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COUNCIL OF STATE.

Friday, 25th March, 1927.

The Council met in the Council Chamber of the Council House at Eleven of the Clock, the Honourable the President in the Chair.

DATE FOR THE CONSIDERATION OF THE INDIAN FINANCE BILL, 1927.

THE HONOURABLE THE PRESIDENT: It was decided here yesterday morning that the consideration of the Indian Finance Bill, 1927, should be taken up in this House to-morrow morning on the motion of the Honourable Mr. Brayne. For various reasons into which I do not think I need enter in detail but which the House will understand, it is eminently desirable. if not essential, that the consideration of the Finance Bill should be concluded to-morrow. I have received various notices of amendment, and I have to visualise the possibility of an amendment being made in this House in the Finance Bill. In that event, Honourable Members are aware that the Bill will have to go to another place, and it is possible that it may have to come back to this House. I am loath to suggest any course which might cause inconvenience to Honourable Members, but I am inclined to direct that the sitting of the House to-morrow should be at 10 A.M. instead of at the usual hour of 11 A.M., and unless there is any strong objection to that proposal, I propose to direct accordingly.

THE HONOURABLE KHAN BAHADUR SIR MUHAMMAD HABIBULLAH, SAHIB BAHADUR (Education, Health and Lands Member): In view of what you said, Sir. I think it is eminently desirable that we should make every effort to complete the discussion of the Indian Finance Bill before to-morrow afternoon. and I can see no other alternative except to agree to the proposal which you have just made, and we must sit at 10 O'clock.

THE HONOURABLE SIR MANECKJI DADABHOY (Central Provinces: Nominated Non-Official): Sir, I entirely endorse your view as well as the view of the Honourable the Leader of the House, and we shall have no objection to sit at 10 O'clock.

THE HONOURABLE MR. V. RAMADAS PANTULU (Madras: Non-Muhammadan): I agree, Sir.

THE HONOURABLE COLONEL NAWAB SIR UMAR HAYAT KHAN (Punjab: Nominated Non-Official): I also agree, Sir.

THE HONOURABLE THE PRESIDENT: I propose then to take that course.

CURRENCY BILL.

THE HONOURABLE THE PRESIDENT: The Council will now resume the discussion on the Currency Bill. Yesterday the motion that clause 4 stand part of the Bill was carried and at this stage of the Bill, at all events,

[The President.]

that disposes finally of the question of the ratio. I hope Honourable Members will bear that in mind when discussing the other clauses of the Bill. I think it will be most convenient now to take up those amendments which propose a gold coin, a sovereign or a gold mohur. There are two amendments on the paper proposing to insert a new clause after clause 1 of the Bill. They are amendments Nos. 2 and 3 on the paper. In certain respects, in view of the decision of the House yesterday, these amendments, as they stand, are inapplicable. They will have to be amended so as to give effect to the decision of the House that the ratio should be 1*s*. 6*d*. I would therefore ask Honourable Members in whose names they stand to make those amendments without further permission from the Chair in moving their amendments. I propose to call the Honourable Seth Govind Das first and thereafter, call the Honourable Mr. Chari to move No. 3, the discussion on both the amendments will then proceed together, and at the end of the discussion I shall put both the amendments in turn.

THE HONOURABLE SETH GOVIND DAS (Central Provinces: General): Sir, I rise to move the amendment which stands in my name with the change that you have suggested. My amendment reads thus:

"After clause 1 of the Bill insert the following as clause 2 and re-number the subsequent clauses accordingly:

'(*a*) The Governor General in Council shall from the 1st day of August 1927 establish a gold mint in Bombay or Calcutta, where gold coin shall be minted, containing a quantity of gold equal to that in the British sovereign and of the same weight and fineness. Such a coin shall be called a gold mohur.

(*b*) Any person who offers to the Governor General in Council at the office of the Master of the Mint at Bombay or Calcutta Rs. 13-5-4 shall be entitled to receive from the Master of the Mint a gold sovereign or a gold mohur.

(*c*) Any person who offers to the Master of the Mint at Bombay or Calcutta a quantity of gold equivalent in weight and fineness to that contained in the British sovereign shall be entitled to receive in exchange, for this amount of gold so tendered, a gold sovereign or a gold mohur '."

