minister referred in his speech to the steel plants and stated that a Mission is expected early next year. May I know whether it refers to the steel plant contemplated by the Government or whether it refers to private enterprise in this regard?

The Honourable Dr. John Matthai: That is one of the proposals in connection with it.

Shri B. K. Sidhva: Am I to understand that the Government have dropped the idea of investing their own money?

[At this stage Mr. Speaker vacated the Chair which was then occupied by Mr. Deputy-Speaker (Shri M. Ananthasayanam Ayyangar).]

The Honourable Dr. John Matthai: The position is really this. It all depends on how far the capital required for this project could be secured from private investment and whether it could be secured from State resources. Till this question is finally clarified it would not be possible for the Government to reach a decision as to whether it is to be put on a State basis or a private basis or a mixed basis.

Sardar Bhopinder Singh Man: Before we proceed with the consideration of these two motions I would like the Finance Minister to clear an ambiguity which has crept in so far as the second loan is concerned. May I know whether he has entered into an agreement to purchase nothing but heavy tractors or whether the agreement permits us to purchase any agricultural machinery or any machinery which is related to the agricultural projects that we are having in hand?

The Honourable Dr. John Matthai: Yes, it is for the purchase of dollar machinery suitable to the particular projects which have been examined and approved of by the Bank.

Sardar Bhopinder Singh Man: You have definitely entered into an agreement that we will be purchasing tractors for reclamation. And that means heavy tractors only. Are we to confine ourselves only to the purchase of heavy tractors, or can we purchase other agricultural machinery as, for example, in connection with tube-wells, building of drains, etc?

Mr. Deputy-Speaker: The Agreement seems to be clear that no other articles than those entered therein can be purchased, that is, tractors, accessories, etc. and none else.

Shri Ajit Prasad Jain: Sir, I want to put a question.

Mr. Deputy-Speaker: If hon. Members put questions and do not intend to speak, we can exhaust all the questions.

Shri Ajit Prasad Jain: The Minister stated that the Mission of the International Bank which came to India has approved of the development of food production as deserving high priority. One of these agreements relates to purchase of tractors. There has been some news appearing in the Press about tube-well projects and the purchase of fertilizers. Are any such agreements in contemplation or were they ever discussed or negotiated and if so, what has been the fate of those schemes?

The Honourable Dr. John Matthai: No such agreements have been negotiated.

Mr. Naziruddin Ahmad: I want clarification on one point. I want to know whether in obtaining the loan in dollars, on account of the devaluation of the rupee, we would get 30 per cent. less or alternatively whether in repaying these loans we would have to pay 44 per cent more in terms of Indian money.

The Honourable Dr. John Matthai: The loans are stated in terms of dollars but our payments in respect of servicing of these loans would now have to be made at the new rate.

Shri S. V. Krishnamoorthy Rao (Mysore State): May I know the rate of interest which the Bank has charged to other countries for similar loans?

The Honourable Dr. John Matthai: I am not in a position to give the answer now but the general principle followed is the same.

Shri B. K. Sidhva: Is it not a fact that other countries have been charged 3.5 per cent. for amounts and periods similar to what we have taken?

The Honourable Dr. John Matthai: I could look up the details and tell the hon. Member.

Shri B. Das (Orissa: General): It is an irony of circumstances that the House will simultaneously discuss the position of Sterling Balances, which Mr. Churchill characterised as a misnomer, and also the relation of India with that country—U.S.A. So far as the 1949 agreement is concerned, we have followed it up, we have eaten the money, we have accepted the agreement and so I will not make any observation on that position. But what I am deeply concerned about is the subsequent position of our Sterlings—what relation we shall have with the Sterling countries, whether the Sterling Agreements should continue, whether the war Sterling Balances should occur in the future history of India or whether India shall be released from the domination of the United Kingdom in the matter of our Sterling Balances. It has been said that Account II is a bank balance in the Bank of England. Why should we have any kind of relation with the Bank of England or even with the United Kingdom which has all along taken it for granted that it should dominate the economic policy of India? A month and a half remains when we will declare the Republic of India, but this kind of talks, this kind of usurpation of our Balances in a foreign country and domination over their expenditure and also over their convertibility should not be allowed. If I make any observations in the matter of these sterling balances, I wish to draw the attention of the House to the fact that we should wash our hands clean of any kind of cordiality with the U.K. When my honourable friend the Finance Minister observed about Commonwealth relations, Sir, I felt a dagger went into my heart. What is that Commonwealth? What is that relation? I have been a close observer of the speeches which my honourable friend has made during the last two years on the floor of the House. So far, until he made his grand speech on devaluation, he had accepted the position of domination by the U.K. over India's economy, the position which his predecessors, the Finance Member

of the former Government of India, had accepted as *fait accompli*. Today that position does not exist. I want no negotiation with the U.K. We may immediately make a demand on the Bank of England that our deposits should be at the disposal of the Reserve Bank of India which can convert it, which can deposit it anywhere and my Government of India can spend the money in any way it likes.

Shri R. K. Sidhva: Sir, the clock has struck one.

Mr. Deputy-Speaker: The hon. Member evidently would like to continue

Shri B. Das: Yes, Sir.

Mr. Deputy-Speaker: He may continue after Lunch.

The Assembly then adjourned for Lunch till Half Past Two of the Clock.

The Assembly reassembled after Lunch at Half Past Two of the Clock, Mr. Speaker (The Honourable Mr. G. V. Mavalankar) in the Chair.

Shri B. Das: Before the recess, I was saying that I accept the 1949 Sterling Balances Agreement as it was and that it is no use crying over spilt milk, but for the future India should have no sterling balances agreement with England. Our money is lying in the Bank of England and we have the free will to draw on it in our own way to suit our national economy. The hon. Dr. John Matthai said that after the devaluation he received some categorical assurance from the British Chancellor of the Exchequer. I never believe in an Englishman's word. I have not found one truthful Englishman. If Sir Stafford Cripps said that the spirit of the Agreement should be carried into the years 1949-50 and 1950-51, I do not believe it. I do not think such an assurance is necessary at all. If Sir Stafford Cripps said that there should be no scaling down or any thought of it, I cannot accept it, because every other Englishman including Churchill and all the Labour gang led by Mr. Attlee have times without number said that there should be scaling down. Of course, my honourable friend the Finance Minister could not discuss the terms of repudiation, but I have the sixth sense of suspicion that England can at any moment perfidiously repudiate the loan on the ground that U. K. has gone bankrupt and cannot honour her debts. The U. K. has been applying two sets of principles: one to Western and American countries and another to countries inhabited by darker people, whether they be India or other colonial countries. The mentality of the U. K. has not changed. I am not going to accept whatever understanding my Government may enter with the British Government. I think it is better that we start with a clean slate and have no more truck with England.

I have said more than once both on the floor of this House and outside that our economy must not be clubbed with the U. K. economy. All our troubles, all our woes and all the present difficulties we are going through as a result of the devaluation of the rupee—all these are due to the U. K. I would very much like my hon. friend the Finance Minister to tell us whether Sir Stafford Cripps has sent him an apology for his exceedingly bad manners in not informing him before the night of 16th September that the sterling was going to be devaluated. If that little sense of gentlemanliness did not dawn upon Sir Stafford Cripps even to this day, I say, let us cut off, let us have nothing to do with the U.K. economy or the U.K. Finance Minister. Let us rend asunder even our trade and commerce with the U.K.

Shri L. Krishnaswami Bharathi (Madras: General): How shall we get our sterling balances then?

Shri B. Das: Our sterling balances are lying with the Bank of England. The British Government can be a liar and repudiate, but the Bank of England, if it does that, it will crash; and if it crashes, the whole British economy crashes. The Commonwealth countries have huge deposits in the Bank of England and

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you can imagine the consequences. So, I do not want you to mix up the two relationships, namely, the Bank of England and the British Government. The British Government is perfidious, but the Bank of England has still to remain as a Commonwealth Bank. So I hope the Bank of England will honour our deposits, provided they are deposited there. I hope my hon. friend the Finance Minister will assure me whether our sterling balances are deposits in the Bank of England in the name of the Reserve Bank of India and that there are no political complexes to them. That is the crux of the whole problem.

Sjt. Kuladhar Chaliha (Assam: General): What about your over-drawal of £81 millions?

Shri B. Das: Over-draws? Well, my money is held up by Sir Stafford Cripps and he "allowed" my Finance Minister, Dr. John Matthai, to over-draw £81 millions from frozen deposits. Is that over-drawal? If this agreement was entered into by Sir Jeremy Raisman and others, they did it as masters of India. Now the master of India is Dr. John Matthai and he should indicate the terms to Sir Stafford Cripps.

Shri T. T. Krishnamachari (Madras: General): It looks as if Mr. Das is the master of India!

Shri B. Das: If I have got any grain of mastery, I have handed over all my authority to Dr. John Matthai to deal with the U. K. on behalf of India.

I do not wish to cover again the very same grounds which have caused all these serious troubles to us, but when any English parliamentarian, whether it be a leader like Mr. Churchill or a back-bencher, says that England was bled white to save India from Japan or Germany, they must be told point blank that India has been bled white to enable the U.K. and the British Empire to continue up to now.

I need not repeat my argument again. While I am paying four times the value for my food-stuffs, England is paying 1.6 times the pre-war value. That is how I am being fleeced. I do not want to lose my temper again—I have lost my temper over and over again.

Sir, the only point I wish to emphasise on my friends in the House and on the Finance Minister is that we should try to cut asunder completely from the United Kingdom's perfidies and intrigues, whether it is in the matter of finance, in the matter of trade or in the matter of commerce and I do hope the efforts which the Government of India are making in this direction, (as for example the starting of the Locomotive Factory at Chittaranjan) will be successful.

Now, Sir, I come to the other motion which is not so very heartburning to me, namely loan from the International Monetary Bank. I do welcome and endorse the remarks of my hon. friend the Finance Minister that we should go into the world set up and negotiate loans and should not remain in the old position as was dictated by U. K. in her past glories and greatness.

