

Wednesday, 22nd March, 1922

THE
COUNCIL OF STATE DEBATES
(Official Report)

SECOND SESSION
OF THE
COUNCIL OF STATE, 1922



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COUNCIL OF STATE.

Wednesday, the 22nd March, 1922.

The Council assembled at Metcalfe House at Eleven of the Clock. The Honourable the President was in the Chair.

FUTURE MEETINGS IN CONNECTION WITH THE FINANCE BILL.

The HONOURABLE THE PRESIDENT: Before we proceed to the business of the day, I should like to say a few words regarding the future meetings of this Council in so far as they are connected with the Finance Bill. Honourable Members are aware that, although Government had hoped to lay the Finance Bill on the table to-day, they have not been as expeditious in another place, in dealing with the measure as had been hoped. I understand the Bill has not been passed there. On the other hand, I am informed that it is probable that it will be passed in the course of to-day. If Honourable Members will look at the Rules, Rule 25 says:

'Every Bill which has been passed by the originating Chamber shall be sent to the other Chamber and copies of the Bill shall be laid on the table at the next following meeting of that Chamber.'

Then Rule 27 is the next relevant rule and that says:

'On the day on which the motion is set down in the List of Business which shall, unless the President otherwise directs, be not less than three days from the receipt of the notice, the Member giving notice may move that the Bill be taken into consideration.'

If the Bill had been laid on the table to-day we could have taken it up, I think, without any difficulty either on Friday or on Saturday, but now, unless I give a direction dispensing with the three days' notice, I do not think it could be taken up, I should like to have the opinion of Members on the question of notice. I understand no new matter has so far been introduced into the Bill; certain matters have been deleted. Of course, Honourable Members will not have had the original Bill a long time; it has been in their hands some weeks now. I should be glad to consider any observations Honourable Members wish to offer on the point.

The HONOURABLE SIR MANECKJI DADABHOY: Sir, I do not think it necessary in this particular case to have the three days' notice. Many of us have followed the Bill in the other House, and as far as I know, almost all of us are aware of the changes that have been made in the Bill by the other House. After all, the Bill is a very simple one, and in view of the fact that we are hard pressed for time now, I think it would be advisable to take up the Bill on Friday and proceed to debate it. So far as I am able to understand, that is also the general opinion prevailing in the House.

The HONOURABLE SIR EDGAR HOLBERTON: Sir, I am afraid I cannot agree with the Honourable Sir Maneckji Dadabhoy on this point. It is not at all certain yet exactly what form the Bill is going to take in the other House. But I do feel that at least we should have 24 hours; I consider it as a minimum, 24 hours. I should certainly resist to the utmost of my power any idea of rushing it. I understand we will be allowed to move our amendments there and then, and I do not think

The HONOURABLE THE PRESIDENT: Anything I said proceeds on the assumption that the Bill, as passed by the Assembly, will be in the hands of Honourable Members to-night, that is, it will be circulated to-night. Anything I said proceeds on the assumption that Honourable Members will have in their hands the Bill as finally passed by the Assembly to-night. If not, we shall have to consider something else.

The HONOURABLE MR. E. M. COOK: Sir, the Government are in your hands in this matter. We certainly do not wish to press for the Bill being taken up within the usual three days, if it is at all inconvenient to the majority of Honourable Members. It is a very important Bill; at the same time the issues, as they will emerge, I fancy, in the Bill as laid before this House will be, I think, fairly simple. The only question of urgency that arises is from the fact that it is most desirable, in the interests of the public revenues, that this Bill should receive the Governor General's assent before the 31st March. If that assent is not given before the 31st March, then such of the taxes, as will remain if the Bill is passed and as have been collected from the 1st of March, will have to be refunded, and the public revenues might lose a substantial sum of money. That is the only point. If the Bill is not so delayed, if it can receive the assent of the Governor General by the 31st of March, then the Government do not wish in any way to rush its progress. At the same time, I believe the position is, Sir, that if this Council makes any amendments in the Bill, then those amendments will have to go back to the other House for consideration and for concurrence. I cannot forecast what amendments this Council may make; it is possible that there may be a few drafting amendments; there frequently are—I cannot say at all. I imagine that if the amendments are of a minor nature, then the concurrence of the other House could probably be assumed; but if not, of course then there might be considerable delay. We have a margin now from the 22nd to the 31st, and that margin is none too large, but provided the Bill can be passed, provided there is a likelihood of the Bill being finally passed and presented to the Governor General for signature before the 31st of March, then, Sir, it is immaterial to Government whether the Bill be taken on Friday or Saturday or even Monday; though I must say that if it falls over into the next week, there might be some danger of its progress being delayed.

The HONOURABLE SIR ARTHUR FROMM: Sir, on the understanding that we shall have the Bill as amended in the other House to-night, I see no objection to it being taken into consideration in this House on Friday next, the same day on which it is laid down on the table; I say, if we have the Bill to-night.

The HONOURABLE THE PRESIDENT: I am much obliged to Honourable Members for their expressions of opinion. I will consider it, and before we adjourn to-day, I will look into the matter. I shall make one more suggestion to the Government, and that is that, if it were possible, they should circulate with the Bill a paper showing the changes made in the Bill as introduced and as passed. That would facilitate examination by this Chamber.

The HONOURABLE MR. E. M. COOK: Yes, Sir. But as to the actual printing of the Bill and its being in the hands of Honourable Members, of course I cannot absolutely guarantee that this will be to-night; it will depend on the time that it is passed in the other House.

RESOLUTION *RE*: REMITTANCE TRANSACTIONS AND
GENERAL EXCHANGE OPERATIONS.

The HONOURABLE MR. V. G. KALE: Sir, the Resolution which I have to move runs as follows:—

‘ This Council recommends to the Governor General in Council that he may be pleased (a) to place on the table of this House a full statement showing the gains and the losses that have accrued to Government since the year 1917-18, on capital as well as revenue account, in connection with the sale of Council drafts and reverse Councils, the revaluation of sterling securities and gold in the Currency Reserve, the purchase and sale of gold, the purchase of silver and the coinage and the issue of rupees to the public, the repayment by the British Government in London of funds disbursed on its behalf in this country, and the remittance transactions between India and other countries generally, and showing how the losses have been met and the gains have been disposed of; and (b) to consider the desirability of re-examining the basis of the exchange value of the rupee on which the accounts are being kept, particularly with reference to remittances to and from this country.’

Sir, I am afraid the length and the nature of the Resolution,—the way in which it has been framed,—must have struck many Honourable Members as queer, and some of them must have thought that the subject-matter of this Resolution was more suitable for an interpellation than for a Resolution. I will, therefore, first of all explain the object I have in view in bringing forward the Resolution. It is not my intention in any way to criticise the currency and the exchange policy of Government. If I had wanted to do that, I would have done it in a straightforward manner,—by bringing forward an appropriate Resolution regarding that subject. But my principal object in moving this Resolution is to ask Government to clarify the whole position so far as our remittance transactions and general exchange operations are concerned. Honourable Members are aware that there is a vague and widespread impression in the country that the Government of India has incurred huge losses on account of its exchange policy. Questions have been asked in this House and in the other House, and a controversy has been carried on, with respect to that subject for over two years now, and it has been stated by people who can claim to speak with authority that the losses may be put down at anything like 50 crores of rupees. It is necessary, in view of the opinion that prevails in this matter, to ascertain what really are these losses and gains on account of exchange. If we look into the accounts which are published by the Government of India, we shall find that on the two sides of the account large sums of money are credited and debited as gains and losses from exchange. Now, many of these gains and losses are nominal. Some of the gains and losses are, however, real. We want, therefore, to know what the real gains and losses are, and what part of those gains and losses are due to our system of keeping accounts. It is well known that till the year 1920-21 our accounts were kept on the basis of the rupee being equivalent to 16 pence. From the beginning of the year 1920-21 the basis was altered, and since that time the accounts have been maintained on the basis of a 2-shilling rupee. In the past the system was very simple, and our total transactions on account of remittances to and from this country were comparatively small. Consequently, the exchange difficulty was not so much felt. No doubt the exchange problem has been with us now for over two generations and our difficulties with regard to exchange mainly arose on account of our necessity for finding a sufficient quantity of rupees to meet what are called our Sterling obligations. In this House where I see before me a number of distinguished business-men and financiers I need not repeat what system has been followed by the Government of India in making its annual remittances and in providing for that part of the revenue which has got to be converted into Sterling for

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keeping the Secretary of State in funds. I say it was a comparatively simple matter in the past, because our exchange gains and losses and our revenue and expenditure in connection with exchange, were concerned only with the remittances we had to make for our net expenditure in England. But on account of the war the Government of India had to make huge disbursements in this country on behalf of His Majesty's Government. In certain years these disbursements exceeded 100 crores of rupees. During the last few years crores of rupees have been passing to and fro between England and India. The Government of India has been disbursing crores of rupees for financing the operations of the war in the Eastern theatre, and payment is being secured for these disbursements in London. Now, the gains and losses on account of exchange are of two kinds. In the first place, if the quantity of rupees that the Government of India has to find for meeting the Sterling obligations is smaller, there will be a gain. If, however, on account of a lower rate of exchange, more rupees have to be found by the Government of India for keeping the Secretary of State in funds, there is a loss. Therefore, so far as we are concerned, the exchange difficulty arises only when, on account of the nature of the rate of exchange, we have got to find more rupees for financing our Sterling operations in London. But, while disbursements are being made in this country, funds are being moved from India to England, and they are, later, brought back from England to India on a very large scale. Prior to the year 1920-21, the accounts of these were kept on the 16-pence basis and since that year they have been maintained on the 2-shilling basis, whereas the actual rate at which payment was received in London has varied from time to time. Naturally, on this system of accounting sometimes there were gains and at other times there were losses. Now, this position was clearly explained by the Finance Member in putting the financial estimates before the Legislature in 1919-20 and in the previous years. I will not take the Council into the history of the system of the keeping of our accounts and the basis of exchange beyond the year 1917-18. It is not necessary for me to do so, because our exchange difficulties really began in the year 1918, owing to the rise in the price of silver, to the accumulation of our funds in London and to the contribution that India was making to the vigorous prosecution of the war. Owing to all these difficulties the exchange rose and then accounts were swollen on both sides by the so-called gains and losses. The Finance Member himself in very lucid terms has explained what was meant exactly by the gains and losses of exchange. Though we speak of actual gain or loss on exchange the question is, is that loss or gain real, is it substantial on every occasion? Or does it arise merely on account of the system we follow in keeping our accounts? For example, if we continue to keep our accounts on the 2-shilling basis when the actual rate of exchange for the time being is only 15 pence or 16 pence, our accounts become artificial. This was exactly what was said by the Finance Member in the year 1920. He said:

'First, the question that arises about these gains is how they actually accrue, what they actually consist of and how far they represent a wind-fall which we may devote to such objects as we think desirable.'