In moving this amendment, Sir, at the very outset I may be permitted to say that since the advent of British rule, the people of this country have been demanding gold currency, and, Sir, this demand comes from all classes of the population and it does not come from any particular political party. We do not want, Sir, a new thing. Under the Muhammadan rule the gold Ashrafi was a very popular coin. Even under the Hindu kings, Sir, gold coin was in circulation. But after the British rule was firmly established, what happened? The position of gold currency became very much confused, and the Government did not declare any definite policy in this respect. Between 1899 and 1920, no doubt the sovereign did circulate, and the reason was that it was definitely linked with the rupee at the rate of 1 to 15. Within this period of 20 years, not only were sovereigns imported into this country, but in 1918, 34 lakhs of gold mohurs were minted in the Indian Mints. But, Sir, the whole affair was a very short-lived one, and not only the coinage of gold in India was stopped, but on account of the absurd ratio of 2*s*, the sovereigns which were then in circulation could not circulate. This is the background of the gold currency policy.

Now, Sir, what is the reply of Government to this popular demand? This demand is being opposed on four grounds. Firstly, it is pointed out that there is no genuine demand for the gold currency from the masses of this country; secondly, it is said that there is no need for circulation of gold currency internally until there is sufficient gold available for export purposes at the time of adverse balance of trade. Thirdly, it is opposed on the plea that even those countries, where gold currency is in internal circulation consider it to be an out-of-date and purely a sentimental thing. And fourthly, Sir, it is said that if gold is kept in circulation, it disappears at the time of emergency and the gold in reserve may not be sufficient to meet the purpose. Now, Sir, satisfactory replies to all these objections have been given times without number and therefore, as I did in moving my first amendment yesterday, I will confine myself to reviewing briefly the arguments of both sides. First of all, Sir, I want to give a reply very briefly to all these objections. Now, Sir, if we take the first objection, we find that it is not genuine. It is true that on account of the poverty of the people in ordinary village transactions, in village markets, gold coin does not pass from hand to hand; but, Sir, this does not necessarily mean that the people of this country do not want gold currency. Gold sovereigns of about 200 crores of rupees taken by the people show that if there be an automatic arrangement for obtaining gold coin, it will most satisfactorily circulate. So far as the second objection is concerned, Sir, it is true that by this Bill the Government now is accepting the obligation to provide sterling for export purposes. But the policy adopted hitherto has been such, Sir, that the people have no confidence in the convertibility of their local currency into gold. After all, Sir, very few people do export business and gold is sought to be provided only to these people. Now, Sir, this will not be able to establish any confidence in the people of this country—I mean the masses—unless the gold currency is actually in circulation internally. For the third objection, Sir, first of all I would point out that it is wrong to say that the countries where gold currency is in circulation think that gold currency is out of date. But supposing they think so, why do they think so? It is because gold currency was in circulation or is in circulation in those countries for so many years. Now, Sir, the people of those countries have become confident in the currency policy and the currency system of their Governments, but here in India, Sir, we find an entirely different thing. Here, Sir, unless you circulate gold currency, the people will not become confident. In fact, Sir, they are becoming more and more suspicious. Rightly or wrongly, it is the general idea of the people of this country, that the policy of the Government is that no gold should be allowed to remain in India. If you put gold currency in circulation, after a few years they will become confident and then, Sir, the time will come to stop the circulation of gold currency internally. But, Sir, it has been the policy of the Government from the very beginning to put the cart before the horse. Then, Sir, secondly, as I have already said we should see if the countries, where the gold currency is in circulation, do really think that it is an out-of-date thing? Most of the countries of Europe, Sir, were entangled in war and their currency system is badly battered. To-day, Sir, they have to meet their foreign obligations in gold and when they have not enough gold, even for this purpose, it is but natural for them to think of stopping the circulation of gold currency internally. But, Sir, if we take other countries where such adverse circumstances do not prevail, for instance, America, what do we find? We find that, even to-day, gold

[Seth Govind Das.]

currency is in full swing in America. And what is the position in England? In England, the Right Honourable Montagu Norman said in his evidence before the Hilton Young Commission, in his reply to question No. 13690:

"Well, speaking for myself, I hope the time may arrive both in this country and in India when circulation of the gold coin may be resumed. . . . I like to cherish the hope that it will come back again (the gold coin) and will be a sign of that prosperity which I trust we may reach again . . . I intend to work for that end."