But one point I wish to make out. I do not want any Marshall Aid or any help from the United States of America. When an international banking organisation was created, it should at least in the early stages, keep the rate of interest at one per cent. or so. The high rate charged by the Bank does not help world rehabilitation. But the white races—the American and the U. K. people—have one economy for the white races and another economy for those who are not white and I would rather have no loans from the International Bank. I do not like this sort of discrimination. I do not like the discrimination of the UNO and the UNRRA; they never helped India; they never wanted rehabilitation of India. Nor do I want any charity—the charity that the United

States bankers rendered to India in a spirit of superiority must not be there. Let there be a banking spirit. But why should banks think of a reserve at the early stage? Let them rehabilitate the world by loans at the early stage for a period of ten or fifteen years and when the world economy is partly restored I am ready to subscribe, if I am alive as a Member of this House, I am ready to subscribe 4 per cent. I do hope that steps will be taken by the hon. the Finance Minister, with the help of his banking experts, to apprise the Bank that such a high rate should not be claimed from India.

As for the purchase of plants and machinery, questions have been asked whether these loans can be applied for the purchase of other kinds of machinery other than agricultural machinery. I do not think that is a point we can raise now. If our negotiators—be it Shri Chintaman Deshmukh, Shri B. Rama Rao or Shri Sundaresan—have negotiated with the concurrence of the Government of India for a particular kind of capital goods, we must be gentlemanly enough to purchase only those goods and not anything else.

I do hope that the hon. the Finance Minister will be able to enlighten this House sometime later at least as to what are the interest charges on loans advanced by the International Bank to different countries and I would like to know whether the American nations have got loans at a cheaper rate than the Western Bloc of nations, because the Western Bloc of nations have become poorer, and also whether India and other colonial countries which have been the exploiting grounds of the white races have not been charged a higher rate of interest.

Sir, I do appreciate the difficulties of the Government of India in negotiating these loans for steel plants and hydro-electric projects. But the decision of the Bank authorities to take each project as it comes and decide does not help India's national economy, because today we are in a frightful position due to the sterling devaluation or the appreciation of the dollar. Our sorrows and miseries are as much to be laid at the door of the United States of America and the United Kingdom. The United States of America has a natural tendency of boarding up wealth, so that she could appreciate her currency and at the same time give a few dollars here and there for the rehabilitation of the world as charity through the agency of the UNO or UNRRA, or in the shape of loans through the International Bank. The United States of America is morally responsible for the troubles of those countries called the "Sterling Bloc" to which I am ashamed to say India belongs. I do hope the efforts of my hon. friend, Dr. John Matthai, will create a "rupee area", so that we may talk of the "rupee area" and not of the Sterling or Dollar area. That is my hope and dream and I hope it will be achieved at a not very distant future.

Sir, for some time we will have to depend on the international loans. If somehow arrangements could have been made for India to draw 500 million dollars or a thousand million dollars, then we could have planned out our industrial development accordingly. We do not know—somebody asked a question about it—whether the steel plants which we have completely designed will come into operation. We do not want, whether through dollar appreciation or rupee devaluation, to be dependent upon the U.S.A. or the United Kingdom for our requirements. I do not want to buy anything from abroad except capital goods. According to the teachings of our Great Leader and Guru, Mahatma Gandhi, I want to be self-sufficient in India for my food-stuffs and for my machinery. If India wants to buy anything, she will buy only such machinery and plant as are necessary for her industrial advancement.

An Honourable Member: But Gandhiji was against machinery.

Shri B. Das: No. At a later stage, Mahatma Gandhi did declare that he was not opposed to machinery to bring about self-sufficiency in the rural economic of India which we as humble followers have forgotten. (*Prof. N. G. Ranga:* Hear, hear). My last appeal to my hon. friend the Finance Minister is that he should see that the Government of India has a five-year plan for utilising

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the loans from the International Bank and not fritter away the money on projects that are not suited for our national economy and industrial development.

Prof. K. T. Shah: Ever since these sterling balances came into being, Indian economists have been crying themselves hoarse in warning the powers that-be and the country regarding their evil tendencies and very likely injurious consequences. Their cries in those days seemed to fall on deaf ears. But even today, it is a great pity, Sir, that the powers-that-be do not seem to have realised fully, not only the evil origin and nature of these balances, but also the harmful consequences implicit, which these are showing today, but which they still fail to recognise in all their fullness. It is said, Sir, that there is none so blind as will not see: and here we have living examples of people who take no warning, year after year,—or is it, six months after six months?—when they make solemn agreements, and find those agreements broken in one way or another, openly or secretly, directly or indirectly.

Sir, the hon. the Finance Minister was emphatic in declaiming the assurances that had been given by the British authorities with regard to the last Agreement he had the misfortune to make regarding the sterling balances. He has told us that they have assured him. I do not know what those assurances are worth. I heard him say, for instance, that there will be no scaling down, overlooking the fact that, by a single act of Devaluation, there has been an effective scaling down by 40 per cent. He does not think that a breach of the assurance or agreement.

He has further told us that there will be no repudiation. I am sure the authorities who have assured him thus did not mean the same thing by repudiation as other mortals do. It was, however, an assertion, a statement in the British Parliament in the course of the Devaluation Debate, reported in Indian papers, I think, towards the end of October last, in which the Chancellor of the Exchequer and the British Prime Minister declared that Britain would not be able to pay her sterling debts, including those due to countries of the sterling area, as and how they had agreed to pay. If since then there has been any change, I am afraid that change requires to be much more clearly and emphatically embodied in a new agreement than that which the agreement hitherto before us effectively provides. But, notwithstanding this, notwithstanding this experience repeated again and again in the life of the last two Finance Ministers—I mean including the present one—there is a touching, there is an almost pathetic faith in the honesty and straight-forwardness of the British amongst our Indian authorities: and they go on making agreements which the British violate almost every six months, in the letter or in the spirit.

I need not remind the House, Sir, as to how these balances first came into being. But I must explain to the House that the figure, even at the maximum, some Rs. 1,700 crores, when the first settlement was reported to have been made, was not all that has been drained from this country in the shape of goods and services for which no real payment has been made, or if made, it is in these so-called sterling balances. In the very first years, at any rate, when the sterling balances began to accumulate, the first payments were made by the so-called repatriation of the Indian sterling debt of about Rs. 500 crores—not the whole of which was justly due and paid to this country—made by means of bits of paper.

When that means was exhausted, amounts to the tune of Rs. 1,000 or 1,200 crores, continued to be accumulated, and were reckoned and passed on as I.O. Us. of the British Government to the Indian Government. The latter issued paper money in this country on the strength of the securities deposited with the Paper Currency Reserve of the Reserve Bank of India. These brought about the consequences of inflation, the benefits or disadvantages of which we are still suffering from. The inflation that has come in the last 8 years is, in

my opinion, entirely due in its origin to these sterling balances, against which no definite steps were taken. Such steps, I should think, should have been taken from the time they were brought into existence. (*Maulana Hasrat Mohani*: Hear, hear). But even the present Government of India has not cared to take any steps yet.

Sir, the sterling balances have a history of their own, not only in their creation, but also in the steps taken towards their settlements. These settlements were, in the first instance, temporary, supposed to be made for six months. Twice I think they were made for six months: then for a year, and then the last for three years, some part of which also needed review after a year. In all these settlements, though willing to give the best interpretation possible to them, I find nowhere any clear enunciation of two very important principles, which, I should have thought ought to have been included. These are: a categorical assumption of the obligation by the Government of Britain to accept these as due from them to us; and, secondly, an equally categorical assurance on the Indian side, to say that these are our monies, to be used by us, as and when and where and how we like, and that it is none of the business of Britain or any other member of the sterling areas to say how much we could use, where we could use, and in what manner we could use. Therefore, so long as these two principles are not embodied in unmistakable and unambiguous terms in any agreement that is made in regard to the sterling balances, I for one would feel that these agreements are not worth the paper on which they are written. These agreements might hoodwink you and give you a kind of hallucination of eventual fulfilment. But so far as actual facts go—and the results have been realised by some of us—these agreements do not amount to much.

Sir, take these settlements now in their several aspects and provisions. In the first place, you have two main divisions of the amounts that can be released from year to year: one is for use in sterling areas, and the other for multilateral purposes, e.g., convertible into dollars. As I have said just now, there is no reason why this should be a part of the agreement that only a limited amount would be available for multilateral purposes or convertible. The money is ours but the Agreement allows only a small amount to be used; how can then we call it ours? If the British Commonwealth, that means for all practical purposes the United Kingdom, is in difficulties, why should we be called upon to share those difficulties, and to readjust our economy to suit their interests and conveniences? This has happened under the last agreement. It must be admitted that we have had to reduce our imports from the Dollar areas to something like 75 per cent. of the 1948 level, mainly or entirely to suit the convenience of Britain who is unable to meet her own obligations, and, for that reason, is forced to devalue her own pound sterling.

This, Sir, is an aspect of the matter which, I am afraid, has not been appreciated as fully as it deserves to be by those who concluded these agreements hitherto on our behalf. Consider the conditions of our trade. The

greater need of this country is from sources where the dollar currency prevails; and if we have perforce to divert our trade so as to go into
32. x. non-dollar or "soft currency" areas merely to accommodate

Britain as it were to maintain her present economy, the reaction would be not only on that year's trade, but also on the permanent economy of this country. That is to say, we should be obliged so to divert the direction of our trade, so to arrange our purchases and sales, so to manipulate our imports and exports as to be more and more buying from Britain and trying to sell more and more to the hard currency areas so as to minister to the needs of Britain rather than our own.

This is a very distorted view from the point of view of India and so long as that outlook inspires agreements on this matter, I am afraid the interests of India will not be properly served by any such agreements. Sir, I contend that the fact that this money is ours is not yet recognised by the authors of these

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agreements on the other side, and more particularly and painfully on our side even. Because the releases have not been enough, because they have not been adequate for our needs, we have had to overdraw. Here, again, we are blamed as if the open general licence system has been a calamity, that we should not have done so; but having done that, we must cry *mea culpa*; we must expiate in such a manner that we must retrace our steps and readjust things according to the requirements of the British economy.