And then he goes on by means of a simple illustration to show how the gains and losses, as the case may be, arise. He then says:—

'It will be obvious to Honourable Members that in these gains there is a great element of artificiality, and that it would not be correct to assume that whenever our accounts show a gain on exchange this represents a real accretion to our resources, for the so-called gain obtained every time we transfer a million pounds to the Home Treasury has a liability to turn into a loss if the amount has to be re-transferred to India.'

Then in the year 1921 the Finance Member said :—

‘ In such transactions there is a real gain or loss, and during 1919-20 there was on the whole a gain, but during the year 1920-21 on the whole there has been a loss of 23½ crores.’

Now these two statements are likely to be regarded as inconsistent with each other. The Finance Member says in one place that the gains and the losses are only nominal, and in another place he says that in such transactions there is a real gain or loss. In his speech regarding the financial statement that has been presented to us in the current year, the Finance Member observed :

‘ As I explained last year, the head, viz., loss by exchange is really one of adjustment.’

and in the place to which I have made reference, he has said :

‘ In all such transactions there is a real gain or loss.’

The public mind is likely to be befogged by these statements, but they must be taken to be not contradictory to one another but rather as supplementary to one another, inasmuch as there is a real gain or loss in certain transactions, while in other transactions there is really no gain or loss. It is only a matter of accounts. In this Resolution, therefore, in the various details to which I have referred I want the Government to point out to us what is the gain or loss which may be put down entirely to the method of accounting, and secondly, what has been the gain or the loss to the country on account of the real depreciation or deterioration that has taken place in the assets of the country. Now, speaking of the deterioration of the assets of the country, my Honourable friends who are in touch with business matters know how, when a certain amount of money has been remitted abroad at a favourable rate of exchange and has to be brought back when the rate of exchange is no longer favourable, there is really a loss in the assets. Now, has there been a loss in this manner (*A voice* : ‘ Very heavy ’) in the case of India? Have the assets of India deteriorated in this manner in the matter of bringing back the funds which were remitted in England? Funds to the extent of crores have had to be remitted to England as I have shown already. They have had also to be brought back and accounted for. In these operations there have been substantial losses. What is the total amount of these losses which represent genuine, real deterioration, which may be called a substantial loss of assets to the country? That is the question I want to ask. I do not want to take up the time of the Council by quoting from the speeches of the Finance Members delivered since the year 1916-17 in which it has been pointed out that by making disbursements for His Majesty’s Government in this country and by consenting to receive payments therefor in London, our funds were accumulating abroad and that this was a genuine sacrifice made by India for the Empire. This was repeatedly emphasised by our Finance Members. Of course in the recovery of what disbursements we make, in London there is no substantial loss. That can be shown by the fact that from time to time the recoveries have been made at current rates of exchange. Had it not been so, there would have been real, serious losses on account of war disbursements and the gains and losses which have appeared in the Government’s accounts from year to year in our recovery of war disbursements would certainly have not been nominal. For example, when in the middle of 1917-18 and in April 1918, the rate of exchange went up from 1 shilling 4 pence to

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1 shilling 5 pence and 1 shilling 6 pence, the British Government agreed in March 1918, to make repayments to us for our war disbursements at 1 shilling 5 pence per rupee and later on, from July 1918, the rate of 1 shilling 6 pence was applied, so that there was no likelihood here of any real losses being incurred by the Indian Government. While, however, the amount of the disbursements is calculated on the one side at a uniform fixed rate, the repayment is made at varying current rates, and the difference constitutes the gain or the loss shown in the accounts. On what a colossal scale the remittance transactions of Government have taken place in the past, I will show by taking the year 1919-20 as an illustration. In that year, the Secretary of State sold Bills on India to the extent of about 33½ crores, for which on account of the prevalent favourable rate of exchange, he obtained 31 million pounds. At the standard rate of exchange, viz., 1 shilling 4 pence that works out at 46 crores of rupees. Here we made a gain of 12½ crores on remittance through Council Bills, but in the same year, the Government of India had to sell Sterling Bills on London. That entailed a corresponding loss. Here Bills were sold to the value of 24½ millions. Calculated at 1 shilling 4 pence that works out to 36·81 crores of rupees. But, as a matter of fact, the Government of India received in this country only 18½ crores which works out at a loss of 18½ crores. So, in one single year there was a gain of 12½ crores and a loss of 18½ crores on these two heads, and on war recoveries also there was a large gain of 29 crores. On other transactions we incurred losses, for instance, on gold purchases in London by the Secretary of State because on account of the depreciation of the Pound Sterling he had to pay a premium on the purchase of gold over the rate of exchange which we took for our accounting purposes, and there was a loss which had to be brought to account. Similarly, there was a loss on the coinage of rupees. Silver was purchased at a particular rate. It was brought to this country; it was coined into rupees and the rupees were issued to the public. By that time the value of silver contained in the rupee had gone up; consequently there was a loss. Therefore in the year ending 31st March 1920, there was a total gain on the credit side of 43 crores and on the debit side there was a loss to the extent of 34 crores, and so there was a net gain of 9 crores. Now, this net gain or net loss it has been the system of the Government of India to debit to the various heads, to Capital,—to Railways, to Irrigation works and so on,—and to Revenue heads, and whatever balance remains, of either loss or gain, debit or credit, is put into a suspense account to be cleared in the succeeding years. In this particular year there was a net gain of 5½ crores after the transfers had been made. But this net gain was not credited to revenue. It was put into a suspense account and since that time up to the current and coming years there is no gain credited to revenue. In 1917-18 there was a net gain credited to revenue of 4½ crores. In 1918-19, there was a similar net gain of 7½ crores of rupees. In 1919-20, as I have just pointed out, there was a net gain of 5½ crores, but it was not put on the credit side of the Revenue account. In the succeeding year 1920-21, there was a loss of about 2 crores and as Honourable Members are aware in the year 1921-22, there has been a loss put down to Revenue of about 9 crores, and for the coming year, it has again been put down at about 10 crores apart from the losses that have been put down to the Capital account. So, that has been the position, and from this it will have been seen how these so-called gains and losses have been accumulating and they have been cleared away. In 1919-20, the Government of India

fondly expected that whatever losses there were would be made good by the gains that were sure to accrue in succeeding years. I do not want, as I have already said in the beginning, on this occasion, to criticise the Government's Exchange policy, because that is not the object of my Resolution. I am referring to this matter to show that the Government of India thought at that time, rightly or wrongly, that the rate of exchange would stand at a very high level. Consequently, whatever losses there had been, or there would be, would, it was believed, be more than counter-balanced by the gains, and the Finance Member did say in so many words that it would be possible for him to make good these losses. And consequently he insisted on wiping off the losses incurred on account of the revaluation of the securities and gold held in the Paper Currency Reserve and he made a very strong point of this. In his speech on March 1st, 1920, he remarked that the losses on account of depreciation of our securities in the Currency Reserve arising out of the new basis that had been taken up for keeping the accounts, namely, 2 shilling, must be wiped out as early as possible, that they could not be kept hanging. He said on 1st March 1920 :

' I need not remind the Council that as soon as this deficiency in our Paper Currency Reserve has been made up, our revenues will have obtained the full benefit of the very substantial savings in the annual Home charges resulting from the higher rate of exchange. Such savings may not improbably amount to Rs. 11 or 12 crores a year and it is solely because of this prospective accrual to our revenues that, as I shall mention later, we felt justified not only in making a large reduction in the amount of the contribution to be taken from the provinces under the Reforms Scheme, but in contemplating its entire extinction within a reasonable time'.

It will be seen that the Government of India thought at that time, rightly or wrongly, that the rate of exchange would continue to stand very high and that consequently they would be able to make a gain upon their net remittances to England on account of their sterling expenditure. However, this unfortunately proved to be building castles in the air. . . .

The HONOURABLE SIR MANECKJI DADABHOY: It was a gamble.

The HONOURABLE MR. V. G. KALE: My Honourable friend says it was a gamble and so it was. In the very next year, 1921, the Finance Member had to show how the whole superstructure had come down like a castle of cards and the anticipated extra gain had been converted into a huge loss. My point, therefore, now is that Government should show us what have been the real losses. The fact cannot be gainsaid that there have been large losses. Our assets sent out to London and brought to account or brought back to this country, have deteriorated on account of the rise in exchange and owing to the revaluation not only of the securities in the Paper Currency Reserve but also of gold in that Reserve. There has thus been an undoubted deterioration. To my mind these are genuine losses. They cannot be explained away by saying that they are merely accounting losses. I have already explained what are accounting losses and how they are nominal. But we ought to know what are the real losses and whether the gains and losses during the last five years have balanced one another. Secondly, I wish the Government to reconsider the system of keeping their accounts and I take my stand upon what the Finance Member himself has said during the past two or three years. When the rate of exchange rose to 24 or 28d. and the accounts were being maintained upon the 16d. the rupee basis, the Finance Member said that there was an artificiality in the accounts, that the accounts were, to use his own language, cut of accordance with facts. Now I want to say that the present situation

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is just exactly what it was described to be by the Finance Member two or three years ago. The accounts are now entirely out of accordance with realities. They are being maintained on the 2s. basis. And yet the rate of exchange is only 15d. The disparity between the current and the nominal rate of exchange that is adopted for the purpose of accounts is as large and as wide to-day as it was three years ago. I wish, therefore, Government should consider if the time has not come to re-examine. . .

The HONOURABLE THE PRESIDENT: The Honourable Member's time is very short.

The HONOURABLE MR. V. G. KALE: Re-examine the position and see whether it will not conduce to the convenience of keeping accounts and clarifying the situation to base its accounts on the 16d. rupee basis. I want it to be made clear here that I do not wish to ask Government to settle finally what their exchange rate should be. It may be considered later on by the Committee that may be appointed or it may be left to be defined by the course of import and export trade. So I do not want Government in any way to fix the rate of exchange. That is not my desire. What I want is that the basis of the sterling value of the rupee should be reconsidered in view of the difficulty that is being encountered in keeping the accounts, because accounts are swollen on both sides by fictitious losses and gains, and it is very difficult for the public to know exactly what the real position of the finances is. That is the reason why I want Government to consider whether they cannot modify the basis of their accounts. With these words, Sir, I commend the Resolution to the acceptance of the House.