Even those countries, Sir, where the circulation of gold currency internally is being stopped, I am sure that, when a suitable opportunity comes, they will again resume the gold currency. Sir, I do not understand why the system which is so beneficial, which at least is considered so beneficial for England and for America, should not be considered beneficial to the same extent for India. A thing, Sir, which is good for those countries must be good for India.

THE HONOURABLE MR. A. C. McWATTERS (Industries and Labour Secretary): Might I ask the Honourable Member how much gold circulates in the United States?

THE HONOURABLE SETH GOVIND DAS: Well, Sir, I have not those figures at hand but I shall be able to supply them later to the Honourable Member if he wants them. Then, Sir, regarding the fourth objection, let me point out that, if this risk exists, I mean the risk of the gold in circulation disappearing in adverse circumstances, then this risk is common to all countries. When this risk could not come in the way of England in circulating gold currency internally, I do not understand why should this risk be trotted out before us.

In this way, Sir, after giving a reply to these four objections which the Government always put before us when we place our demand before them, I will point out that, if they really want to create confidence in the minds of the people of this country, if they really want them to get rid of their big hoards, the only way is to give them gold currency. The gold standard, Sir, which has been enforced since 1899 has been worked in such a way that in place of confidence more and more suspicion has been growing in the minds of the people. With the enormous balance of trade in favour of India. Sir, gold should have been brought here, but instead of bringing gold here, the gold was diverted from here to England and in its place token currency was given to us. And now, Sir, when we want gold currency, this token currency is brought in our way. It is a very strange thing, Sir, that you yourself circulate token currency and when we want gold currency, you bring this token currency in our way. Then, Sir, let us see if this token currency is really coming in the way of circulation of gold currency in India. What did Mr. Benjamin Strong, Governor of the Federal Reserve Bank of New York, say in reply to question No. 15328, in page 303, Vol. V, of the Royal Commission Report? He said:

"In view of the parallel which this experience furnishes, I venture to suggest that in formulating any currency plans for India it would appear to be unnecessary to eliminate all or any considerable part of any kind of circulating medium now in common use. Particularly is this the case if you should decide upon a scheme of banking and monetary improvements which are to be developed gradually, as contrasted with an endeavour to transform the situation overnight, and to establish some quite different monetary plan. I believe it would be quite possible to leave the rupee, merely adopting the policy of making no further increase in the amount of coined rupees. You will find that, with the development of trade, the growth of population, and the passage of years, additional circulating medium will be needed, and that can take the form either of additional notes, or, possibly, even of gold in circulation. But that can come about gradually involving no special change at any particular moment of time, and it would seem to me greatly to facilitate the development of banking agencies which will influence the monetary position if you start with what you have."

This shows very clearly, Sir, that even the token currency which is in circulation in India is not at all, and cannot be said to be, in the way of establishing a gold currency here.

Then, Sir, the gold is being diverted from this country, and we want a gold currency to stop this. As soon as gold currency is established here this diversion of gold will be stopped and that is another reason, Sir, why we want a gold currency to be established in this country.

Gold which is seen in India to-day is not on account of the Government. Let me point out that it is brought into this country in spite of the British authorities and no credit can be given to the Government for this gold which is now being seen in this country.

I know, Sir, that in one day gold currency cannot be established but you must begin. It will take, Sir, a few years before you can establish a gold currency. By my amendment I only want the coinage of gold to begin and if you begin it to-day or after a few months, then after some years you will be able to establish a full-fledged gold currency in this country.

In conclusion, Sir, I will only quote the opinions of two experts in this respect and resume my seat. Sir Louis Mallett and Lord Ray, delegates to the Imperial Conference of 1891, in their report say:

"A common standard of value at least between India and England appears to be the only complete and permanent remedy for the inconvenience caused to India by the present state of things. The adoption of a silver standard being impossible this theory can only be entertained by the introduction of the Gold Standard in India. The practical objections to this are of a very serious kind but it is worthy of remark that they derive their full force from the interest of England and other foreign countries than from that of India itself."