In this connection, we must never forget that the British economy is unquestionably now a bankrupt economy. It is impossible for them to meet their obligations, and in one form or another they are refusing to meet their obligations. They have refused to pay their war debts, to America of the First World War. They are refusing now to meet their obligations in this modern and fashionable method of unilaterally "devaluing" their currency; and our balances inevitably suffer. After all, the balances are kept in sterling and they are kept in London. They are expressed in terms of the pound sterling, and therefore it rests with the British Government to say as to what will be the purchasing power of that sterling if and when it is paid. We are helpless victims of their spendthriftness, extravagance or indifference to all requirements but their own. So long as they have the upper hand, the whip band, this attitude from the point of view of the British statesmen is understandable.

From the point of view of the Indian statesmen it is deplorable. It is a great, an immense pity that they should not have perceived this foul play the British were playing. If you refer to the statement of the hon. the Finance Minister at the time of the devaluation debate, you will find that he told the House, in no mistakable terms, that they were not consulted at all in regard to the final step of devaluation by the British statesmen negotiating in Washington. If they were not told, if they were not informed, if they were not consulted, what was the necessity for them to agree to this farce, involving us in all the calamities that have followed Devaluation? We shall be obliged now to curtail many a useful project. We shall be obliged so to readjust our national economy as to subserve not our interests, meet not our own requirements but to provide for British extravagance, to maintain the British high standard of living, the British dominance in the world markets.

Sir, against all this no assurance has been given that there shall be no further reduction of this amount in terms of its purchasing power in the world markets. It may be that the amount may be paid as stipulated, but the actual purchasing power—which is what really matters, is the thing that matters. No assurance has been taken, no guarantee has been provided in the Agreement that there shall be no further reduction in the purchasing power of this balance in one form or another. That being so, I say that this Agreement is mischievous, is fatal in its very essence inasmuch as no guarantee has been given, no provision has been made, at least so far as the future is concerned, to guard against further depreciation of India's accumulated sterling balances, built up by the sweat and toil of the poorest peasantry in the world, so as to minister to the British high standard of living and their political and military might in the world.

I am afraid, Sir, this is a subject on which passions may turn very high, and I am not going to play to the gallery as the saying goes, in this regard. But I cannot help saying that, after the accumulated and repeated experience that we have not only in the last ten years but over nearly a century of British rule in this country during which we have found out that everything was done only in their own interests, in spite of that experience, even today we have not yet cared to enforce the guarantees which are at our disposal. We told the Finance Member when the Agreement of 1948 was entered into, that if the British failed to meet their obligations in full, then these should be utilised by us.

Instead of doing that, instead of using these as securities for raising loans elsewhere, we are going to the International Bank for loans for certain specific projects, after the International Bank makes an investigation of our credit position. The very question of a nation's credit-worthiness being enquired into by an outsider, being certified by an outsider, is revolting. Instead of doing this, we could have utilised our own resources. If Britain refuses to pay, then we could have utilised the British investments in this country as so much security to raise loans elsewhere. If we have not done that, it is not because there are no British investments in this country for us to use and safeguard our interests in the matter of the sterling balances.

This was already brought to the notice of the then authorities, and the present authorities could not be unaware of that fact. We are told that the Reserve Bank is making an investigation as regards the British investments in this country. I am not prepared to give just now any *ad hoc* figure as regards that investment. But I am certain that those investments are sufficient at any rate for us to use as a good security for a very considerable slice of the amount that Britain owes to us.

I think that these are enough to see that Britain does not repudiate her obligations. I am sorry to say, Sir, that notwithstanding this having been brought to the notice of the authorities, notwithstanding this having been repeatedly emphasised, the authorities have turned a deaf ear. I am not surprised that in the past the foreign authorities did so, but I regret to see that Indian authorities do not seem to have learnt the lesson which is staring us in the face. The writing is written large on the wall, and if they will not see, if they will not read, they will have to regret when it is perhaps too late to mend matters.

Sir, look at the consequences that have fallen upon us because of this agreement. We are becoming tied down more and more to the British economy and we are obliged willy-nilly to accept British requirements of international trade, international credit and international fiscal policy. It suits them to see to it that imports into India are taken as much as possible from the sterling areas, that is, mainly Britain; it suits them also to see exports go to them as far as the raw materials they can manufacture and send back to us in the shape of imports. If we are to eschew more economic markets, those which will be able to supply machinery or capital goods, let us say of greater efficiency, of greater productivity, even if at nominally higher rates, if you like, but greater durability, because Britain is not in a position to release sterling; and if we can purchase in this way the whole of our economy in the long run becomes too much tied up with the British economy. We shall be obliged to run, so to say, in a deficit budget, not only as regards the Central Government of India, but as regards the country as a whole. The Central Government's budget is only a reflection of the entire national economy.

Here, Sir, is a condition in which the national deficit is becoming chronic and larger every year, so that we are living more and more as it were on our past, and not only the psychological or traditional sense but also in our material sense. If that goes on, the generations to come hereafter will be more poor than they were before; and the blessings of Swaraj may not be felt, may not be realized by the people of India which they have every right to expect. I have heard time and again the strongest of fighters for Swaraj and Independence expressing, in whispers no doubt, and with much regret, a feeling that they are missing even the British and the British efficiency in administration. I do tell you, Sir, I am sorry to hear such things from those who have given every proof of their genuineness and of their sincerity in the fight for Swaraj. But they feel the contrast and these things go so deep into the heart of the people that those who today snap their fingers at Jeremiahs like me will have to regret that it is time to listen to take stock of the situation and mend their manners.

Shri B. Das: We do not take you as a Jeremiah.

Prof. K. T. Shah: Thank you, whatever you take me to be, there are quarters who would regard me as such. And, therefore, do not think this remark was addressed to you, but to those who take me in that light. However, whether they take me as a Jeremiah or otherwise, let me say this that the agreement is vitiated at its source; it is unlikely to be of any benefit to this country; it is fraught with dangers of further one-sided and deliberate depreciation; it is fraught with the danger of tying our economy to the chariot-wheels of Britain. And if it is not revised, if it is not recast and improved in time,—If it is to be improved at all,—I am afraid what remains even may be lost altogether. After all British Statesmen have not been wanting who have said that they would review, and reconsider it, with a view even to total extinction of the whole of this obligation. The present Government even if they give an assurance can only bind themselves. They cannot bind their successors; and those successors or likely successors or potential successors, have made no secret of the fact that they do not consider this to be obligations which Britain can any longer bear. It is time, therefore for our Government to take heed. Let them realize, in whatever way is open to them, the Balances still surviving; let them take counsel amongst themselves, or with those who can effectively advise them, and mend their ways accordingly.

Sir, I now pass on to the other motion of the hon. the Finance Minister with regard to the loan from the International Bank. I have already referred to that aspect which to my mind is the most injurious and offensive to our sense of national dignity, the aspect of an outside body pronouncing upon the credit-worthiness of this country, of an outside authority certifying that we are worth loaning to. And our Finance Minister takes pride as it were that we have passed the examination of a foreign body, and have proved ourselves good boys in their eyes: and forgetting the reward of their good boy-ness, namely this loan. I consider it as a matter of shame (*Some hon. Members:* No, no). I consider it is utterly unnecessary. After all what is the total amount of the loan that they seem to have obtained from the International Bank. The total including that which we have been negotiating for is \$66 million. Even at the present rate of exchange it would be about Rs. 32 or 33 crores; and this amount needed for productive purposes can it not be raised in this country? I refuse to believe that we are obliged to go to an outside authority for proving our credit-worthiness and getting this loan, when in our own country we could get at the same rate of interest or even a higher rate of interest and the same amount and to better purposes.

I mention this with regard to the utility of the service of these tractors, the heavy tractors and the way they will work in this country. And what is more, I am afraid I am bound to tell this House, that even if these tractors prove as serviceable as they are stated to be, let me tell you, Sir, that for these tractors in respect of every part, in every screw, in every nut, you will have to go to get service and supplies from outside; you will have to use outside petrol; you will have to procure all their parts, get all their accessories from outside. And all that, too, not for the time being that you pay for the tractor but for ever and ever as long as you use them. Until you have your own industry of that kind, you will have to depend on them.

It is a dangerous and double-edged weapon to have these things paid and at such a cost to our country from outside. I cannot regard it, therefore as an unqualified good for this country that we have used this loan in getting these engines or in getting these tractors from wherever they are got. Incidentally I may refer to a point that may not have come to the attention of the Ministers responsible for the matter—a circumstance that has come under my personal notice. A complaint has been made about these new engines which are supposed to be too strong or too fast for the present condition of the rolling stock they drag. I myself have experienced an occasion when an Engine of the Frontier Mail broke down, in the middle of the way, a new modern Canadian Engine,

so that the train had to be delayed for four hours before a new engine could be got and the train to be dragged up to a station where a change could take place.

Shri B. L. Sondhi (East Punjab: General): When was that?

Prof. K. T. Shah: On the 8th of November, to be precise. The rolling stock was rocking in such a manner that passengers feel every bone in their body shaken. They often feel that they must have not a night but two nights' rest before their bones can be in order after the journey of this character.

Whether these engines are suited to our rail roads may be a matter for experts to decide upon. I dare say that they have got good value out of this money; they have not got permanent value out of this for the country. For I ask,—why should we not have this amount employed for developing agricultural implements—making industry in this country? Why not make run our own industry so as to suit our own requirements and not have these fancy tractors, of which photographs can be taken to be paraded in the public press and show that we are advancing, that we are progressing, that we are using the latest instruments and appliances and engines for the uplift of the country. They are wholly misleading; they do not represent the real possibility of development in this country.