The HONOURABLE MR. E. M. COOK: I read this Resolution, Mr. President, with much attention and interest. I may say that I read it more than once. After hearing my Honourable friend's speech, I now perceive something of the difficulties which he feels, and which no doubt many other people feel, regarding this question of the exhibition in our accounts of these so-called losses and gains by exchange. If I understood my Honourable friend correctly, these difficulties relate to the method of exhibition in our accounts of certain non-revenue or remittance transactions, under what are called, in our accounts jargon the 'Debt Heads.' These heads comprise not only the heads which deal with the Public Debt, but also the suspense heads and those under which the various remittance and other kindred transactions are recorded. And I take it that my Honourable friend's difficulties arise from two causes. In the first place, there is the fact that our accounts are at present kept on a basis which is somewhat widely divergent from the actual rate of exchange. The second cause of my Honourable friend's difficulties has been, I think, the enormous fluctuations that have occurred in exchange during the past four years. Two years ago we had a rate of 2s. 10½d. At one time last summer exchange fell, I think, just below, 1s. 3d. It is clear, therefore, that, whatever basis you had for your accounts, there would have been enormous adjustments of some kind necessary because of these great fluctuations in exchange. Now I may say at once, Mr. President, that I feel no insuperable difficulty in accepting my Honourable friend's Resolution. But I should like to point out, with reference to clause (a), that I hardly think it was necessary to make a recommendation to the Governor General in Council in order to extract information from the Finance Department. We are always ready, so far as it can be done within the time at our disposal, to give any Honourable Member every kind of information we can possibly

produce or procure. I take it, however, that what my Honourable friend really wants to do is to draw prominently public attention to the fact of these difficulties and to these anomalies which, I admit, our accounts do present. Now, Sir, I have said that I have no difficulty in accepting the Resolution, and for that reason I do not propose to cover the rather wide field which my Honourable friend has traversed in the course of his very interesting address. If I did so, it would be necessary, I fear, to detain the Council for some considerable time. I do think it desirable, however, to say a few words regarding one or two of the broader aspects of this question, not so much in order to exhibit any difference between the Honourable Member and myself—for I think really, at bottom, there is practically no difference on general principles between us—but rather, if I may so presume, in order to dot the i's and cross the t's of one or two remarks my Honourable friend has made, and to assist him, if I can, in removing any misconceptions that may be held regarding these so-called losses and gains by exchange. I am very much obliged to the Honourable Mover for having drawn such prominent attention to the great element of artificiality in these so-called losses and gains by exchange. Of course, whenever we use the words 'losses' and 'gains' there must be an element therein of what it is the fashion to call 'relativity' and because of that element of 'relativity', I am afraid this phrase 'losses and gains by exchange' is sometimes used, by people who ought to know better, in rather a loose sense, for example, some people, reading our Budget Statement, say that next year, we are budgetting for a 'loss' by exchange of 15½ crores, although, as the House will have gathered from what my Honourable friend said, that that is entirely a misnomer. What is the actual position? Perhaps I can assist Honourable Members by putting it in a few words. Rightly or wrongly, we are at present keeping our accounts on the basis of 2 shillings to the rupee. That means that our Home expenditure is brought into the accounts at 2 shillings to the rupee. It follows, therefore, that if our accounts are to be correct, if they are to be true accounts, there must, somewhere or other, be an adjustment, in order to bring back the figures to the actual rate. How do we make that adjustment? We make it in the case of the commercial Departments by debiting to the respective heads themselves the difference between the 2 shilling rate and the actual rate,—1s. 3d., 1s. 4d., 1s. 5d., or whatever it may be. In the case of the non-commercial heads, we do not distribute these exchange adjustments over the individual heads, but bring them all together and put them under the head 'Exchange.' But that, as I am sure the House will agree, is not a 'loss by exchange'. It is an adjustment in order to bring your accounts, your somewhat artificial accounts, back to reality. But I need hardly say that when you have done it, the net result in the end is exactly the same as if you had throughout the year kept your accounts at the actual rate current.

The HONOURABLE SIR DINSHAW WACHA: You conceal deficits by your system.

The HONOURABLE MR. E. M. COOK: I am afraid I cannot admit that. It is quite obvious, Sir, that, by choosing various rates as the bases for your accounts, you could make these exchange losses or exchange gains whatever you liked. You may keep your accounts on a half a crown basis or a 3s. basis; and you could thereby swell your 'loss' by exchange. On the other hand, if you like to keep your accounts, on, say a basis of 1s. to the rupee, then the adjustment would have to be in the other direction, and careless people could then talk about a 'gain' by exchange—it would be

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just as inaccurate to talk about a 'gain' by exchange in that case as it is to talk about a 'loss' by exchange in present circumstances.

Now, when does a loss or gain by exchange really accrue? My Honourable friend has supplied the answer. Let us for a moment, in order to visualise this matter as simply as we can, get rid of any idea of accounts, or the accounts basis, and let us just think of an ordinary commercial concern, say a mill company, which has payments to make at Home for machinery, etc. Obviously, in your business concern, an actual loss or gain accrues, or is liable to accrue, when you move money from India to England or from England to India, but here there is a point I want to make; when you move money from England to India or *vice versa*, the loss has not actually accrued until you move it back again. Let me take a concrete example. Suppose the Secretary of State sells a crore of rupees by Council Bills. The effect is so far neither a loss nor a gain. But if he remits that money back to us, either by sales of Reverse Councils or by shipping gold or silver to us, then, unless his remittance back is made at the same rate as the remittance he drew from India, there is, on that completed transaction, either a gain or a loss. That, I submit, is a true gain or loss. I quite admit that in the case of a number of the transactions mentioned in my Honourable friend's Resolution those are of the nature, or can be regarded as of the nature, of completed transactions, and in those cases there has been an actual gain or loss. Take Reverse Councils. The effect of the Reverse Councils sold two years ago was to remit back to India money which had been remitted from India to England at a different rate of exchange. (A voice: 1s. 4d.) Whatever it was, if you take the difference between those two rates, then it is possible to say, and it is indeed accurate to say, that, regarding that as a completed transaction, there was a loss. Similarly, take our sales of gold. When we were selling gold—I have not got the figures actually with me, but I think I am correct in saying that, taking our transactions over the whole time we were selling gold,—it was sold at a rate higher than it had originally cost us, in rupees, to acquire, and so, on that completed transaction, there was a real gain. So far, of course, we are quite clear. It is when we come to put such transactions into the accounts year by year that these difficulties arise. What I have said, I am afraid, is little more than the mere obvious, but I wanted, if I could, to emphasise what my Honourable friend himself has said. So much for these 'losses' and 'gains.'

I now come to clause (b) of the Resolution. I have already said that, provided you do make the necessary adjustments in your accounts, then the net result at the end is the same as if you had kept your accounts at the actual rate of exchange. But I need hardly say that I quite admit that every consideration points to the great desirability of making the basis on which you keep your accounts as close as possible to the actual rate of the year. Unless you do that, then, as we have indeed seen and experienced, you are liable to give rise to a great deal of misunderstanding, and even, I fear, some times to either conscious or unconscious misrepresentation. I quite admit all that. At the same time I think Honourable Members will agree with me that the fixation of an accounts basis in consonance with or fairly close to the actual market rate presupposes and postulates a fairly stable market rate. If your rate itself is liable to fluctuate, then, although the basis which you took for your accounts one year may be fairly close to the actual average rate, and therefore your

exchange adjustments comparatively small, as used to be the case in the old days, nevertheless, the next year exchange may fluctuate 3 or 4 pence, and the accounts basis may be widely out of accord with actual facts. So, unless you are prepared to change your accounts basis year after year, if you have a widely fluctuating exchange you are bound to get out of touch with the actual rate and you are bound to have to make these big adjustments which, I admit, do disfigure our accounts at present. It is not an easy matter to switch over from one basis of accounts to another. When we switched over from 1s. 4d. to 2s. there was a considerable amount of difficulty and labour involved in doing so. You have got to recast all your statements and accounts; it upsets comparison by statistics and is, I submit, a thing which you ought to do only when you are reasonably satisfied that your new rate is going to continue for some time. My Honourable friend, Mr. Samaldas, laughs, and no doubt claims that I have now said 'peccavi'. I prefer to follow my Honourable friend, Mr. Kale, in not discussing the previous exchange policy adopted in this country, and will confine myself to the present position. We have a rate which I admit, as things have been during the last year, is very markedly divergent from the actual facts. It has necessitated these large adjustments and has caused complications and difficulties in our accounts. I will also admit that the probability of the actual rate returning again to 2s. is now somewhat remote, to say the least. At the same time, I take it that my Honourable friend does not really ask us at the present moment, by a stroke of the pen—although as a matter of fact a great many strokes of the pen would be involved—to go back to the 1s. 4d. basis. If we are to get back to 1s. 4d. let us be perfectly sure that we have then got back to something that is the most suitable and convenient pivot for our accounts to turn on for a good long time to come. I quite admit that for some months now exchange has been, within a penny or so, fluctuating round about 1s. 4d. If it continues to behave like that for a further substantial period, then I fully admit that there will be a strong case for changing our present accounts basis of 2s. But my Honourable friend may rest satisfied that Government, though they may move slowly in this matter, will move as soon as they feel that they can with confidence recast the accounts on some new basis—as soon as some really stable foundation is discoverable we shall not hesitate to do so.

THE HONOURABLE MR. SETHNA: Sir, with your permission I desire to offer only a remark or two. I am glad that the Honourable the Finance Secretary has accepted this Resolution moved by my friend, Mr. Kale, and particularly the second part thereof. The Honourable Mr. Cook has told us, in fact he admitted, that the system of accounting at present might be considered as an artificial one and that the head of exchange is introduced in order to bring the accounts to their reality. My Honourable friend, Sir Dinshaw Wacha, rightly interjected by saying that this amounts to concealing the correct figures, and that is exactly what the public do not like.

THE HONOURABLE MR. E. M. COOK: I thought my Honourable Friend, Sir Dinshaw Wacha, said 'concealing your deficit.' I did not quite catch what he said.

THE HONOURABLE MR. SETHNA: That is merely a paraphrase. The net result is the same.

With regard to the suggestion from the Honourable Mr. Kale to prepare the accounts at the prevailing rate of exchange the Honourable Mr. Cook says, and perhaps rightly, that they cannot easily switch off

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from one rate to another year after year. My suggestion to him is to consider if it would not be possible, instead of lumping together the loss in exchange under all the different heads—namely, a lump sum of 15½ crores as has been shown in the budget for the coming year,—that he shows the losses in exchange separately under each major head, so that the public may know at a glance what the exact and correct figures are under the various heads. I refer in particular, once again, to the military expenditure, where, according to the budget figure, the man in the street understands that the military expenditure is 62½ crores; whereas, if you take into account the loss in exchange, the expenditure is to be not 62½ but 68 crores and which the public have a right to know.