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

THE HONOURABLE MR. P. C. DESIKA CHARI (Burma: General): Sir, I rise to move the amendment which stands in my name and which is as follows. Sir, with your permission, I would . . . .

THE HONOURABLE THE PRESIDENT: I told the Honourable Member that he need not ask for permission. I asked him to do it.

THE HONOURABLE MR. P. C. DESIKA CHARI: My amendment will run:

"That after clause 1 of the Bill the following new clause be inserted and the subsequent clauses be renumbered accordingly:

'2. In the Indian Coinage Act, 1906, after section 3 the following new section shall be inserted and the subsequent sections shall be renumbered accordingly:

Gold Coinage.

'4. (1) The mint shall coin a gold Mohur containing 123·27447 grains troy of gold 11-12ths fine.

[Mr. P. C. Desika Chari.]

(2) Any person who tenders at any time to the Governor General in Council, at the Office of the Master of the Mint or at any Government Treasury or the Imperial Bank or any of its branches or at any other place notified in this behalf by the Governor General in Council in the Gazette of India, fine gold and pays seignorage to cover minting charges, according to a scale to be notified in the Government Gazette, shall be entitled to receive gold Mohurs proportionate to the amount of gold standard, at the rate of 113·0016 grains of fine gold per Mohur.

(3) The gold Mohur shall be a full legal tender in payment or on account, provided that the coin (a) has not lost in weight so as to be more than ·05 per cent. below the standard weight and has not been defaced.

(4) In the making of the gold Mohur, a remedy shall be allowed of an amount not exceeding 5,000ths in weight and 2,000ths in fineness :

Provided that the above provisions shall not come into operation until such date as the Governor General in Council may direct in this behalf :

Provided also that such date shall not be later than 1st March, 1928 '."

Sir, though the amendment is a long one, it will be seen that I am only moving for the introduction of a small change in the currency of this country. I am not asking for a full-fledged gold standard and gold currency with all the obligations which such a standard and currency implies. Sir, I am not asking that the Government should accept the obligation to give gold sovereigns and gold mohurs for the rupees tendered. I am not asking them to convert at the people's will all the rupees that may be tendered to the Government. Sir, it is only a small attempt to introduce the gold currency in some form with the willing co-operation of the people. Sir, I shall beg the leave of this House to explain as briefly as I can the object underlying the proposed amendment. Sir, I only want that the people should be allowed to tender gold of the same weight and fineness as the gold contained in a sovereign. I am asking that the Government should be pleased to utilise the Mint which is available in Bombay to mint that gold which is tendered by the people. I want, Sir, in addition that people should pay a small cost—such cost as the Government thinks reasonable—to cover the minting charges. This amendment does not impose any obligation on the Government except the obligation to get bullion converted and to put a stamp on the gold that is tendered for the cost which will be paid for by the people. Sir, I want only one other thing, that this kind of coins, known as gold mohurs, when so minted should have the character of a parallel legal tender to an unlimited extent along with the rupee. Sir, I would at the outset refer to the objections raised at page 27 of the Majority Report of the Currency Commission on this question. They say at the bottom of page 26, paragraph 65:

"The obligation to sell gold bars for all purposes makes it impossible to have any gold coin as legal tender, or to mint gold for the public, unless and until the holding of gold in the reserves is big enough to make it possible to accept the obligations implied in the introduction of a gold currency, and it is decided that the introduction of such a currency is desirable."

They say that a gold currency is desirable but they are only anxious to build up sufficient or adequate reserves before starting a gold currency. So far as it goes, so far as they have at heart this object of building up a gold reserve, it is quite welcome and it will be acceptable to all classes of people. But the first portion of it that the minting of all gold coins for the public should be stopped until adequate reserves are fully built up,—I say that portion of it cannot stand to reason. I shall read further the reason which they give for prohibiting all minting of gold coins for the public under any circumstances till that stage is reached:

"Otherwise the gold from the reserves might in certain circumstances (mark it) pass into circulation without effecting any contraction in the currency and thus without fulfilling the essential purpose of securing the compensatory effect of the exchanges."