And that brings me to the next point that is my objection to the policy of taking foreign loans. The specific objects for which these loans are taken are spasmodic ventures. They are *ad hoc* attempts and they are not in response to a whole, comprehensive, well considered plan of simultaneous advance in every requirement. Here the most productive, the most fruitful are taken by foreign capital. It may be given by an International authority, and not by a single foreign investor or a group of investors. But still the capital is foreign and it is taking up the 'cream' so to say of productivity in this country, leaving the husks, the refuse, so to say for Indian enterprise to everybody. I really do not see the advantage of such loans and I do not see any long range benefit to the country from such spasmodic action, such *ad hoc* attempts at borrowing from abroad and after having proved to a foreigner your credit-worthiness and your ability to repay in ten or 15 years the loans which they are so graciously pleased to give you.

There was a question raised this morning that other countries have got similar loans on 3½ per cent. and we have got them at 4 per cent. If that is the measure of our credit-worthiness in the eyes of the world I am afraid it certainly cannot be called first class credit. Whatever that be, I want to tell the House that this amount of a paltry 66 million dollars or 30 crores of rupees is nothing to a Government whose annual budget is something like 350 crores, which has been in the habit of using money for unproductive purposes and borrowing hundreds of crores. It can now trust the credit of its own countrymen sufficiently and raise for such productive purposes loans of the magnitude of 60 million dollars and not beg for it, so to say, by proving our credit-worthiness. They have got 66 million dollars in three batches on three different conditions for three different productive purposes. This loan is not worth accepting.

There is one point, Sir, which I omitted to mention in regard to the first motion which I hope you will permit me to mention now. I want that this entire policy should be reviewed by a committee appointed by the House so that they can examine the nature, the origin, the purpose and the use of these balances in the light of the possible future that lies before us, the obligations that are upon us, the ways in which we can utilise it ourselves. After fully examining them they can recommend to the House what we are to do and how this matter can be rectified while there is yet time and how best the country could be served. I hope this will not be treated with scorn as very often suggestions from me are done with. I am hardened to it and I do not mind it, because I do not consider the utility of the remarks that I place before the House from time to time merely in the light of their immediate value. I take a long range view and from that point of view I hope this will not fall on deaf

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ears as my suggestions have fallen hitherto. Till now the excuse was that the Government was against the interests of the country. The present authorities cannot use that excuse. I hope, if not today, at least some day they will take the warning and act in the spirit and not the letter of what is contained in the motion before us today.

Shri Ajit Prasad Jain: Sir, there are two sets of matters before the House—one relating to the settlement of the sterling balances and the other to the two agreements made with the International Bank. The hon. Member who has just preceded me seems to be thinking as if today we are going to advance money to another country. It is one thing to lay down conditions at the time when you are advancing money or when you are initially entering into a contract but it is quite another thing to enter into a settlement when you are placed in a certain set of circumstances not of your own making but which have been made for you long ago. The whole history of the British in India is a history of inequities and injustice. We are the inheritors of many things which are unjust. We are the inheritors of many things that are unfair. We are the inheritors of many things that have been thrown upon us against our wishes. The question today is how best we can acquit ourselves in those circumstances.

The hon. Member entered into long tirades about the history of the sterling balances—some of his statements being correct and some incorrect. I want the House to judge the whole question dispassionately and in the correct perspective. Today we are not negotiating an initial agreement. The main agreement was concluded last year in the month of June-July by Mr. Shanmukham Chetty. This is an expansion of that agreement. Let us see what were the principal terms of that agreement that concern us today.

It was an agreement for three years. One of the terms of that agreement was that during the next three years we shall be able to draw upon the sterling balances to the tune of 80 million sterling. At that time there was 80 million sterling to our credit in Account I, which is the account which we can operate for our current needs. During the first twelve months ending with the 30th June 1949 we could not draw any fresh sterling from Account II. During the second and third year each we can draw 40 million sterling. Our money which was in deposit in Account I was divided into two parts. One part which is for 15 million sterling was declared as multilateral currency, which could be converted into hard currency and the rest of it is to be spent in the sterling area. During the one year that has lapsed since that agreement was made certain new things have cropped up. One of the most important things is that on account of certain operations of O.G.L. XI we have drawn over and above the money that was in our account at the time when the June-July, 1948 agreement was entered into...

Shri Mahavir Tyagi (U. P.: General): Who was responsible for these operations?

Shri Ajit Prasad Jain: I am coming to that. We had to our credit 80 million sterling at that time. We have drawn that account by another 81 million. The first question was to regularise this and I say that the hon. the Finance Minister has regularised that account by drawing another sum of 81 million from Account No. II and putting it into Account No. I and thus regularising the transaction due to over-drawing that account.

The second question was that the amount of the convertible sterling was limited to £15 million. In fact our transactions with the hard currency areas came to much more. Again that over-drawing has been regularised. Our convertible portion of the sterling was fixed only for one year. The question was what should happen in the second year. There too I say that the hon. the

Finance Minister has done well. He has told the House this morning that our excess of expenditure over receipts in the hard currency area in the last year has been to the tune of 213 million dollars. That is we have over-drawn by about 80 million dollars. That has been regularised.

Now it has been accepted by the House during the course of the debate on devaluation that we are a part of the sterling area. We share its advantages as also its difficulties.

Prof. Shibban Lal Saksena: What are the advantages?

Shri Mahavir Tyagi: The advantage of drawing.

Shri Ajit Prasad Jain: The advantage of our trade with them. As an overall settlement it was decided by the Finance Ministers Conference that the drawings on the dollar pool will be reduced by 25 per cent. in the ease of all the sterling area countries. Consequently we have accepted that during the next year the release of the convertible sterling would be 25 per cent. less than what it was in 1948. I believe that that was a very fair settlement. Again our drawings for the year ending 30th June 1950 and 30th June 1951 have each been increased from £40 million to £50 million. Locked at from that point of view this agreement which is before the House for its acceptance is not a new one. It is an agreement that arose from the principal agreement of 1948. I submit that the hon. the Finance Minister has done well and very well too and he could not have done better than what he has done under the circumstances...

Maulana Hasrat Mohani (U. P. Muslim): Why should they accept Mr. Shanmukham Chetty's agreement?

Shri Ajit Prasad Jain: The Finance Minister had to accept it because that was an agreement which was ratified by the House. Why did the House accept that agreement? It came before the House and it was ratified by the House, although it could have rejected it. The Finance Minister is not anything over and above this House. He had to abide by the verdict of the House. It was the verdict of the House to accept Chetty's agreement and the Finance Minister has only completed that agreement by providing for convertible sterling in future. He has rectified certain difficulties which have arisen out of working of that agreement.

That, Sir, is one aspect of it. But when we are considering the question of Sterling Balances there is a broader aspect of it as well. During the last one year we have drawn from our Sterling Balances a sum of 160 million sterling which will be equivalent to almost Rs. 220 crores. It means that we have been living beyond our resources. We have spent that amount out of our accumulations. That is not a small thing.

During the next two years that are to follow, the hon. the Finance Minister has told us that as a result of the additional unspecified sum which will be made available to meet the cost of the liabilities created under the operation of O.G.U.XI a sum of 50 million sterling has been set apart which we can draw in that connection. During the next two years our releases of the Sterling Balances in the ordinary course would be 50 million sterling instead of 40 million sterling which we had originally agreed to under Mr. Shanmukham Chetty's agreement. Thus during the next two years we propose to spend about 150 million sterling in excess of our earnings which we will draw from our Account No. 2. That means that during the next two years we will be spending Rs. 200 crores more. We have not yet been able to know how much of what we have drawn from the Sterling Balances has been spent on our necessities, that is, things which we require for the life of the nation, and how much of it has been spent on brass buttons—that is, luxuries and goods which are not necessary,—and how much of it has been spent on the import of capital goods. I submit

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that while we have to accept the past as it is—it is no use bewailing over it—for the future we must be cautious and all our import from foreign countries must be for productive purposes and not for mere consumption unless such consumption is necessary for the life of the nation. I do hope that the hon. the Finance Minister will take good care to keep that aspect of the matter in view.

One other question I would like to refer to is with reference to the observation made on page 7 of the white paper issued in August 1948. It says:

“In considering the adequacy of these releases, the difficulties and uncertainties during the period of transition from a wartime to a peacetime economy in the United Kingdom and the ability of that country to build up an adequate export surplus must be borne in mind. At the same time, India's ability fully to absorb capital equipment and utilise the balance must also be taken into account. It is felt that even with the utmost liberalisation of import policy, consistent with the interests of the country, the total amounts of foreign exchange available will enable India more or less to break even at the end of the three year period”

What do we find? In the very first year the amount had to be overdrawn by 80 million sterling. That, I must submit, was a bad judgment. My hon. friend Mr. Mahavir Tyagi while interrupting me asked “who made this O.G.L.?” Well, he and I, the whole of this Assembly and the Government did it. And we had to reap the fruits of it. We have suffered from it. Nonetheless I say that we must be careful lest in future our calculations should be falsified in that manner. We should not exceed our original estimates by such huge amounts.

Coming to the second part of the question, namely, the two agreements entered into with the International Bank, I was really surprised to hear what my hon. Friend Prof. K. T. Shah said just a few moments back. He was saying so many contradictory things. In fact contradiction does not seem to matter much with him. He was saying that we are importing tractors and every bolt and every pin, that every little thing required for the tractors will have to be imported. That is true, and perfectly true. Unfortunately in India, as we are situated today we are not in a position to manufacture tractors. It will take us years to set up a plant for manufacturing tractors. What then is the alternative before us? Either we should wait until we are in a position to manufacture tractors, and until then go on importing foodgrains from foreign countries, or today to import tractors and to start growing food so as to make up the deficit. I leave the question to this Assembly to decide. It does not require any very great intelligence to understand that we should not wait for years and years until we are in a position to set up a factory and manufacture our own tractors and use them. The deficit in our food supply must be made up as quickly as possible; there is not a moment to lose. If that be the position I do not understand why he objects to the import of tractors.

Shri R. K. Sidhva: There is no deficit in foodgrain.

Shri Ajit Prasad Jain: Well, that is your opinion. Then why are you importing all this Rs. 150 crores worth of foodgrains? So far as the loan for tractors is concerned I think it is a very well thought of loan.