The HONOURABLE MR. LALUBHAI SAMALDAS: Sir, the Honourable Mr. Cook says that the first part of the Resolution ought to have been put in the form of a question in order to elicit the information required. With reference to that remark I may say that we have asked questions on this subject, not once only and not only here, but in the other House. Somehow or other the answers have not been quite satisfactory. It may be that we did not put the questions in a proper form; or it may be that the Finance Department have always managed to give replies from which the desired information cannot be derived. Here now we make a direct request in a detailed Resolution asking for information, and the Honourable Mr. Cook has agreed to give it. I know it will be to a certain extent difficult to collect all this information, but if the Department takes the trouble to do so and places all the figures on the table for public information, it will remove many misapprehensions. As there are some misapprehensions, on the subject, in the interests of the Department itself, it is much better that they should take this trouble and give us the information that we require.

As regards item (b) I shall divide it for practical purposes into two heads, as we do in commercial concerns. I take commercial concerns as my guide because my Honourable Friend, Mr. Cook, has referred to Joint Stock Companies. I am referring to the Assets and Liabilities account or the Balance sheet as it is called and the Profit and Loss account. As regards Profit and Loss Account, I agree with Mr. Cook that if these adjustments are correctly made, there are no grounds for complaining about the actual figures. The figures for adjustment will be much smaller and there would be less misunderstanding if they were worked out at 1s. 4d. instead of at 2s. The former figure is a pivot round which exchange has varied during the last year and this is agreed to by the Honourable Mr. Cook. What my Honourable friend, Mr. Kale, says is, let us have this figure and accept that as the pivot, round which adjustments will be made. (*The Honourable Mr. E. M. Cook*: 'To consider the desirability'). The Honourable Mr. Kale is very modest in his demand and I want to go a little further, because I want to name the figure. There are two ways of arriving at this figure. Government can, after proper inquiry, decide as to the figure at which they would like to try and stabilise the exchange. When they are asked to do so, they say that the world factors have not stabilised and we must wait till they have done so. This means they are not prepared to go into and examine the question. We then suggest the other alternative and say if you are not prepared just now to appoint a Committee and come to a definite conclusion, let us, for all practical purposes, take the figure round which the exchange moves about, and that figure as my Honourable friend, Mr. Cook, said is £0-1-4. Why would he not

take the £0-1-4 basis? Why is he in so inordinate a love with the 2 shilling figure? Why not come to the £0-1-4 figure, stick to it for a few years and have adjustments made on the £0-1-4 basis, so that the figures for adjustment might be small, and the trouble in calculation perhaps less; and by adopting this figure we will come more near the exact figure than by the 2 shilling figure. I hope he will see his way to accept this and not only consider the desirability as the Resolution asks, and that if he thinks it is desirable to adopt the basis, to do so as soon as possible.

The HONOURABLE SIR DINSHAW WACHA: Sir, I am very glad that the Honourable Mr. Cook has on behalf of the Government given an explanation in reference to the Honourable Mr. Kale's Resolution. So far as it goes it is very clear and as Mr. Kale wants some 'clarifying' explanation on the subject, I think the Honourable Mr. Cook has fairly tried to clarify the exchange expenditure method from the Government point of view. I should rather be inclined to clarify it myself from the public point of view. Sir, this question of exchange and its fluctuations is not of to-day or yesterday. It is going on unexplained for years. I think it first began somewhere about the year 1886 when, owing to what they called 'uncertainty of exchange'—these were the words used by the Finance Member of the day—we first found ourselves in the same difficulty in which the Government to-day find themselves; only their deficits now are enormously larger than the deficits of those days. In 1886, I think the Government had a deficit of only 3 or 4 crores of rupees in their budget. Lord Dufferin was the Viceroy and Governor General and I forget who the Finance Member was. That was the year in which the salt duty was once again increased from 2 to 2½ rupees, and that was the year also when the income-tax was for the first time revived after its abolition in 1865. From that time forward I have watched closely how every Finance Member in turn has always harped on this question of exchange, *viz.*, that exchange was a disturbing factor, and that exchange disturbed their balance and needed adjustment and so on and so forth. Such pleas and excuses have been frequently brought forward since. There is nothing new to me at least. There was also brought forward another plea in those days, *viz.*, the 'precariousness of the Opium revenue.' The opium revenue and the exchange question were two troublesome factors whereby the budgets were disturbed. There had been a 'prolonged wail'. What have the Government done during the last 36 years? Absolutely nothing; they have been repeating whenever deficits occurred the same excuses and pleas, apart from 'famine and pestilence'. Internal factors and external factors, though of a different character, were also urged. The fact is this, Sir, that Government have been not infrequently in a very embarrassing position. They had been hanging between what was called financial necessities on the one side and financial expediency on the other. They laid the fluctuations of exchange at the door of deficit and put on new taxation or enhanced the old. This financial jugglery has been going on for the last so many years. Opium was once the *deus ex machina* of a budget. It is exchange now and for many years past. The difficulty arises from what I should call defective or unbusinesslike book-keeping. It has been pointed out over and over again that the Government method of book-keeping is generally defective and cryptic. And I would go further and use a stronger word and call it 'rubbish.' The whole system of keeping accounts and the method and manner of their presentation are antique and obsolete. It requires to be thoroughly and radically overhauled, and some trained man from England, strong in modern State

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finance, is required in order to make a clean slate for the purpose of lucidly presenting the annual financial position. This is the only way in which we can improve for better the present obsolete and cryptic method. Well, Sir, what has happened is this. From year to year whenever there are deficits, they bring forward this bogey of 'low exchange' or 'the precariousness of the opium revenue' or 'famine and pestilence.' As far as the plea of 'low exchange' is concerned what happens is this. The Honourable Mr. Cook has said that Government do not know what the rate of exchange is going to be at budget time and they therefore take a certain arbitrary figure. The figure is arbitrary in this way, that, when the revenue is going up, a little favourable exchange rate is taken and when the revenue is going down, a more unfavourable rate is taken. If I am wrong I shall be pleased to stand corrected. My friend, the Honourable Mr. Sethna, pointed out with reference to military expenditure that the exchange incurred thereon was never revealed. The military expenditure for the coming year is not only 62 crores; were exchange added to that amount, it comes to 68 crores as he was able to elicit it from the Honourable Mr. Cook. Why not, then add the exchange figure under each head on which exchange is generally incurred? That is the most businesslike method and the adjustment between the assumed figure and the actual made at each year's close. Every year revenues are underestimated and expenditure overestimated, and at the end of the year, when the Finance Member or the Finance Secretary finds a deficit on account of exchange, apart from other reasons, this bogey of which we hear so much is held up to the public gaze. I do say, Sir, that it was in the year 1897 when I myself and my friend, the late Mr. Gokhale, gave evidence before the Royal Commission, generally known as the Welby Commission, we brought forward this identical question of the fluctuations of exchange of a violent character more or less. I suggested to the Commission a simple businesslike way to deal with them. It was this. To open a heading in the State budget of a separate account to be called the 'Exchange Reserve and Suspense Account.' They may assume any rate they like at budget time; but if at the end of the year when the actual average rate was ascertained whatever the gain or loss, as the case may be, on adjustment, should be carried forward to this account. If in one year, after the year's adjustments are made, there is a gain, the account should be credited with it. But let it be there. It should not be wiped off or transferred to any other head. That is what a business man would do; credit the gain if gain there be or debit the loss if loss there be. But let the Exchange Reserve or Suspense Account be carried forward from year to year, so that the superior book-keeper may know what is the balance and whether it showed a deficit or surplus. That is the correct system of book-keeping. If the procedure I have described be adopted it would solve the whole difficulty, and the public or the Legislature would never more hear of this dolorous chant or 'wail' of exchange. The Finance Member in his financial statement can exhibit a full account of exchange incurred and say :

'Here are these different heads with exchange gain or loss, and the net resultant is the balance, debit or credit, as the case may be.'

There will be an end of the matter. It is simplification itself. So far as the business way of State book-keeping is concerned, the Government of India seem to me to be incorrigible. At least that is the opinion I have formed after so many years of study. They will never adopt the correct

system, though criticism after criticism is made year after year. But the ears of Government are stuffed with cotton and they are deaf to all suggestions. It is only at the time of huge deficits that public opinion is heard and echoed in the Assembly. Government then promise to consider it and now-a-days they are somewhat disposed to repeat the formula! We accept it.' Our newly formed Legislature say:

'Very well. We thank you. We are much obliged to you.'

That is the position, Sir. But I do venture to say that they should do a great deal more. With a new democratic Government, with the popular voice asserting itself more and more and with more and more business people coming into the Legislatures, I must say that it would be wise that Government should also take a new departure. Let them import from England a well-versed business-man like Sir Eric Geddes, who could put his axe to the root and sweep away the present method of keeping accounts on a fossilised system and present you with a new clean slate which even the man in the street can read. It will give the people a clear idea of the state of the finances, and not an obfuscated or confused one as at present, and it will help Government to see its own way clearly, more clearly than they do now. At the same time, Sir, I think Professor Kale has done a very great service by bringing forward his Resolution. Last year when I interpellated the Government on the same subject, my question was misunderstood and of course we had an unsatisfactory reply. I did not mind it, but I am very glad, Sir, that the Honourable Mr. Kale has not only repeated my question, but has amplified and cast it in the form of a Resolution. I think, Sir, this discussion will do good both to the House and to the Government. Let the Government open their eyes; let them open their ears, and if they keep their eyes and ears open, I am quite certain that the next Financial Statement will be entirely different from what it is to-day.

The HONOURABLE MR. V. G. KALE: I am really thankful for the discussion that has taken place on my Resolution and I am grateful to the Honourable Mr. Cook, as well as to the other Members of the House, who have made their remarks. They have made even clearer than I could do in my speech what were my requirements with regard to the Government system of keeping accounts in relation to exchange and remission transactions of the State. I am particularly grateful to the Honourable Sir Dinshaw Wacha for the most lucid and instructive manner in which he brought out what is really required that the Government of India should do. I hope that the statement which Government will prepare and place before us will really show what the country wants and that the Honourable Sir Dinshaw Wacha will have no complaint to make with regard to the Statement. We do want that the real losses and gains on account of exchange should be clearly brought out. The real deterioration in the financial position of Government should be made clear and placed beyond doubt, and Government should consider whether there is an immediate possibility for the changing of the method of keeping their accounts. I will not detain the house with any further remarks and close my observations, thanking the Honourable Mr. Cook again for accepting my Resolution.