After all, I may say that the currency experts and the esteemed gentlemen who subscribe to that view are not infallible. They conveniently forget that an amendment of the kind that I now propose is quite possible, that it may in certain circumstances give to the people some sort of indirect control over the contraction and expansion of the currency. The flaw in the argument adopted by the Currency Commission is this, that they conveniently ignore that there is a Currency Authority—either the Government or the authority that is proposed to be set up—to control the management of the currency policy. By the adoption of my amendment what would be the effect? There will be gold presented at the mints and the Government or the Currency Authority will have a perfect knowledge of the number of coins that are minted. There is the Currency Authority which has got the power of contracting or expanding the currency according to the needs and circumstances of the case. Assuming that gold is drawn out of the reserves for the purpose of minting, what happens? It will circulate no doubt, but then there is the power of the Government or of the controlling authority of the currency to effect such contraction of the currency as may be considered desirable in the shape of contracting the note circulation or the rupee circulation. The reason which is given for prohibiting the minting of gold coins to the public is not founded on any satisfactory or reasonable grounds, and I submit to the House that in my humble opinion this contraction of the currency when gold passes into circulation is not, after all, a reason for prohibiting the coinage of gold in the way in which I seek to do it by my amendment.

Coming to the question of contraction and expansion of the currency, I would say that in an ideal system of currency there must be provision for automatic contraction and expansion of the currency. Now, as it is, people cannot in any way contribute to the contraction or expansion of the currency even in a direct way. Here by adopting this amendment, at least in some form, in however small a degree, there will be a possibility for the people who know best the currency needs of the country to effect this contraction of the currency or expansion of it whenever there is a real necessity. For this reason, if for nothing else, I urge this amendment which will place in the hands of the people some power which will have some effect in directing the contraction or expansion of the currency which is very necessary, which is very vital in the interests of India, in the interests of any country. It is argued that this contraction or expansion of the currency should be in the hands of the Government till the reserves are built up. To my mind the Commissioners who wrote the Majority Report were obsessed with the idea that the people should have no sort of control directly or indirectly. At the back of their minds I could see that they wanted to favour this hoarding habit which has been going on and which has been considerably encouraged by the currency policy that has been pursued by the Government during all these years. They are quite willing to give gold for the purpose of hoarding, if the hoarding habit persists, but they are not prepared to give gold out of the reserves for the very purpose for which the reserves are being built up. I can quite well see that by drawing on the reserves the ultimate goal of establishing a full-fledged gold

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currency may be said to be delayed. Really it does not delay the matter at all in that way. To the extent to which gold is drawn for the purpose of minting and for the purpose of putting it into circulation the quantity of the reserves necessary is proportionately reduced. The Currency Commissioners say, we keep the door ajar, and, as my Honourable friend Sir Maneckji Dadabhoy would put it, we keep the door ajar for the gold currency. But I would say a greater welcome for the gold currency would be to begin at once. They seem to say, "I cannot give you anything when you come without proper notice. A day will come when I shall give you a sumptuous dinner." They keep the door open standing at the gateway and say, "The door is open to you to come in at any time, but this is not the proper time and you will have to wait your turn. I shall give you a very fine dinner one of these days. The door is kept open and you may come on that day." A guest for whom you say you have got so much sympathy and consideration should be better treated. Sir, the door might be open, but we are afraid, in view of the past history of the currency policy in this country, even when the door is fully open, the door is closed when the gold currency is about to enter and when there is a mandate to close the door fully and effectively. Under these circumstances, Sir, are we not justified in regarding with suspicion the currency policy of India which will give plenty of promises, which will always place before you this happy goal of a gold standard and gold currency, but will always try to find some reason to deny us that currency?

Sir, in this connection let me be fair to the Government of India in India. During the later phase of the history of the currency policy, successive Finance Members and the Government of India have been honest and sincere in their effort, and in their advocacy of the establishment of a gold standard and currency. But, Sir, I find that this honest attempt on the part of the people and on the part of the Government of India in India has been frustrated by various agencies; at one stage it is the Secretary of State, and when the Secretary of State also agreed at one stage, it is either the Royal mint or the financial interests of Great Britain which control in a large measure the financial policy of this country.