The second is the loan about the locomotive project. We have seen that during the last so many years—since the Second World War began—there has been no replenishment of the locomotives. Our Transport is one of those key concerns without which our economic difficulties cannot be overcome. I am glad that during the last one year the condition of our railway transport has considerably improved. Many more trains are running to time. There is greater facility in the transport of goods. But until our locomotives, rolling stock and the other things, which have grown old and worn out, are replaced by new ones our railways cannot work up to their full efficiency. That loan, again, I think, is a very desirable loan. Yet, even in this connection we have

to look at another aspect of the matter. The two Agreements as they have been presented to us give us a look of pick and choose. We have been told that a Mission on behalf of the International Bank came to India. We all know that. It investigated into our credit-worthiness and they have chosen to grant us certain loans. Prof K. T. Shah felt ashamed that a Mission representing a Bank situated in a foreign country should come to this country to test our credit-worthiness. I feel nothing to be ashamed about it. Any creditor who advances money sees that his debtor is credit-worthy. There is nothing wrong about it. Nobody will advance you money unless he is sure that the money which he advances you today will be repaid. But there is another question. Should the question of priorities have been left entirely to the Mission? After all it is the nation which is planning its economy. That economy must be a planned and co-ordinated economy, an economy directed towards the prosperity and richness of the country and towards removing those deficiencies and wants that exist today. If that be so, surely an International Bank which has to deal with us as a creditor deals with a debtor cannot be the judge of it. I put a question this morning to the hon. the Finance Minister asking whether certain other loans connected with the development of agriculture were either negotiated or talked of. He said, "No". One of the loans which I had referred to was about tube-wells, another about import of fertilizers. I believe the whole question of food production is not one of importing tractors in an isolated manner. It is a co-ordinated question. It must be done under a certain definite plan which would require not only one type of equipment but many types of equipment, many more arrangements and many more things to fit one another. (*An Honourable Member:* There is a plan.) I am told there is a plan. But today it is not a question of plan—when the question of a plan comes up we shall talk about it, today it is a question of one particular agreement.

So far as these two agreements go, they are good and sound. May be better terms could have been secured—I am not sure of it either because unless we have facts and figures to show that another country has received advances on easier terms than us we are not in a position to say anything. No Member of this House has made a statement to that effect. The hon. the Finance Minister was not in a position to say anything about it. What has been rather vaguely whispered is that to certain countries loans had been advanced at the rate of 3½ per cent. In fact, our second loan of \$10 million for tractors carries that rate of interest. I am not in a position to say anything about that but nonetheless we can be absolutely sure that our Finance Minister is not going to barter away our rights. He is not interested in America. He will not accept any terms which are worse than what we can get from any other creditor. But the whole question before us is one of policy. Is it a correct policy? Should we endorse the policy of taking loans from an International Bank for the purpose of development of our agriculture, for our steel industry, for our locomotives etc.? If this principle is once accepted, I think it would be but appropriate for this House to leave the details of interest, how the loan shall be repaid, how other things would be done, to the executive. No Legislature can ever enter into these details. I say that unless those details are flagrantly bad, or, may I say, unless there is something hanky-panky about them the Legislature should accept them.

Maulana Hasrat Mohani: Why should we borrow from an outside agency?

Shri Ajit Prasad Jain: Because you can't get it in this country, because the money market here is so tight. Moreover, you want dollars for purchases in America. Even if you raise the loan internally, you have to export goods because in America they will not take your currency notes. Have you got enough goods to export? If that is not so, then the question of dollars would arise.

[Shri Ajit Prasad Jain]

So, I submit that taking the question as a whole, both with regard to the sterling balances and with regard to these two agreements, I think the hon. the Finance Minister has done well and he deserves the support and the approval of the House.

Maulana Hasrat Mohani: Good gracious, good gracious!

Sri Ajit Prasad Jain: Probably my friend requires the approval of the U.S.S.R. Surely we are not interested in that, and Maulana would not accept anything unless it came from U.S.S.R. So no question of his assent or otherwise arises. His may be a lone voice and perhaps that should be accepted as proving the rule.

Sir, with these remarks I conclude.

At this stage Mr. Speaker vacated the Chair which was then occupied by Mr. Deputy-Speaker (Shri M. Ananthasayanam Ayyangar).

Dr. P. S. Deshmukh: Sir, I thank the Government for allowing discussion on these motions, and I think it is a very highly welcome feature of the discussion that we have the opportunity of discussing two issues simultaneously. I think many hon. Members of this House who have already spoken were thoroughly justified in linking the two issues because one is very largely dependent upon the other and but for our entanglement in one sphere there might not have been any necessity for us to incur a loan. The sterling balances are some funds at our credit somewhere in the world, in the Bank of England. If those funds would have been available as a result of our sterling agreement to the extent of \$64 million, of course convertible into dollars, then there would have been no need for us to negotiate for a loan, to pay an interest upon it, a loan which is not on a pro-note, which is not even a bond, but a very exacting mortgage which we have entered into. A country like India with 35 crores of population and with enormous wealth should have, in the twenty-seven months of its freedom, been in a position to borrow merely on its own words a sum of Rs. 60 crores or even 100 crores—whatever may be its equivalent in terms of dollars.

Sir, I would like the House to visualise the situation when we discussed the first Budget after our independence, the schemes that were placed before us, the praises which were sung by the hon. Minister, Mr. Gadgil of the day to come, of how this prosperous country will be still more progressive and prosperous, how the whole country would be flowing with milk and honey. Where are those days? Did we expect at that time that our Finance Department will come to a pass when nobody will be prepared to trust them in the country and when they have to go to a foreign country for a loan, let themselves undergo an inventory of all their assets and liabilities and to agree to an interest which no financier under any circumstances would be prepared to tolerate? What are the rates of interest that one financier generally charges another in his own country? It can never exceed 1 or 1½ per cent. But here is a loan we have negotiated at 4 per cent. with 1 per cent. commission—that must not be forgotten. And what are the terms? Have they given the money in our hands? No. This creditor is a very shrewd creditor: it is not the International Bank which is the creditor, it is the United States of America which is the real creditor. After having charged 1 per cent. commission as though for a brokerage between the United States and the Government of India, they charge us 4 per cent., and they don't give us a single pie in our hands as if we were some drunkards who have already squandered their property, as if we don't know how to manage our country, how to manage our finances. Not a single dollar will be allowed to be touched by you, it will all be given to you in the shape of goods which are no longer required in the United States. Sir, if we were in a position to get from England sterling convertible into dollars,

we would have had cash in our hands and with that cash if we wanted tractors, if we wanted radios, if we wanted aeroplanes, we could have bought anything we liked. But here is an Agreement which is binding upon us only so far as interest and repayment is concerned. In regard to the articles you will purchase, you will have to purchase only those articles which they can spare. God only knows if these tractors are not reconditioned ones which were liable to be thrown into the ocean and which are being foisted upon us in this country because they were no longer wanted by themselves. I am certain nobody in this country can like this Agreement or the situation with which we are confronted. Two and a half years ago everyone of us was very hopeful, not so now. The British Government has been maligned now and again, but however hypocritical the British Government may have been, they left us in a sound financial condition, but look at the condition after 2½ years of their leaving. I must say our finances require to be looked into more carefully than has been the case hitherto. In the first year of our freedom, there was an excess income of Rs. 89 crores. Before the year expired, every pie of it was spent. This is not the way the finances of a country like India ought to be managed. If only the war administration was reduced—which has not been done up to date—we would have saved quite a lot. In spite of all talk about economy and retrenchment, the position is that we have in the Government of India and in the provinces the whole paraphernalia of a war administration set up by the British for purposes of war. The whole Department of Industries and Supplies is there. The Disposals Organisation is there. The money that comes into our pockets through it is very insignificant, whereas the expenditure that is being incurred on it is about Rs. 1 crore and 25 lakhs per year. If this money was available for us, would it have been necessary for us to go to the International Bank for a loan under these stringent conditions? I dare say it would never have been. Look at the experiment of reclassification of the railways. It was a very silly and foolish experiment. I do not know who is its author and who is responsible for it. We threw away revenue worth crores of rupees and what is the consequence? We will be paying 11.82 million dollars by way of interest during the period of repayment of only a part of the loan of 24 million dollars that we are going to borrow. It comes to nearly 49 per cent. of the capital that we are going to pay to the U.S.A. by way of interest. There are many more things I could easily point out. Very few people in this House or outside can justify or look with any complacency on the situation with which we are faced.

My hon. Friend who preceded me was arguing a bad brief when he tried to support the hon. the Finance Minister. He also found fault with the criticism that was advanced by Prof. K. T. Shah. Although the excesses with which he sometimes speaks may not be absolutely congenial to every one of us, his points and arguments were, I think, very very sound in many respects, and it is very necessary for us to bear in mind the warning that he gave us, lest we come to worse conditions and circumstances. (*An Honourable Member*: We have already come to them).

My specific amendment was that not more than one-third of this amount should be spent on purchasing articles for which we are going in, and the rest of the amount should be spent on obtaining from the U.S.A. machinery out of which the articles which we are buying can be easily manufactured.

An Honourable Member: But that is not the agreement!

Dr. P. S. Deshmukh: I know that, and I also know that it cannot be modified, but what I am trying to point out is that that should have been the approach and the attitude of the hon. the Finance Minister. It does not matter if some 1000 or 2000 acres of land remain kank-infested for a couple of years more. As has been pointed out by Prof. Shah, the purchase of these tractors is going to make us dependent upon the U.S.A. for a very long time to

[Dr. P. S. Deshmukh]

come. If the International Bank was sympathetic, if the U.S.A. was sympathetic, they can lend us at even 12 per cent. per annum and I would be prepared to go in for large loans and purchase machinery with which to manufacture these tractors and certain other things that we are so keen on importing. That would have been the right approach. This way, we are getting something which makes us ever dependent upon others. In my view this is not altogether the best way to improve our production of food. I for one take a very pessimistic view of the matter. We are doing many things by which production is going to be very seriously affected. I for one do not like the abolition of zamindaris in such haste. We are trying to see that someone who has never managed land or cultivated land produces the same or little more than the person who has been doing it for generations. That, of course, is a separate question, into which I would not like to go here. On the one hand, we are trying to bring under cultivation thousands and lakhs of acres of land, because they were lying waste or were kams-infested, but we are not taking heed of the really cultivable lands which are going out of cultivation. Only last year, the figures showed that in the province of C.P. and Berar about 26 lakhs of acres of land had gone out of cultivation, because the cultivators had no money. Thus we find the phenomenon that on the one hand we are bringing new land under cultivation and on the other hand we are faced with a far larger percentage of land going out of cultivation.