The HONOURABLE MR. E. M. COOK: Sir, I wish to deal only with one point raised by the Honourable Mr. Sethna and referred to by the Honourable Sir Dinshaw Wacha. I am not going to follow the Honourable Sir Dinshaw Wacha in his remarks about the necessity for maintaining a proper exchange account, outside the ordinary revenue accounts, to which all losses

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and gains should be debited or credited. I hardly think, if I may say so, that that arises on this Resolution. The Honourable Mr. Sethna has raised a very important point. He referred to the 15½ crores exchange adjustment, which has to be made in our accounts according to our Budget calculations. I understood him to point out the great desirability of that adjustment being distributed under the various heads of accounts in order that each major head of account, such as Customs, Salt, Opium, and more particularly Military, should itself contain that adjustment. As my Honourable friend knows, we do make the adjustment under the commercial heads. Out of that 15½ crores, 5½ crores are distributed in the accounts under the commercial heads, that is to say, our figures for railways do show the actual expenditure at the current rate, but as regards the non-commercial heads, which account for 10 crores out of that 15½ crores, I admit that we lump them all together under the general head 'Exchange.' All I wish to say is this: This practice has continued from as far back as I can remember. I admit that the convenient practice of portmanteauing these losses and gains under the 'Exchange' head was all very well at a time when the losses and gains consisted of sixteenths and thirty-seconds; it does give rise to some misapprehension, in the mind of the ordinary man in the street who does not perhaps read our figures particularly carefully and perhaps runs away with the impression that our actual expenditure under, say, 'Army' is less than what is actually the case

The HONOURABLE SIR DINSHAW WACHA: That only serves to conceal the deficit.

The HONOURABLE MR. E. M. COOK: I don't see why! The total is the same in either case. We will certainly consider if we can distribute this 10 crores over the various non-commercial heads.

The HONOURABLE THE PRESIDENT: The question is:

'That the following Resolution be adopted:

'This Council recommends to the Governor General in Council that he may be pleased (a) to place on the table of this House a full statement showing the gains and the losses that have accrued to Government since the year 1917-18, on capital as well as revenue account, in connection with the sale of Council drafts and reverse Councils, the revaluation of sterling securities and gold in the Currency Reserve, the purchase and sale of gold, the purchase of silver and the coinage and the issue of rupees to the public, the repayment by the British Government in London of funds disbursed on its behalf in this country, and the remittance transactions between India and other countries generally, and showing how the losses have been met and the gains have been disposed of; and (b) to consider the desirability of re-examining the basis of the exchange value of the rupee on which the accounts are being kept, particularly with reference to remittances to and from this country.'

The motion was adopted.

RESOLUTION RE: TREATY ARRANGEMENTS INVOLVING FISCAL OBLIGATIONS.

The HONOURABLE SIR MANECKJI DADABHOY: I beg to move:

'This Council recommends to the Governor General in Council that he may be pleased to intimate to the Secretary of State that in future India shall not be made a party to any treaty arrangements involving fiscal obligations and international trade relations until the Indian Legislature has had an opportunity of pronouncing on the same.'

Honourable Members will see that the reasons for bringing forward this Resolution are obvious. My object in bringing up this Resolution is, in

the first instance, to obtain from Government a full and exhaustive statement as regards the nature of all our fiscal obligations, and secondly, in order to enable the Council to judge the soundness or otherwise of these fiscal treaties which have been from time to time entered into on behalf of India by the Imperial Government. I confess that I am in a somewhat awkward position to-day. I fully realise the constitutional difficulties involved in my Resolution.

I am also in a somewhat anomalous position to-day on account of my connection with the Fiscal Commission. I, therefore, propose to speak very cautiously on this Resolution, and beyond making a full statement of the case, I do not propose to enter into any long discourse or arguments either for or against the Resolution. The importance of the Resolution will be perceived by Honourable Members. In order to explain or rather to comprehend the scope of my Resolution, I am afraid I shall have to take back the Council to the Resolution, that was moved in this Council on the 23rd of February 1921 by my Honourable Friend, Mr. Lalubhai Samaldas. That Resolution appertained to grant of fiscal autonomy. I shall read that Resolution and refresh the memory of the Honourable Members. That Resolution was to the following effect:

‘That this Council recommends to the Governor General in Council that His Majesty’s Government be addressed through the Secretary of State with a prayer that the Government of India be granted full fiscal autonomy, subject to the provisions of the Government of India Act.’

My Resolution to-day seeks to carry us a step further in the direction of fiscal autonomy, not in the matter of our internal fiscal relations, but in the matter of treaties involving international trade obligations. I may also remind the Council that this Resolution which I have just read was passed in its modified form. My Honourable friend for the words ‘subject to the provisions of the Government of India Act’ had originally inserted in his Resolution the words ‘under the direction of the Indian Legislature.’ It was then pointed out by the Honourable Sir George Barnes, then Commerce Member, that in view of the existing law, I mean the Government of India Act,—that fiscal autonomy under the direction of the Indian Legislature was not possible, and it could only be conceded subject to the provisions of the Government of India Act. This modified Resolution was submitted to the Secretary of State, and a Despatch was forwarded by His Majesty’s Secretary of State to the Government of India. This is now known as No. 70, Revenue Department, dated 30th July, 1921. In forwarding this Resolution the Government of India also pointed out to the Secretary of State the difficulties in the matter, and stated that in view of the decision of the Joint Committee that fiscal autonomy could not be guaranteed to India by Statute without limiting the ultimate power of Parliament to control the administration of India and without limiting the power of veto which vests in the Crown. It was also stated that any system of fiscal autonomy, so far as India was concerned, could only be established by the acknowledgment of a convention, and in order that conventions of this kind may grow up, the Secretary of State should, as far as possible, avoid interference with the Government of India and the Legislature where they were in agreement and that interference, if it did take place at all, should be limited to safeguarding the international obligations of the Empire or any fiscal arrangements within the Empire to which His Majesty’s Government was a party. It is with reference to this latter dictum, safeguarding the international obligations of the Empire or any fiscal arrangements within the Empire to which His Majesty’s Government was a party that my Resolution is now moved. This Council is aware that under the

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Government of India Act power has been reserved to the Indian Legislature for the purpose of passing any Laws or any Regulations for the maintenance of peace, order, etc. We have got also powers under the Act for regulating our tariffs and making all fiscal arrangements. So far as those powers are concerned, they are confined to making of laws in the country. We have no right whatsoever—or in other words, I will put it this way; we have to submit to any fiscal arrangement which the Imperial Government may make involving India in any fiscal obligations without in any way being able to resist or oppose it. In short, we are simply tied down and fettered, so far as our fiscal treaties are concerned; that is, we have to tacitly obey and carry out treaties and obligations that may be imposed by the Imperial Government, though they may not suit the country, and which may perhaps be in the interest of the Imperial Government or other countries. This is so far as our statutory position is concerned. The Government of India have also inherent powers which have been established by case law, and I shall only briefly refer to them in order that the scope of my Resolution may be carefully comprehended. In addition to the statutory powers given under the Government of India Act, the Governor General in Council enjoys further two more kinds of powers nowhere defined in any Statute. Firstly, he has powers as the representative of the Crown, being such prerogatives, privileges and immunities appertaining to the Crown as appropriate to the case and consistent with the system of law in force in India, and, secondly, powers, rights and privileges derived from the Native Princes of India whose rule he superintends. An instance of the first is, the Governor General in Council has the power of making treaties and arrangements with Asiatic States, of exercising jurisdiction and other powers in foreign territory and of acquiring and ceding territory. An instance of the second class may be described as the rights of the Government in respect of lands and minerals in India,—rights different from those which the Crown possesses in respect of lands and minerals in England. I will not refer to the case law which has laid down these principles, but I will only mention at this stage that both under the Statute and under the exercise of inherent powers given to the Government of India, we are entirely helpless in the matter of regulating treaties or controlling any fiscal arrangements which may be made by the Imperial Government. That is, Sir, our position. The present position is this. The United Kingdom as the sovereign authority makes all our fiscal negotiations, arrangements, treaties; etc. I believe these treaties are sent out to India or to the Dominions whom they may concern, and very probably in ordinary course they are ratified by the Government of India or the Dominions. The basis of all these treaties—I may tell the House that the British Government in all these matters tries to obtain the most-favoured-nation's treatment for herself and for the Dominions. How far India has been benefited by the most-favoured-nation's treatment, or how far India has received those economic benefits and advantages it is not the scope of my Resolution at this stage to inquire into. The position, therefore, is that India is entirely helpless in this matter. We may control our finances; with our increased and enhanced powers we may throw out Government proposals, and discard them. On the other hand, by a stroke of the pen

THE HONOURABLE MR. G. S. KHAPARDE: A little louder, please.

THE HONOURABLE SIR MANECKJI DADABHOY: I am very sorry I can't speak louder; I have got fever at present. I was referring to this,

that the Imperial Government can easily by a stroke of the pen commit India to obligations which may be incompatible with her financial resources or which may not be consistent with her economic interests. It is for this reason that I have been obliged to move this Resolution. I may further tell the Council that, so far as these commercial treaties are concerned, the Government of India itself is not in possession of all the facts and information. A lively correspondence on the subject has passed between the Bombay Merchant Chamber and Bureau and the Commerce Department of the Government India. The Bombay Merchant Chamber insisted on Government placing before the country a full and exhaustive statement of all the conventions and treaties entered into by the Imperial Government on behalf of India. I have been supplied with copies of the correspondence by the Secretary to the Chamber. I will read only one passage which shows in a nut-shell the real position in regard to this important matter. The Government of India in their letter dated 27th January, 1922, addressed to the Secretary of the Indian Merchant Chamber, makes this remark :

‘ In view of the world-wide dislocation of foreign relations existing before the war, it would be a matter of considerable difficulty to produce an exhaustive and up-to-date list of the commercial treaties and undertakings between His Majesty’s Government and foreign countries to which India is a party.’

Can you, Sir, conceive a situation more anomalous than this, that the Government of India should not be aware of all the treaties and should not be in a position at any time to say what commercial treaties and undertakings exist to which India has been made a party? I cannot for a moment realize such a state of affairs. I think it is the duty of the Government of India to have before it a full, exhaustive and detailed statement of all the treaties and other fiscal undertakings that have been entered into on its behalf, so that the representatives of India sitting in the Indian Legislature may have an opportunity of examining those treaties in order to ascertain whether they have been made in the interests of, and for the benefit of, India, or otherwise. It is only just and proper that this should be done. Perhaps my Honourable friend, Mr. Lindsay, will be in a position to give the Council some explanation in regard to this matter

The HONOURABLE MR. SETHNA: May I request the Honourable Member to read out again that extract from the Government of India’s letter? We did not catch it.

The HONOURABLE SIR MANECKJI DADABHOY: The letter reads as follows :

‘ I am directed to refer to your letter No. T-1555, dated the 14th November 1921, and to say that, in view of the world-wide dislocation of foreign relations caused by the war, it would be a matter of considerable difficulty to produce an exhaustive and up-to-date list of the commercial treaties or understandings between His Majesty’s Government and foreign countries to which India is a party.’

The obvious conclusion from that is that they are not themselves aware of all the treaties in existence to which India is a party. That can be the only meaning.