Sir, coming to the main question whether gold will be drawn out to any appreciable extent from the gold reserves which are proposed to be built up and which are being built up, I would say it is an undeniable factor that India has been absorbing a vast quantity of gold for several years, and this absorption is bound to continue, and with the inflow of gold which is bound to follow the favourable balance of trade in India, there will always be plenty of gold available without drawing on the reserves for the people to produce before the Currency Authority to have it minted; and if perchance gold is drawn out from the reserves owing to the obligation to sell gold under all circumstances, it will be a very desirable thing indeed, because it will go on laying the foundations for the ultimate goal of a full-fledged gold standard and gold currency. Sir, with this promise, if accompanied by some sort of fulfilment, in however small a degree it may be, the people will be satisfied. There is a large promise, I can very well see, but I am not for allowing a long credit to the promiser to defeat, defraud or delay us in giving a gold standard and currency. In so far as it lies in the power of the promiser, I would insist upon the obligation being fulfilled here and now. Well, Sir, we are accustomed to deferred payments, we are accustomed to small instalments, for instance in the matter of reforms; so why not give us a small instalment in this also? Why not place us definitely on the road to reach the goal of a gold standard and currency by successive stages? You have adopted it in the case of reforms, and I may tell you, Sir, in all fairness, extend to us at least that modicum of sympathy and support which you have given us in regard to political reforms.

Before I proceed further, I would like to say one word more about the recommendations contained in paragraph 65. Sir, the majority of the members of the Royal Commission have no scruple in taking away the life in the gold sovereign found here. We have been crying for sovereigns which we do not have ourselves here. We got something in the shape of an ally and these people have no scruple to kill it, and they on some pretext or other want to kill that ally. We naturally do not trust the good intentions of Government unless some tangible proof is forthcoming. Sir, we are told that the sovereigns are no good; they have been paralysed, and now it does not matter if we kill them; it may be a good animal, it may be a pet animal; you have got the carcass. But it has a full and marketable face value, and you say if you will please deliver it to me, I will give you full value for it. That is the position. After all, you are taking the life out of the sovereign, the very existence of the sovereign as a currency in India. Let it pass. It may be said that it is not possible to know what amount of sovereigns may be forthcoming as currency, and it may not be possible to control the contraction and expansion of the currency. There at least there may be some justification, though I do not find any reason for putting it out of existence at a time when the sovereign is likely to recover itself and to function as currency after illness and paralysis. Sir, to deny us a gold coin in the same breath and to regard a new coin to be minted in India in the same way as the sovereign which is put out of existence, so far as India is concerned, is not an argument which will carry conviction to any person who has studied the currency question to some purpose.

Sir, I shall deal briefly with the reasons why this modest reform at least is necessary in the currency policy of this country to meet the ends of justice. Sir, I will first come to the stimulus of investment and banking habits which this currency will give. Much has been said on this subject, and I do not want to repeat on the floor of this House what has been said in the other place. But I want to impress upon Honourable Members one aspect of it. Sir, the Treasury Benches are so often fond of telling us that they are sincere, they are anxious to develop this country. They say they are interested as much as any nationalist in the prosperity and advancement of this country. If really there is that sincerity which they profess, let them give proofs; Sir, I ask in all seriousness, let them give us at least this reform to discourage the hoarding habit, to encourage the habit of investment, to bring out vast hoards of gold from their hidden places to circulate as currency, so that they may be available for the development of various industries which are starving for want of funds. Sir, if they think that there is any sound argument behind a recommendation of the Currency Commission not to have gold coins till a particular stage, is this a reason which will sufficiently outweigh all other considerations? Are they not willing to co-operate with the people, to find out ways and means to get out this vast hidden reserve which is absolutely useless economically? Sir, then, is it not necessary to prevent the

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hoarding habit,—it is not necessary for me to dispute whether there is this hoarding habit or not in India. Assuming that there is the hoarding habit, then will it make any difference if gold passes out of the reserves for being hoarded as gold bullion or being hoarded as gold coins? If the hoarding habit is there, it will be there; it does not matter at all, so far as the building of the reserves is concerned, whether the hoarding is in the shape of gold coin or gold bullion. What I say is this. The extra cost involved in making gold bullion into a coin would be a sufficient safeguard and it will be enough to resist the temptation of hoarding gold coins instead of gold bullion.