My point in moving this amendment was that the Government of India should hereafter at any rate, whenever they want to incur a loan from foreign countries, get the key industries established in India and produce such articles as tractors and the like. That would be a far better way of helping the country and reducing our dependence.

So far as sterling balances are concerned, the Finance Minister has certainly improved upon the situation and to that extent he may be really worthy of being complimented, but if he has succeeded so far, I would very much wish that he had succeeded in obtaining a larger share of the sterling balances to be converted into dollars, so that payment of interest would not have been necessary.

With these words, I commend my amendment to the House.

SRI B. P. JUMHUNWALA: There are two motions before the House, one regarding the Sterling Balances Agreement and the other regarding the agreements entered into with the International Bank in respect of loans.

Sir, I do not blame the Finance Minister. As Mr. A. P. Jain said, it is not his fault that he had to enter into an agreement in July 1949. It was nothing but the result of the agreement entered into by his predecessor, Shri Shanmukham Chetty. I submit that it is neither the present Finance Minister nor his predecessor who is to blame. It is the whole House which supported and ratified the agreement which was entered into by his predecessors—it is we who are to blame. But the question is not one of apportioning the blame. What we have to see is this. Was the thing that was done in the past the right thing or the wrong thing? It is not important whether we were a party to it or not, because whatever has been agreed upon has been agreed upon and we have to follow it and we cannot go back upon our words. The real point is what we can do in the future. We have to see whether we should follow the same policy we had been following in the past, namely, of believing in whatever the British Chancellor of the Exchequer said and taking his words and coming to an agreement. This morning the Finance Minister said that after devaluation several questions arose and there was a debate in the House of Commons. Mr. Churchill has been raising the question of sterling balances in season and out of season and instead of agreeing to pay our dues, he has been demanding that they should take something from us and

other countries which he says they had defended. I would ask him to put his hand on his heart and say whether he has defended our country or whether he has ruined our country. Before the creation of these sterling balances our paper currency was about Rs. 170 crores. In order to pay for the exports and valuable services rendered by our people, more and more paper currency was issued, these were put in the Reserve Bank, and we were paid in that currency and these were taken to be secured against sterling balances which accumulated in England. Inflation went so high that from Rs. 170 crores it rose to Rs. 1,200 crores. The ultimate result is that the whole economy of our country has been completely upset.

Sir, as I have said at the beginning, I do not mind as to what has been done in the past. What to say of Mr. Churchill, Mr. Attlee, the Prime Minister of England has gone to the extent of saying that they are considering whether the sterling balances could not be cut. The question of the scaling down of the sterling balances is being raised over and over again. The hon. the Finance Minister told us this morning, in regard to the discussions that took place in the House of Commons on the question of sterling balances, that he has asked our High Commissioner in London to enquire whether the Sterling Balances Agreement entered into between India and the U.K. is going to be a unilateral agreement, or bilateral agreement and whether Britain is going to stick to the agreement which they have entered upon or not. From the reply that he received from our High Commissioner after his talks with the British Government our Finance Minister says that he was satisfied. Sir, as I have said, I do not want to blame him, but I would request him not to be so easily satisfied with what the British Exchequer or the British Government says. They had been telling him up to the very end that they were not going to devalue the sterling. Till the actual decision was taken in regard to devaluation, they did not take him into their confidence, so that he may be prepared for what he should do with our currency.

Without taking much time of the House, I want to make one concrete suggestion for the consideration of the hon. the Finance Minister. Our Government should settle the question of the balance which is to our credit out of the sterling balances. The British Government should create a fund for the amount of our sterling balances due from them to our credit in the Monetary Bank so that we can utilize the same to the best advantage of our country. Whenever we require any material we can draw upon that dollar resource and go on building up the economy of our country.

Sir, the Sterling Balances in the beginning were Rs. 1,700 crores. Now it has been reduced to Rs. 700 crores; we have only Rs. 700 crores to our credit with the British Government in the form of sterling balances. What has happened to Rs. 1,000 crores of sterling balances? The hon. the Finance Minister said that a portion of this amount was utilised for the purchase of defence stores which the Britishers or the Americans had left back. I do not know of what use those stores have been, whether it was at all necessary to go in for those stores. Then about 200 crores of rupees were paid for capitalising the pensions due to the British Secretary of State's service officers who were here in order to keep up the British Empire. The rest of the sterling balances which had accrued has been spent away, for what I do not know. They have been spent on the import of useless materials from sterling areas. It appears, when our Prime Minister was in the U.K. he was told, "Well, your Government has been importing things and drawing upon sterling balances in excess of the amount agreed upon by the Finance Minister." They knew that the materials which they had been exporting from their country was to their advantage. Otherwise, they would not have been blind to what was happening. They wanted that all these materials should go. They exported the materials and finally put the blame on us saying that our Government has imported more

[Shri B. P. Jhunjhunwala]

than the agreed amount. All these were consumer goods, useless materials without which we could easily have managed. In this way we have frittered away all our sterling balances. My suggestion, therefore, is that we should reopen the whole question with the British Government, enter into a sort of permanent agreement with them, put all the money in the International Bank against which security we can go on drawing from time to time for whatever purpose we require in the interests of the country.

Sir, as my hon. Friend Prof. K. T. Shah has said, it was not necessary to go in for these loans of 30 million dollars for the purchase of locomotives and other materials and agricultural implements. Sir, so far as locomotives and other materials are concerned, I am not so much competent to say as to whether they were indispensable. This has been a good bargain but so far as the question of the loan is concerned, I can say that it was not at all necessary to raise a loan. If our Government had been vigilant to conserve our foreign exchange, it would not have been necessary at all to go in for this loan. Mr. Ajit Prasad Jain asked, "Well, what was wrong in going in for a loan?" Of course, there is nothing wrong. But why should we put ourselves in a position where a lender comes and makes enquiries about our credentials and solvency? We have very good credit. When we have so much capital, why should we not be vigilant in maintaining our credit and preserving our own will? Why should we create circumstances and conditions necessitating these arrangements?

Shri M. Tirumala Rao: Why should not our capitalists respond to the Government loans?

Shri B. P. Jhunjhunwala: You enquire of the capitalists.

Mr. Nusraddin Ahmad: The Government have finished them altogether.

Shri B. P. Jhunjhunwala: My friend Mr. Tirumala Rao says that the capitalists do not subscribe to the loans floated.

Shri Mahavir Tyagi: Because there is wastage.

Shri B. P. Jhunjhunwala: No. I would ask my friend Mr. Tirumala Rao to see what our Government are doing regarding the Investigation Commission. The whole money is hidden. As soon as they are traced by the Investigation Commission, they will come out and put in industries.

Shri Suresh Chandra Majumdar (West Bengal: General): The capitalists are too poor to subscribe for loans.

Shri B. P. Jhunjhunwala: No. Sir, I was saying that going in for a loan of a paltry sum of Rs. 30 crores is not necessary. As regards the terms of the loan, as Dr. Deshmukh was saying, we are compelled to purchase such and such material only with the loan. We should not take a loan on such terms. We should take loans in order to spend as we like. If we take loans on condition that we purchase such and such machinery with them, what will happen if tomorrow we find that we do not require that sort of machinery? What are we to do then?

Sir, as Dr. Deshmukh was saying about the tractors and other things, I have my own apprehensions about the schemes which the Government have on hand for the development of agriculture and so on. I differ from them. It may be that they may be successful, but I feel that they will have to change their policy very soon. These tractors may not suit our country. This tractor economy may not succeed in this country at present.

The Honourable Shri Jairamdas Doulatram (Minister of Food and Agriculture): These are reclamation tractors and not cultivation tractors. They are heavy tractors.

Shri Mahavir Tyagi: Will the land be reclaimed every year or only once?

The Honourable Shri Jairamdas Doulatram: Once only.

Shri B. P. Jhunjhunwala: I now come to the agreement for the Damodar Valley Project loan.

Mr. Deputy-Speaker: I believe it is not before the House now.

The Honourable Dr. John Matthai: I made a reference to the negotiations that have been going on.

Shri T. T. Krishnamachari: We will have another debate for that.

Shri B. P. Jhunjhunwala: I was talking about the whole policy. What I was saying was that in this matter a very high officer who is now in the service of the Government of India,—I do not want to name him—said that they had a discussion with the people of the International Monetary Bank and then they made enquiries regarding the machinery and technicians. He said that if these people are earnest in giving us the loan and in developing our country, the machinery was available in America and technicians were also available. The prices too, he said, were 25 per cent. lower than that quoted by Britain and other countries. The Government could have got these things three years in advance and made the projects complete three years before the estimated time. But the International Bank would not advance money. The Americans will not sell us those plants and machinery. If we take loans from the International Bank on the conditions stipulated, we will be submitting to their supervision of our national works such as our irrigation projects, etc. I for my part would not accede to such terms. As has been stated by Professor Shah, all these questions of sterling balances and the amounts that will be released by others and spent by us and these loan agreements should be enquired into by the Devaluation Committee already appointed and a decision reached by Government.

Sir, I do not support the amendment which has been moved by my hon. friend Shri Ajit Prasad Jain.

Sardar Bhopinder Singh Man: Sir, I had no intention to interfere in this debate. I was hoping in a vague way, in a proverbially agriculturists way, that we were going to have loans to finance our agricultural industry and was happy about it. But this morning, on a point of clarification, I was told that the loan that was going to be advanced to us is not meant for the agricultural industry as such, but only for a particular item, heavy tractors only. This clarification turned my happiness and joy into disappointment. The hon. Minister, a financial wizard as he is, has shown colossal ignorance of agricultural industry and its needs. He has agreed to purchase reclamation tractors or heavy tractors. The impression has been given that probably with the arrival of these heavy tractors our food problem will be solved. The fact however is that in the cultivation process reclamation of land is just one item. After reclamation it will be light tractors that will be required.