Now, Sir, my contention is that the present policy of the Government of India in all fiscal matters is influenced by revenue considerations. So much I will concede, and probably all Honourable Members know that a high general tariff may have a protective effect on certain industries. At present, however, the policy which determines the action of Government is guided

[Sir Maneckji Dadabhoy.]

by purely revenue considerations. As such, the importance of my Resolution may be easily conceived. However, I will not anticipate the findings of the Fiscal Commission. We do not know what the Fiscal Commission will decide. But whatever may be their decision the necessity will be all the greater for this Council to exercise its privileges and prerogatives in regard to control over commercial treaties, if the Fiscal Commission recommends any change in the existing policy, if it recommends Imperial preference or recommends a policy of protection. The necessity for our control and supervision in such an eventuality will be all the greater.

Now, I have explained, Sir, that a constitutional difficulty underlies my Resolution. I have also laid before the Council my feeling that probably it will not be possible for Government to accept the Resolution in the form in which I have placed it before the House. I quite admit that there are many difficulties in our way. My object, however, in proposing this Resolution is clear. My object is to invite a full discussion and thereby to obtain exhaustive information in regard to these commercial treaties so that we may know exactly what our position is. We want also to know what our position will be hereafter in regard to all fiscal treaties and engagements. I have made a very modest request. My request is that the Indian Legislature should be allowed an opportunity of pronouncing on the merits of the treaties entered into on behalf of India. I do not ask, and I cannot ask under our existing constitution, for anything more than that. We have not a Dominion status; and I am very doubtful, even if we had Dominion status, whether we would have full power in regard to these matters. I realize the difficulties of Government. At the same time, I think that, whenever treaties or engagements are entered into by the Imperial Government imposing fiscal obligations on India, the Indian Legislature should have the right of expressing its opinion on the merits of that arrangement by an open and free discussion. That will enable the Imperial Government to obtain the views of the Indian Legislature, which will help them either to ratify or to cancel those treaties. It is for this reason that I have brought forward my Resolution.

I may state in conclusion that, if any suggestions are made by any Honourable Member in order to get over the constitutional difficulty, I will be quite prepared to consider them. I will only say that my object is to invite full and fair criticism on the subject. I want to know the policy of Government in regard to these matters, I mean the policy which will be adopted hereafter, whatever the policy in the past may have been. With a partial fiscal autonomy granted to the country, and with our powers of discussion of financial matters, I think it is not only necessary but obligatory that a further measure of control should be granted to the country in a matter which involves very serious fiscal obligations. With these words, Sir, I commend my Resolution to the acceptance of the House.

THE HONOURABLE MR. G. S. KHAPARDE: Sir, I wish to propose a friendly amendment that:

'In line 2 of the Resolution for the word 'intimate' substitute the word 'inform', after the word 'State' add the words 'for India' and for the words 'shall not be made' substitute the words 'does not wish to be made.'

Sir, as will be seen, there is no change of substance that I want to make. I only introduce a few words to soften the tenor of the proposed Resolution

THE HONOURABLE SAYYID RAZA ALI: I think there is no sting in it.

The HONOURABLE MR. G. S. KHAPARDE: At least I do not perceive any.

The HONOURABLE SAIYID RAZA ALI: I am so glad.

The HONOURABLE MR. G. S. KHAPARDE: So far as I can see, there is no sting in it. The word 'intimate' appears to me to convey a sort of command, a sort of imperative order, and therefore I substitute the word 'inform,' because we cannot from here command the Secretary of State or issue any order to him. The words 'Secretary of State' are rather vague—I should think, because in England there is the Secretary of State for the Colonies, the Secretary of State for India and the Secretary of State for War and so on. So I put the words 'for India' to indicate that this request is addressed to the Secretary of State for India. The expression 'shall not be made a party' is rather emphatic. We are not in a position to say whether it shall be or it shall not be so. In matters of this kind we only make a recommendation to His Excellency the Viceroy and the Viceroy will kindly convey our message to the Secretary of State and there the matter stands. So I only alter the words 'shall not be made a party' into 'does not wish to be made a party.' There might be objection to these verbal changes that I have endeavoured to make. Why have I done this? Just as in the case of merchants, they do not expect to make profit at once on one transaction, but they make a little profit here, and a little profit there, and when sometimes there is a loss, they cover it up with other things, so also in politics when we wish to have more rights and when we wish to expand our powers, we do not press it in one direction, but like all fluids which press equally on all sides, we should try to press our claims slowly in all directions. I once fought to get a little discussion on the speech from the Throne, and in those little ways we try to expand our powers or at any rate to see how far the Government will encourage us to reach the utmost limit that the Government of India Act does give us. I have no doubt the Honourable gentleman in proposing the Resolution had the same view and the same idea, but sometimes things might get expressed in a more emphatic manner; and therefore I want to facilitate the passage of this Resolution by softening the words, so that it might be more acceptable and Government may be induced to view this request with favour. That is all the object I have in view. I have been often corrected for having put things a little too strongly and a little more pungently than they ought to be. My Honourable Friend has often told me so. So I have brought forward this amendment to assist him and make it softer and easier and plainer for the House to accept. With these few words, I commend my amendment for the acceptance of the Council.

The HONOURABLE THE PRESIDENT: Amendment moved to the Resolution under discussion:

'In line 2 of the Resolution for the word 'intimate' substitute the word 'inform', after the word 'State' add the words 'for India', and for the words 'shall not be made' substitute the words 'does not wish to be made.'

This is only a drafting amendment.

The HONOURABLE MR. SETHNA: Sir, I had intended to support this Resolution by my vote, but after hearing the Honourable Mover, I think it right to support it both by vote and speech. The Honourable Mr. Khaparde has introduced an amendment for the purpose of softening, as he said, the terms in which the Resolution is worded. This did not appear, to judge from the interjection of my Honourable friend, Saiyid

[Mr. Sethna.]

Raza Ali, to suit him and he should have liked to have introduced some sting in the wording of the Resolution. There is no necessity of either softening it or adding any ginger if I may be pardoned for using a vulgar colloquialism. What we have to do is to put our case before Government respectfully and at the same time as emphatically as possible. Sir, it seems that there is some doubt in the minds not only of us here but also of some people in England in regard to the extent to which the reforms have gone in the matter of allowing us fiscal autonomy in the country itself. We know there is a difference of opinion in this country and expression was given to it only the other day by two Honourable Members in this House. It seems to be the same in England as well to judge from a telegram of Reuters which we read the other day and according to which one Mr. Waddington, who I take it must be a Lancashire Member, suddenly discovered that the interpretation of the Government of India Act by Mr. Montagu and the Select Committee on the Bill had widely exceeded the terms of the Act which nowhere provided that India should have definite fiscal autonomy. Sir, that is the view of a Member of the House of Commons. Within the last few days we have read the speech made by Lord Curzon on the subject of Mr. Montagu's

THE HONOURABLE THE PRESIDENT: How does this arise out of this Resolution?

THE HONOURABLE MR. SETHNA: I will come to it now.

THE HONOURABLE THE PRESIDENT: The Honourable Member must approach his Resolution more directly.

THE HONOURABLE MR. SETHNA: I merely quote his words. I refer to the words of Lord Curzon, who said that 'India is a subordinate branch of the British Government, and I think

THE HONOURABLE THE PRESIDENT: How does that arise out of the Resolution?

THE HONOURABLE MR. SETHNA: Inasmuch as he looks upon the Government of India as a subordinate branch, he would consider that we have no right either in regard to internal fiscal policy or in regard to international obligations with other countries. I am pointing out that there is therefore this difference of opinion both here and in England. Fortunately, Sir, from the debate which took place yesterday in the other House, we find the Government of India, according to the Finance Member, certainly recognise that we can do what we please in regard to the fiscal obligations in the country itself. This Resolution, however, deals with our international trade relations all the world over. I understood the Honourable Mover to begin his speech by saying that he would ask Government to acquaint us with all our fiscal obligations with other countries entered into before now. But, so far as the Resolution is worded, he only asks in regard to any future obligations. The Mover quoted from a reply given by Government to the Indian Merchants' Chamber and according to which Government are not prepared to disclose the existing obligations. I am surprised at the attitude Government have chosen to adopt in regard to this particular matter, for although we have not yet reached complete Dominion Status, I think the country has a right to know what our obligations are at any rate up to now, and therefore, Sir, I feel bound to support this Resolution. Government have appointed a Fiscal Commission. What, Sir, is the use of a Fiscal Commission if

any of the recommendations it makes will not prove acceptable to Government and if they would decide contrary to any recommendations made therein in regard to any international trade relations? Secondly, I think Government should respect the views held by the Indian Legislature. The Mover of the Resolution does not insist upon Government accepting what the Legislature would recommend. He only wants that the Legislature should consider the proposal. It will leave Government free to accept the proposal or not. But, of course, if they do not agree, the country will certainly expect that there must be good reasons for throwing out the considered wishes of the Legislature. We have not yet reached Dominion status, but we are told that we are on the way to it, and consequently if we are free to settle our internal fiscal policy it is but right that we should also have at least an indirect say for the present in the manner proposed by Sir Maneckji Dadabhoy in regard to any treaty arrangements that are made with foreign powers hereafter.

Let us not indulge in illusions in regard to this matter. If there is going to be any membership for India in the Empire let it not be a myth but a reality.

The HONOURABLE MR. H. A. F. LINDSAY: I welcome this fair and frank explanation that the Honourable Sir Maneckji Dadabhoy has given of his doubts, and, if I may add, of his suspicions, as regards the attitude of Government in regard to these commercial conventions. I may say at once, Sir, that Government stand absolutely by their declaration on the subject of fiscal autonomy and I wish to meet straightaway any sort of idea that Government has anything whatever to conceal in regard to international trade obligations. In order to explain my point clearly I hope the House will bear with me when I state exactly what happens when a commercial convention is concluded. In the first place, the convention is usually ratified by the Home Government with a Colonial clause, as it is called, which enables the Dominions and India to subscribe to that convention or not, as they please, and the first point which I wish to make quite plain is, that no commercial convention is ever ratified by the Home Government on behalf of India without a reference to the Government of India

The HONOURABLE MR. LALUBHAI SAMALDAS: For the approval of the Government of India?

The HONOURABLE MR. H. A. F. LINDSAY: Yes. If the Government of India do not think that it is in the interests of India to adhere to any particular convention, that particular convention is not ratified on behalf of India.

The HONOURABLE SAIYID RAZA ALI: Has the Government of India been known to disagree in any case?

The HONOURABLE MR. H. A. F. LINDSAY: Most certainly. That leads me to the second point, which arises from the correspondence with the Indian Merchants' Chamber and Bureau. Correspondence does not always lead to the elucidation of the full facts, but conversation very often does and again I welcome this opportunity of making a full statement on the subject to the House. The archives of the Commerce Department are full to over-flowing with correspondence with the Home Department on the subject of these commercial conventions, negotiations leading in some cases to final ratification, in other cases to final rejection. I

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may give one or two instances perhaps. In 1894, a convention was arrived at between the Home Government and Spain which gave most favoured-nation treatment to the British Government, and on a reference to the Government of India, India was included in that convention. The next convention I would like to refer to (I am not taking them strictly in their sequence, because I am only picking out one or two that are more important than the rest) was one of 1903 with France and that convention was of rather a special nature. It was referred to in a debate in another House yesterday on the subject of imports of vinegar. The agreement with the French Government is that India shall admit at a specially favourable rate of duty vinegar brought from France and in return shall receive from France a similar concession for chillies, coffee, cardamoms, tea and other classes of Indian produce. . . .

The HONOURABLE SIR MANECKJI DADABHOY: Are not copras included in that too?

The HONOURABLE MR. H. A. F. LINDSAY: I think they are. They are included in 'Colonial produce.' I only gave these as examples. That was in 1903 and it still holds good. The next agreement I should like to refer to is one of 1908, with Japan. That agreement was also of a rather special nature. It was not in this case an agreement between the British Government and the Japanese Government to which India was afterwards asked to become a party, but it was a direct agreement between India and Japan. Now, if the House will bear with me for a minute or two I should like to read out the terms of that agreement or commercial convention with Japan, because it is a typical convention and it will show the House exactly what the clauses of these conventions are; and, by way of preliminary explanation, I should like to say that the whole underlying principle of all these commercial conventions is the exchange of most-favoured-nation treatment. That is to say, the foreign Government with which the convention is concluded agrees to give to India no worse treatment than it gives to any other foreign Government with which it concludes a commercial treaty; and India, on the other hand, agrees to give to the foreign Government exactly the same treatment, or at any rate no worse treatment than it gives to any other country. The commercial convention with Japan is quite short. It consists of four Articles.

Article I runs :

'Any article the produce or manufacture of the dominions and possessions of His Majesty the Emperor of Japan shall enjoy, upon importation into India, the lowest customs duties applicable to similar products of any other foreign origin.'

That is one-half of the most-favoured-nation clause.

Article II runs :

'Reciprocally any article the produce or manufacture of India shall enjoy, upon importation into the dominions and possessions of His Majesty the Emperor of Japan, the lowest customs duties applicable to similar products of any other foreign origin.'

That is the counter part.

Article III runs :

'The privileges and engagements of the Present Convention shall extend to Native States of India, which by treaty with His Britannic Majesty or otherwise may be entitled to be placed, with regard to the stipulations of the Convention, on the same footing as British India.'

'His Britannic Majesty's Government shall communicate from time to time to the Imperial Government of Japan a list of these States.'

Article IV runs :

'The present Convention shall be ratified and the ratifications shall be exchanged at Tokio as soon as possible. It shall come into effect immediately after the exchange of ratifications, and shall remain in force until the expiration of six months from the day on which one of the High Contracting Parties shall have announced the intention of terminating it.'

The HONOURABLE SIR MANECKJI DADABHOY: May I inquire if this clause about ratification appears in every treaty? Is this condition about the expiration after 6 months peculiar to this treaty?

The HONOURABLE MR. H. A. F. LINDSAY: I was just coming to that point. In every treaty, Sir, there is a clause allowing for the termination of the treaty by either of the contracting parties and the period given for denouncement is anything from 3 or 6 to 12 months. I now come to the more difficult constitutional question that my Honourable Friend has raised and which is the basis of the Resolution now before the House. My Honourable Friend, Mr. Khaparde, has introduced an amendment which, in his own words, will soften the terms of the Resolution. Even apart from attempts of other Honourable Members also to soften the terms of the Resolution, I am afraid that, for the reasons I shall give, I cannot possibly accept it. I tried even to soften its terms on my own account, which with the permission of the House I might have been allowed to do, but I am afraid that there are constitutional questions involved which prevent me from accepting it on behalf of Government, and the reason is this. Neither the British Government, so far as I am aware, nor any of the Dominion Governments allow any discussion by the Legislature of the terms of their economic conventions or any other treaties before those conventions are ratified, and I think that procedure will commend itself to this House also. The ratification, the conclusion, of these treaties, like the whole of the preliminary negotiations, are matters for the Executive Government. The Executive Government has full responsibility—the Legislature has no responsibility. The Legislature cannot be called to question by a foreign Government if any of the terms of a treaty are broken. It is purely a matter for the Executive Government.

Another reason why a reference cannot be made to the Legislature is that the negotiations cover very frequently a long period of time, and often have to be conducted by cable. There is no possible chance of being able to come to business-like arrangements with a foreign Power if they can only be made during a Session of the Legislature. And, finally, from the diplomatic point of view, I ask this House, would it be wise, before the ratification of a treaty, to allow a frank and free discussion which must touch on the very delicate relations which must exist between the two Governments concerned? That, I think, would be a principle which no Government could possibly accept. And mark the difference. After ratification, the whole principle of the discussion becomes changed. The criticisms which the Legislature would be free to make on any terms of the treaty would be criticisms not of the foreign Power or of any claims of the foreign Power, but of the action of Government in having concluded that particular treaty.

Now, Sir, I come to my second point. Although the preliminary discussion of these treaties cannot be allowed, it is certainly right that their

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terms should be known to Members of the House. I understand that the practice at Home and possibly of the Dominion Governments also is to include these commercial conventions in what is known as the Treaty Series of Parliamentary papers. As such they are laid automatically on the table of both Houses. That we shall certainly be very ready to do in India, so far as commercial conventions affecting India have been laid in the Treaty Series of Parliamentary papers at Home. As a matter of fact there have been no commercial conventions actually ratified on behalf of India for some years past. I think that in 1915 there was a convention with Switzerland, but I cannot remember any concluded since. The Government certainly agree that these conventions should be accessible at all times to Honourable Members and be placed on the table in future. With regard to past treaties, I do not know, as I said before, whether the House realizes what a stack of correspondence there is in the Commerce Department on this subject; and hence the terms of our reply to the Indian Merchants' Chamber and Bureau, which I hope are fully understood now. It would be absolutely impossible to go through all these documents, copy out duplicates and transmit them even to a body of the standing of the Indian Merchants' Chamber. Honourable Members will recall that a few moments ago I gave the names of three or four countries with which conventions have been concluded. Those are only typical of the numerous conventions which exist in the Department. What we are prepared to do is this: We are prepared to go through these and make a brief summary of any which can be regarded as public property and place that summary on the table. I trust that the Honourable Member will realize that this is the fullest and the farthest extent to which we really can go constitutionally in the matter, and I hope that he will accept that assurance as the best attempt we can make to provide the House with full information on the subject. I have already read out the terms of the Japanese Convention, and there is no need to place that on the table of the House at present, but we shall certainly go through the list and do what we can in the matter.

THE HONOURABLE MR. LALUBHAI SAMALDAS: Sir, the Honourable Mr. Lindsay has put the case for Government so clearly and lucidly—and I may be permitted to congratulate him on doing so—that very little remains for me to say on the question. I rise merely to clear one misapprehension in the mind of my Honourable Friend, Sir Maneckji Dadabhoy. He was under the impression that the Government of India did not have sufficient knowledge of the treaties or conventions that were made by Britain with the foreign Governments on behalf of India, while my friend, the Honourable Mr. Sethna, thought that Government were not prepared to give that information asked for by the Indian Merchants' Chamber and Bureau and make it public. In fairness to the Department concerned, and especially to the Honourable Mr. Lindsay, it is necessary for me to say that before Sir Maneckji Dadabhoy's Resolution was balloted or booked and before we knew anything about it, the Honourable Mr. Lindsay told me, when we were discussing some questions regarding the relations between his department and the Indian Merchants' Chamber and Bureau, that he was prepared to give all the information that was available to the Chamber. He explained to me, as he did just now that as there were files upon files it will be very difficult to have them copied and sent to the Indian Merchants' Chamber and Bureau merely because they wanted to have them. He asked me to write to the President not to misunderstand his letter, and to add that when he came next to Bombay, he will at a

personal interview between him and the Chamber give a full explanation of the subject—explanation which he has now given to this House. I think it is but fair to the Department, Sir, that I should state this fact. After listening to the constitutional difficulties raised by my Honourable friend, Mr. Lindsay, that in no civilized country does the Government take the Legislature into confidence before treaties and conventions are made,—and I believe that is a correct statement of facts,—I realize that it will be very difficult for Government to accept the Resolution as it stands at present. Of course, it may be said that if you place the conventions and the treaties on the table after these have been executed, there is no advantage of doing so as the criticisms of the House will have no effect thereon and that it would have the same effect as the locking of the stable door after the horse has been stolen. However, every one of us can see that under the present circumstances it will not be possible for Government to accept the Resolution in the form in which it has been moved. I therefore request my Honourable friend, Sir Maneckji Dadabhoy, to withdraw the same. He ought to be satisfied that the discussion has led to an assurance from the Honourable Mr. Lindsay that hereafter all new conventions or commercial treaties that are entered into, either directly between India and foreign countries, or by Britain on behalf of India, will be placed on the table of the House and it will be open to the Members of both Houses of the Legislature to raise a discussion on the subject-matter of that treaty. After that assurance, I hope my Honourable friend will see his way to withdraw it.

The HONOURABLE SAIYID RAZA ALI: Sir, I must confess that after hearing the very able speeches of the Honourable Mover and the Honourable Member in charge on behalf of the Government, I do not know which to admire more, whether the charming, captivating moderation of the Honourable Sir Maneckji Dadabhoy or the skilful way in which, without telling us our real position, the Honourable Mr. Lindsay has sought to take advantage of a constitutional difficulty. Sir, it was quite open to Mr. Lindsay, to his credit it must be said, to tell us that the course recommended in the Resolution was wholly unconstitutional. There was absolutely no question of any constitutional difficulty, but having regard to the Government of India Act passed by Parliament less than two years ago, and having regard to this set of rules, it is not open to this Council to raise a discussion on any matter which touches upon the foreign relations of His Majesty's Government, or of the Governor General or of the Governor General in Council. I say these few words in order that the Honourable Sir Maneckji Dadabhoy and the merchant princes of Bombay should know where they stand. I take it, Sir, that the position is that if we want to discuss the terms of any treaty, political, economic or commercial, that naturally raises the question of the foreign relations of the Governor General or the Governor General in Council with the State concerned. If Honourable Members will refer to Rule 23 they will find that they have absolutely no right to discuss such matters; and an amendment of the rule involves the approval of the Secretary of State. Their cognizance of such matters is entirely barred by that rule. All the same it is some little consolation to me, without trying to discover how the big merchant princes of Bombay are affected, that they are prepared to claim that India should be treated as an autonomous State. It is not a very big consolation, but still it is encouraging and heartening to find that, busy as these merchant princes are, they yet find time in the midst of their business to look into matters in which they also for their part are to a certain extent