Ch. Ranbir Singh (East Punjab: General): For that there are several bullocks in the country.

Sardar Bhopinder Singh Man: Any land once ploughed with heavy tractors cannot be ploughed with bullocks. Besides the economy and speed of mechanised Agriculture is different from bullock plough economy and speed.

Ch. Ranbir Singh: You cannot do reclamation work otherwise.

Sardar Bhopinder Singh Man: A land which has been once reclaimed with the aid of heavy tractors would require the use of the same tractors six years

[Sardar Bhopiunder Singh Man]

later. The use of the heavy tractors for other work would be uneconomical. What will we do with them in subsequent years? The result will be that these heavy tractors will become a heavy responsibility in subsequent years. This is purchasing one blade of scissors only. What can we do with the reclaimed land unless there are tube wells to irrigate this land. Take the "kadar" area in the United Provinces. The position is that in the land which was reclaimed last year we cannot sow now, because there are no light tractors in the Central Tractor Organisation. There are only one type of tractors there and that is the heavy type. When we approached the authorities saying that the land which was reclaimed last year is going to lie fallow this year, the reply was, "We have no light tractors." The result will be that without a well-coordinated and well-planned scheme for the entire agricultural organisation, the purchasing of only heavy tractors would mean sheer loss. Again, take C. P. or Bhopal. There are certain areas there where the construction of tube wells is not possible, because the water level is too low. Naturally there we shall have to erect dams and construct canals. For this dam machinery is required. Without dam machinery, this area which you are going to reclaim will be of no use. My point is that this scheme of purchasing one type of machinery will not be conducive to the agricultural industry of this country. So I request the hon. the Finance Minister to impress upon the Banks that they should enlarge the scope of this agreement so far as purchase of the machinery is concerned. The machinery should include not only heavy tractors, but light tractors, tube wells and dam machinery. Along with this, they should not forget also that the tractors with the Central Tractor Organisation will require repairs. These tractors require repairs in the field and we have no adequate repair arrangements and when the tractors require repair, they have to go either to Bombay or Delhi. Therefore we shall have to get repair-shop equipment. Unless we view the entire agricultural industry of the country as one organic whole, this one-sided isolated purchase will lead us to sheer loss.

Shri M. Tirumala Rao: Is it proposed that the discussion should conclude today or would it continue for another day also?

Mr. Deputy-Speaker: There is no time limit. As long as discussion continues on all relevant issues and the House is interested, it will go on. I have got a number of names here apart from those who have tabled amendments. Therefore in the fitness of things, I am afraid it will go on.

Shri Arun Chandra Guha: Sir, the principal agreement regarding sterling balances was completed in July 1947. Then that principal agreement was extended on two different occasions up to 1951 and during this period that agreement has also been modified in certain matters, but since the last modification, there has been a new development, i.e., the devaluation of the sterling and of the rupee. This has made a great significant change in the whole position and that is why I have moved the motion for a reconsideration of the whole situation.

Sir, money as such has no particular value except for its purchasing power. Sterling before its devaluation had a certain purchasing power in the international market, and after devaluation it has lost that purchasing power. Here, I should like to enter into the genesis of these balances. These balances were accumulated because of the services rendered and articles supplied by India during the war period. Also because of the expansion of our foreign trade and also certain restriction of our imports, our trade balance position was favourable and there were accumulations on that account also. Then, Sir, the services rendered and the articles supplied were rendered and supplied not only to Britain but also to the United States and other allied countries. Sir, we could have got dollars from the U. S. A. for the services rendered and articles

supplied to them, and for the services and articles rendered and supplied to the United Kingdom, the United Kingdom would have to pay by rupee in cash to India. But because of India's political subjection to Britain, all these were utilised for the benefit of the United Kingdom and these balances were allowed to be accumulated in the form of sterling. The Reserve Bank of India was compelled to hold these reserves with the Bank of England in various types of securities. Sir, the White Paper published on the subject makes it clear that these balances were thus the absolute property of India and would not be made the subject matter of discussion with any foreign power on any discretionary basis. These are not inter-governmental war-loans. We can understand, Sir, that Britain also has a difficult time and somehow or other we feel that our economies and finance are closely connected with those of England and from that point of view, we may be ready to make some concessions, to show some accommodation so that the United Kingdom may tide over her difficulties. But now it is not a question of India making any accommodation. Now it has become a question of the debtor showing some accommodation to the creditor. It must be remembered that India is the creditor and Britain is the debtor in this case.

Sir, the position in early 1947—I am quoting from the White Paper—was that India was free to utilise her sterling balances in any manner she pleased for expenditure in or remittances to the soft currency areas. She was also entitled to convert them into dollar or any other hard currency at her own discretion.

Such was the position in early 1947 but since we have become independent the position has changed adversely for us.

One point which was made much of is that we have been allowed to have a greater dollar convertibility, that is, previously the dollar convertibility was only available for 15 million pounds that is up to \$60 million and now it has been available up to \$150 million to fill up our dollar gap. It has been calculated on the basis of 75 per cent. of the 1948 imports, but Sir, that should not be the standard for our necessity for development. The 1948 imports as far as I can understand were mostly of luxury goods and consumer goods and not much of capital articles were imported in 1948.

The Honourable Shri K. C. Neogy (Minister of Commerce): Question.

Shri E. K. Sidhva: Last year the Honourable Commerce Minister said it was 2 per cent.

The Honourable Shri K. C. Neogy: It was 1.5.

Shri Arun Chandra Guha: During the war period, Sir, we should have been given sufficient facilities to develop our industries as they did in America. The Grady Mission came to enquire into the possibilities of industrial development of our country and its recommendations were there but we were not given that facility. Then after the war when we have got Independence, we have got that political facility and we should devote all our energies and resources to that. Now we have to undertake that development plan but we have been handicapped with this that our dollar imports should be only up to 75 per cent. of the 1948 import and that I think is a very bad bargain.

The present 50 million sterling release is also very inadequate. Another point which I should have mentioned before—I like to mention here is that as far I know, India is perhaps the second largest dollar earning country in the Commonwealth. As such she should have much better consideration from the Commonwealth countries but instead she has been scantily and niggardly treated in all these matters. Another point which has been stressed much is that all the Commonwealth countries have to undergo 25 per cent. cut of their dollar import of 1948. The United Kingdom can afford that as she is a highly

[Shri Arun Chandra Guha]

industrialised and developed country but I think India which needs development and industrialization at a very rapid pace cannot afford to undergo this sacrifice. England is a rich country and is like a giant but India is a poor country—a dwarf compared with the U. K. and this equality of sacrifice means a great injustice to the poor country, India; and it would simply mean the strangling of her future development and from that point of view also that equality of sacrifice of 25 per cent. from the 1945 imports is not a fair concession for India.

A third point also has been emphasised and that is that we have been restored to the full membership of the Sterling area. By itself that is not a very good consolation. We should see if it really brings any benefit to India. When it was convenient for the United Kingdom, she decided that India should not be a Member of the Sterling area and now when it suits her she again restores her to the membership of the Sterling area and India has been asked to share all the obligations and of course the privileges will scantily come to India. India has one privilege of surrendering her due share perhaps to the benefit of Britain. India will put all her dollar earnings in the dollar pool to get back only in doles. That is the condition on which this whole agreement has been signed.

Particularly after the devaluation, the whole agreement requires to be reconsidered. As I have stated before, money by itself has no particular value except as purchasing power but 50 million sterling may mean something before the devaluation of sterling but it does not mean the same thing today. So the whole thing should be reviewed and reconsidered from the point of view of devaluation and also from the point of view of our future industrial development.

Then Sir, as for the loan agreement, this 4 per cent. interest is much higher than what the other countries have been getting. As far as I remember, Britain got a big loan from America some years ago and I think the interest was not more than 1.5 per cent. or something like that. Some months ago, the Government of India tried to raise an internal loan and the interest was 2½ per cent. and now we are giving an interest of 4 per cent. to an international bank. That also is a discredit to India. I must say this loan brings no credit nor is it fair to India. Moreover as for the purpose for which this loan has been brought, I differ from the policy of the Government. Sir, I have stated on many occasions that our first effort should have been to build our internal economy on the basis of decentralized economy, rural economy, that is industry on the basis of co-operative and rural enterprise and that should have been our first attempt and then we could have gone for bigger industries. These smaller industries could have given immediate results but instead we have been rushing headlong for bigger industries for which we shall have to wait for years till we can get any result if those schemes and plans are all carried to a successful end. And that is a big "if". From the point of view of future development and of immediate needs also the foreign loan should have been not for heavy tractors but for some other purpose which would have given us immediate results as regards supplying our foodstuffs and our bare necessities. From this point of view also I think the whole agreement, the sterling balances agreement and the loan agreement should be reconsidered, particularly after the devaluation.

Mr. Deputy-Speaker: I would like to know if any honourable Minister wants to take part in the debate. I find from the hon. Minister of Parliamentary Affairs that Government find it difficult to allot any other day and this day was fixed for completion of this discussion.

Sh. Ranbir Singh: We may sit for a longer period.

Mr. Deputy-Speaker: Would the honourable Minister of Commerce take part in the debate?

The Honourable Shri K. O. Neogy: No.

The Honourable Shri N. Gopalaswami Ayyangar (Minister of Transport and Railways): I do not propose to speak, Sir.

The Honourable Shri Jairamdas Doulatram: I too do not propose to speak.

Mr. Deputy-Speaker: Then the House may sit for half an hour, if it so ~~wishes~~.

Mr. Naziruddin Ahmad: There are many speakers and the subject is of great importance.

The Honourable Dr. John Matthai: Most of the subjects which have been raised are subjects which were dealt with in some detail during the devaluation debate and I do not think that I should take more than ten minutes or quarter of an hour at the most.