[Saiyid Raza Ali.]

interested. For my part I make bold to say, let us consider what the principle underlying the proposition is and, as our path is full of difficulties, let us find a way out of those difficulties. A little sweet language on the part of the Honourable Member or Members, as the case may be, on behalf of Government does not carry us very far. Unless we take up the real problem and try to find a solution of it, I submit that the net result will be a series of infructuous Resolutions by a number of our Honourable Colleagues who are interested in trade and commerce. (*A voice*: 'And industries.') I may mention 'industries' also, but though my knowledge of the subject is limited it seems to me that more of the Members are concerned with commerce and trade than with industries. Therefore, Sir, I suggest, if Sir Maneckji Dadabhoy will allow me, that having formulated a proposition let him not run away from the logical conclusions of that proposition. If he wants autonomy, then let it be autonomy. If he does not want autonomy then that is his look-out. But at least he should have the courtesy and courage to follow his propositions to a logical conclusion. I do not understand why he should go only so far and no further. For myself if I start I go from one end to the other. Having once advanced two steps across the floor of this Council unless you asked me to stop, Sir, in which case I should certainly go no further, I would go on to the other end. I suggest, Sir, that the only reasonable course for us to take is to combine and make a joint effort to solve this problem. The only solution is to raise India to Dominion status. (*A voice*: 'Full Dominion status.') My Honourable friend suggests the words 'Full Dominion status'. I for one have absolutely no objection. If we get it I think I will be the first man to congratulate my Honourable friend on our attainment of that position. Sir, I may be allowed to explain by the way, that my Honourable friend, Mr. Sethna, was not quite fair to me when he suggested that I desired to put a little sting into the Resolution. The only thing I can say is that it is fortunate my friend belongs to a business profession. Had he belonged to my profession I am afraid that he would have come to grief in more Courts than one. I never suggested putting in any sting. If this according to Mr. Sethna is the putting in of sting, then surely he is entitled to bring that charge against me. But the charge is entirely unfounded.

Sir, I interjected when Mr. Lindsay was speaking whether there had been cases in which the terms of any negotiations by His Majesty's Government had fallen through prior to the ratification of a treaty on the ground that the Government of India had not agreed, and the Honourable Mr. Lindsay said that there had been cases like that. I was anxiously waiting to see whether he would quote a case or two of that character, but I must say that I was extremely disappointed. . . .

THE HONOURABLE THE PRESIDENT: I should like to draw the attention of the Honourable Member to Rule 9. That may be the reason for the Honourable Mr. Lindsay not answering the question.

THE HONOURABLE SAIYID RAZA ALI: I see, Sir, that you have come to the rescue of my Honourable Friend. (Laughter).

THE HONOURABLE THE PRESIDENT: I had no desire to come to the rescue of the Honourable Member. I only desired to draw the attention of the House to Rule No. 9. (Laughter).

THE HONOURABLE SAIYID RAZA ALI: I quite see. It is for Honourable Members to see whether the Honourable the President came to his rescue or not.

I will continue my observations. Sir, I say that as long as you have this Act and these rules, whether you are an original member of the League of Nations or whether you want to secure for yourself a place in the moon, which I hope nobody in this Council wants, you can never attain autonomy—fiscal, economic or political. After all it is a question, as has been pointed out, of evolution and ordered progress. If you want evolution and ordered progress, surely you have no right to put the cart before the horse and say:

‘first let us have fiscal autonomy, and political autonomy will follow that.’

I think it is an untenable position. I have no quarrel with my Honourable friends. If they can get fiscal autonomy, no one will be more pleased than myself, but I beg them to consider whether they are not wrong in the course they have adopted, *viz.*, in trying to solve this problem piece-meal and in proceeding along those lines which are not at all calculated to secure autonomy for India. The only way to do that is to make a joint and united effort and secure responsible self-government and Dominion status for India as soon as we can.

The HONOURABLE SIR MANECKJI DADABHOY: Sir, before I close the debate, I should like to know definitely the position of Government. I understand that the Government is prepared to give an undertaking that whenever a treaty is passed in England affecting India, that treaty will be placed on the table of the Indian Legislature. This is the first thing. Secondly, I understand that a compendium of all existing treaties will be made and placed in the House. Am I to understand that Government is prepared to give an undertaking on both the points?

The HONOURABLE MR. H. A. F. LINDSAY: Sir, I should like to make the position quite clear. I do not think I have been quite understood. When I talked just now of the case of the treaty between Japan and India, as a direct agreement, I meant a direct agreement between the two Governments, ratified and confirmed through the Home Government. Now, as regards the assurance which I have given to Honourable Members it relates entirely to agreements which are laid on the table of the Houses of Parliament in the Treaties Series, and I can assure the House that all agreements affecting India and which are in that Series will be laid on the table of both Houses here in India. Now, you may ask whether all treaties which are ratified with foreign Governments automatically appear in that Parliamentary Series. I cannot say definitely that they do. I cannot commit myself on that question, but as far as I know they do appear in that Series and I can assure Honourable Members that as soon as they appear in that Series they will be reproduced in India and laid on the table.

The HONOURABLE THE PRESIDENT: The Honourable Member is at this stage only entitled to answer the question put to him by the Member in possession.

The HONOURABLE MR. H. A. F. LINDSAY: I should like to reply in one word to my Honourable friend, Saiyid Raza Ali.

The HONOURABLE THE PRESIDENT: Is the Honourable Member speaking or giving information on the Honourable Sir Maneckji Dadabhoys question?

The HONOURABLE MR. H. A. F. LINDSAY: I was trying to speak.

The HONOURABLE THE PRESIDENT: Then I must ask the Honourable Member to resume his seat.

The HONOURABLE SIR MANECKJI DADABHOY: I must express my grateful acknowledgment to the Honourable Mr. Lindsay for the frank and lucid statement which he has made to the Council to-day. He has thrown much light on the subject and as far as I am able to see, he has successfully made out three points of great importance. He has pointed out to the Council that in all cases where conventions are entered into with Dominions and Colonies, the statutory period ranging from 3 to 12 months is always given for the ratification and renunciation of any particular treaty made by the Imperial Government to all the parties who are interested in those treaties. (*The Honourable Mr. H. A. F. Lindsay*: 'for denouncing'). Yes, for denouncing. The second point that he has made clear is that it is not part of the work of the Legislature but it is solely the duty of the executive to enter into these treaties. He has also made it clear that on account of diplomatic considerations it may be fatal in many cases that the terms of the treaty be published before they are ratified. I see there is considerable force in all these arguments. I also appreciate the numerous other difficulties which the Government have to encounter. I for a moment do not charge the Government with any concealment in the matter, and if my speech has been misunderstood, I take this opportunity of clearing it up. I only stated that to my mind it was inconceivable that the Government of India, with its technical departments, with all its well-paid Secretariats and its store of information, should not be in a position to lay its hand at any time on the most important treaties which bind this country. I myself, in my speech, have indicated the difficulties in the matter. I realized the constitutional difficulty, and, as I pointed out, my only object in moving this Resolution was to obtain for the Indian Legislature the right to pronounce on these treaties and express its opinion, and the undertaking and assurance which my friend, the Honourable Mr. Lindsay, has now given will fully serve that object. In future every treaty affecting India which is passed will be laid on the table of this House and if the terms are objectionable or prejudicial to the interests of this country, it would be open to any Member of either House to move a Resolution condemning that treaty. My object is gained. I say . . .

The HONOURABLE MR. V. G. KALE: Did you want it before or after? In your Resolution you wanted it before.

The HONOURABLE SIR MANECKJI DADABHOY: It was so; I had to put it in that way. The object would anyway be gained, because within the statutory period within which a treaty can be denounced, it would be open to any Member to move a Resolution and the decision of the Indian Legislature will be communicated to the Secretary of State for India, and if the Indian Legislature unanimously decides that the treaty should not be ratified, I am sure its considered opinion will be given effect to by the Home Government. In view, therefore, of the assurance I do not see the advisability of pressing my Resolution, and I ask your leave, Sir, to withdraw my Resolution.

The HONOURABLE THE PRESIDENT: The leave of the Council.

The HONOURABLE MR. H. A. F. LINDSAY: I must apologise for having interrupted the Honourable Member. I thought he had finished, and I am

all the more covered with confusion to find that his concluding remarks were distinctly complimentary. I have only two points to raise further, Sir. I am not sure that I made it quite clear that the treaty with France is the only one known to us which might in any way act as a limitation to fiscal autonomy. That is to say, that so long as the treaty remains in force India is not in a position to tax these particular products from France any higher than the terms of the treaty allow. And inasmuch as all the other commercial conventions are most-favoured-nation conventions it follows that equal treatment must be given to the same products from whatever countries they come. The general purport of these conventions is for India to give most-favoured-nation treatment and that I think will be accepted by the House as the most reasonable policy to adopt in our foreign trade relations. One word, Sir, with regard to what the Honourable Saiyid Raza Ali has said. He asked me, I think, to state the terms of any negotiations which had fallen through prior to the ratification of a commercial convention . . .

The HONOURABLE SAIYID RAZA ALI: On the ground that the Government of India did not agree.

The HONOURABLE MR. H. A. F. LINDSAY: I am afraid he has asked for what I may call super-Dominions treatment. It will be clear from my previous remarks that no Legislature discusses the terms of these conventions before they are ratified, and particularly not if they are not going to be ratified.

The HONOURABLE THE PRESIDENT: Does the Honourable Member (Mr. Khaparde) desire me to put his amendment to the House?

The HONOURABLE MR. G. S. KHAPARDE: In view of the decision of Sir Maneckji Dadabhoy to withdraw his Resolution, I withdraw my amendment.

The amendment was, by leave of the Council, withdrawn.

The HONOURABLE SIR MANECKJI DADABHOY: I beg leave to withdraw my Resolution.

The Resolution was, by leave of the Council, withdrawn.

RESOLUTION *RE* REORGANIZATION OF THE RAILWAY DEPARTMENT.

The HONOURABLE MR. SETHNA: I beg to withdraw my Resolution, which runs as follows:—

‘ This Council recommends to the Governor General in Council to take early steps to re-organise the Railway Department and consider the recommendations of the Acworth Committee relating thereto.’

PROGRESS OF FINANCE BILL.

The HONOURABLE THE PRESIDENT: In these circumstances, I am left in this position, that I do not know what the progress of the Bill is in the

[The Honourable the President.]

other House and we have finished to-day's list. I must, therefore, ask Honourable Members to attend here to-morrow at 11 A.M., because, unless the Bill is laid to-morrow, it cannot be taken on either Friday or Saturday. The Council, therefore, will meet at 11 o'clock to-morrow when I trust that Honourable Members will make a quorum.

The Council then adjourned till Thursday, the 23rd March, 1922, at Eleven of the Clock.