Mr. Deputy-Speaker: The matter is in the hands of the non-official side. If a number of people want to take part in this debate, we can sit till half past five. I am willing.

Shri M. Tirumala Rao: There is a committee meeting at five for some honourable Members.

Mr. Deputy-Speaker: After all there do not seem to be many Members who want to take part. Some suggestions have to be made as to what is to be done in the future. Hon. Members will confine themselves to this, whether it should be ratified or not. We have gone too far in that matter and we can conclude by quarter past five.

Shri T. T. Krishnamachari: May I suggest that the Chair calls upon the hon. Finance Minister at 5 o'clock. We can go on up to five.

Mr. Deputy-Speaker: I find it difficult to ration time in view of the fact that a number of friends are outstanding in my list. But if the House is agreeable to sit till quarter past five, we will finish it.

Honourable Members: Yes, yes.

Mr. Deputy-Speaker: I will call the honourable Finance Minister at five minutes past five of the clock.

Honourable Members: Very well.

Mr. Deputy-Speaker: Hon. Members must know that having regard to the time at our disposal not more than five minutes will be allowed to each Member.

It is not the intention of the Government to force this. It is a matter which is already over but having regard to the terms of the agreement this matter may be taken up once again towards the end of December and therefore the Finance Minister would like to have some suggestions.

The Honourable Dr. John Matthai: It would be better, Sir, if this debate was concluded today.

Mr. Deputy-Speaker: I shall call the Finance Minister at 5.5 P.M.

Shri T. Prakasam (Madras: General): Sir, the subject of sterling balances came before this House two or three times and today one of the motions moved by the Finance Minister is for the consideration of the arrangement which this Government has entered into with the United Kingdom. I only wish that the arrangements are not called agreements. In regard to the sterling balances

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India stands in the position of a creditor and Britain is in the position of a debtor. It is the debtor that has been giving considerable trouble with regard to the payment of the balances due from them to India. India has been exploited always right through the Britishers stayed in India as our rulers. Even after they have quit we have been having trouble in regard to getting back our money from Britain. Britain's conduct in regard to this matter is not the conduct of a debtor but that of a creditor or a dictator. Look at the agreements entered into by us. There is agreement No. 1. There is agreement No. 2 which is for mere extension of time. Then there are agreements Nos. 3, 4 and 5. Our Finance Ministers are called to Britain and they have to endorse what is suggested. Each time they say that we can take only so much and not ask for more. That is not the way in which a debtor country should deal with a creditor country. I am unable to understand why this sort of conduct should be permitted to go on.

Some member said that he was annoyed that the U. S. Ambassador should enquire about our credit-worthiness. But what is the position of our Government here? We do not say to Britain "You owe so much money to us. You put it down by such and such a date. We want the money for such and such a purpose."

Shri B. K. Sidhva: If they do not pay?

An Honourable Member: Abuse them.

Shri T. Prakasam: Mr. Sidhva asks "If they do not pay?" What do our people do in this country when debtors refuse to pay? They threaten to go to the insolvency courts.

Shri B. Das: The British have got their capital here.

Shri T. Prakasam: That is what I say. Why refuse to pay when they have enough to pay. Government goes on entering into agreements and putting them before us and asking us to agree to them. I am sorry we are going in a wrong direction. It will not be palatable to London to hear what I am saying. It is said that we are tied down to Britain even though we are supposed to have become independent. We are tied down to Britain in regard to currency matters. The 1s 6d ratio was settled on the floor of this House 25 years ago and it is still round our neck. It is that which has brought about the devaluation. They are still masters and we are still their servants. They are roping us down into some arrangement or other which they call agreement. There is no arrangement except that we are always willing to give it the name of agreement.

I would like to know from the Finance Minister how India has been treated with regard to the payment of the sterling balances. Let us see how Britain is paying to other countries, small countries, how much is due to every one of them and how much Britain has been releasing for their benefit. Why are we treated in this manner and for what purpose? Our departmental heads go there and enter into these agreements in this manner. We are treated very badly and the amount we have to get from them according to them is not the amount that is shown in the cash balances. On the 14th August 1947 the cash balance was shown as 1,160 million sterling. Out of that what are the payments made to us till now? If I take each item it will prevent other speakers from having their say. When we say that we want the whole money Mr. Churchill was good enough to say last time in the House of Commons "Why not we cancel the sterling balances altogether?" The hon. Finance Minister gave some answer to Mr. Churchill but I was not able to follow the implications of that reply. Tomorrow when the General Elections come in England the present Government there may go down and Churchill may come into power and if he says that England should repudiate the sterling balances

our country will go without getting anything further. What is the guarantee you have in No. 1 or No. 2 agreement? You go there and agree to take what they are prepared to give. They say "take 35 million dollars from this 1,116 million pounds account, put it into another account, be satisfied with it" and we say "we are satisfied". Then they say "take another 35 million, we shall have no objection, take it and put it into the other account" and again we agree. I would request the Finance Minister to tell us whether there is any guarantee in any one of these agreements with regard to the payment of the balance due to us out of the 1,116 million pounds.

Shri L. Krishnaswami Bharathi: What is that guarantee worth? That can also be repudiated by them. If this is to be repudiated, the very guarantee can also be repudiated.

Shri T. Prakasam: My friend is quite right. We are in that position that anything can be repudiated with us; only we are not to repudiate what is thrust upon us forcibly. 1,214 crores of rupee debt (currency debt) has been thrust upon us by Britain before she left India. That we have not been able to repudiate. We have been taking it with us as a debt to be paid by the people of India. Even in the New Constitution that has been passed there is no reference to that. No reference is made there as to how we have been taken through by Britain in regard to these matters. It is a cruel treatment so far as Britain is concerned. So long as there is no guarantee for the balance of the debts due to us there is no use your bringing up these matters before this Assembly, or any Assembly hereafter, and saying "you better agree to all these things". We have been agreeing.

Your bell has gone. I will have to stop here on this matter and I will revert to another matter.

Mr. Deputy-Speaker: I am extremely sorry. There does not seem to be much time for any other matter.

Shri T. Prakasam: If that is all the interest you can take in it I would also stop. I know where the country is, where the people are, where the government is and how we are going through the whole of this business. But when we are made helpless we have to get through. With regard to the second item of the loan—the International Monetary Fund loan (what a big name has been given to it?)—the Sterling Balances are there on one side and this is another. Of course America is the foremost country in the world today. It is a creditor country not only to India but to the whole world. What has this creditor country, America, been doing with regard to this International Monetary Fund and the distribution of these loans for the help of the poorer countries? Sixteen countries had been under the influence of this American Marshall Aid. This Marshall Aid has become proverbial, we all know, and sixteen countries were under that Marshall Aid. Of these sixteen Britain was one of the countries. What was the position of Britain with regard to this? They entered into an agreement like this, the agreement which has been produced here (No. 1 agreement, No. 2, No. 3 etc.) with all the concessions given to us, creditors. There was an agreement like this under the Marshall Aid business. Britain took the money. She entered into the contract and she was borrowing money and carrying on with that money. Two years back Mr. Dalton was the Chancellor of the British Exchequer, the predecessor of Sir Stafford Cripps. He was an honest man and he spoke the truth when he pointed out his own position with regard to this Marshall Aid and the dollar-sterling exchange. He stated that so far as his country and the fifteen other countries were concerned, the exports which America had been making to all those countries were so gross and so great that the exports exceeded the imports by 10,000 million dollars. That was the position. When they came to that position Mr. Dalton said "how can I pay? I cannot pay this amount; I am forced to pay 13

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million dollars on a single day; for five days if I pay like this I have to shell out 50 million dollars; now can I pay; so I declare that I suspend this agreement'. Then he started this new business. Britain always succeeded in her difficulties without having a single penny because it had at the helm of affairs the top nuance men in the world. Having suspended the payment and having made it clear that they were not in a position to deal with the situation, he started the other thing. But we were ready for everything. Like the Commonwealth. We were drawn into the Commonwealth and our leader, Pandit Jawaharlal Nehru, told us that being part of the Commonwealth does not mean that India is committed to anything, India remains untouched although it is in the Commonwealth. But it does not appear to be so. From stage to stage we are being drawn in the name of this Commonwealth. In the Finance Ministers' Conference that was held recently in England Pandit Jawaharlal Nehru also was there.

An Honourable Member: Go to another point.

Shri T. Prakasam: There is no other point. This point will conclude you and me also. You cannot depend upon these agreements. It cannot be a better document than what Dr. Dalton had in his head when he suspended the agreement altogether. You must have a long vision. You may not understand the position. They have it examined as to where we stand today, where we will stand tomorrow. Then on the top of all these things the devaluation of the sterling and the rupee also came in. The sterling may be devalued, I can understand. But why should the rupee also be devalued? It is because we were tied to it twenty-five years back. At that time when the Bill was passed into law on the floor of this House--when it was enhanced from one shilling four pence to one shilling six pence--we tried our best and we fought much. That position is continuing even now. I would request the Finance Minister, the Prime Minister and the whole Cabinet to consider whether the position in which India stands today, of being dragged from sterling devaluation to rupee devaluation, is one in which India can get on and whether the people can survive if these things continue.

Therefore I would appeal to the Government to consider calmly how these things should be readjusted and resettled. And unless drastic steps are taken let me tell you that economic conditions cannot be restored, and financial conditions cannot be restored. You may be issuing statements and we may also be trying to defend ourselves, but we are heading towards a crisis. We have come to that crisis now. I have been telling for more than a year or so that we have been heading towards this crisis. It has come on us with the devaluation. Where it will take us we do not know. I would earnestly appeal to Dr. Matthai and all his learned friends who are with him in the Cabinet to consider the situation and do the needful at the proper time at least at this stage.

Mr. Deputy-Speaker: I am satisfied that there has been sufficient discussion on this matter. There is no meaning in sitting longer. If the Government wants, let it find time. Even the motion as it stands is for consideration--there is no particular resolution. It is to be discussed, so there is no harm. The House will now stand adjourned.

The Assembly then adjourned till a Quarter to Eleven of the Clock on Wednesday, the 30th November, 1949.