Sir, I will next come to the question of sentiment. Very much has been said about the sentiment of it. India is a country which has been used to gold currency from very old days, and India has not forgotten her proud history and her proud gold coins. Naturally, she hankers after gold and gold coin. Is it after all an improper sentiment? Sir, I might tell you that, if my reading—though I have not gone to the West myself—of Western habits is correct, sentiment sways the West as powerfully as it has been swaying the West and the East in the olden days. Sir, if that is the case in the West, still more so is it the case in India with its people impressionable and emotional. Sir, in a country like this, when there is a strong sentiment and when that sentiment is a proper sentiment, is there any reason for denying them the small consideration which that sentiment demands? Is it not statesmanship, is it not policy, is it not expediency, to meet a demand which is very largely a question of sentiment?

Sir, with this I will proceed to the popular demand, the political demand, to the demand for gold coins in all parts of the country and in the rural areas also.

THE HONOURABLE SIR MANECKJI DADABHOY: Hear, hear. At last the cat's out of the bag.

THE HONOURABLE MR. P. C. DESIKA CHARI: Sir, my Honourable friend, Sir Maneckji Dadabhoy, says: "Hear, hear."

THE HONOURABLE SIR MANECKJI DADABHOY: I added something; I said the cat's out of the bag.

THE HONOURABLE MR. P. C. DESIKA CHARI: I do not want to exclude altogether the political demand also, for naturally there is a political demand. When I say there is a popular demand, is it not desirable that there ought to be a political demand? Do you expect the representatives of India to sit quiet with folded hands and not respond to that political demand in the country, to that popular demand when there is a popular demand? I challenge my Honourable friend Sir Maneckji Dadabhoy to deny on the floor of this House that there is no popular demand for gold coins in the country, and if there is such a strong popular demand, it stands to reason that there ought to be a political demand and the representatives who have accepted the mandates of their electorates are bound to support such a demand. You may call it a political demand or by any other words, it is a proper demand. That is how I put it.

THE HONOURABLE THE PRESIDENT: The Honourable Member is sadly repeating himself.

THE HONOURABLE MR. P. C. DESIKA CHARI: Sir, in this connection I would like the leave of the House to quote the words of our present Finance Minister, the Honourable Sir Basil Blackett. He says, Sir:

"The introduction of gold into circulation, although it is a wasteful and expensive system, is necessary in Indian conditions to inspire confidence in the people, and provide the stimulus which is badly needed for investment and the banking habit in India."

Sir, a large number of witnesses have come forward to support this view. There are those voluminous records which have been laboriously recorded by this Currency Commission. Sir, when they took so much time for the examination of all those witnesses, did they consider that all those witnesses were of no use, that they were not likely to give evidence on relevant points? Did they consider that those witnesses would be speaking something merely theoretical, that they were not likely to give evidence of something which would be relevant to the point? Sir, we have had an able lawyer like Sir Maneckji Dadabhoy on the Commission. I would say if there was anything against the demand for gold coins he would certainly have brought it out. Sir, to some purpose I have been pouring over these voluminous pages and what do I find? That a very large number of witnesses, as many as 93 per cent. of the total number of witnesses examined, spoke in favour of the gold coin. And I would say that some of the officials who have been examined are also in favour of it. For instance, I would quote the opinion of Mr. Kisch, the Financial Secretary to the Secretary of State's Council. He says:

"These remarks do not imply that gold coinage should not be undertaken in India if the people of India desire that the gold which they import should be stamped in small units with the Government hall mark of fineness and weight and be available on occasion as legal tender."

I find, Sir, that he is advocating the very course which I am advocating by this amendment. He says there is no harm. He gives various reasons for coming to a different conclusion on other questions but he says:

"These remarks do not imply that gold coinage should not be undertaken in India if the people of India desire that the gold which they import should be stamped in small units with the Government hall mark of fineness and weight."

I am only asking that the gold which we produce should be stamped with the hall mark of fineness and weight by the Government, and it is a modest request and I am putting it as low as all that. Sir, I find that

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eminent professors of economics like Dr. Canon and eminent professors of banking and currency like Professor Gregory and several other non-Indian witnesses have advocated the free mintage of gold immediately as a necessary corollary, as a step, in the direction of the ultimate introduction of a gold standard and gold currency. Even those people who say that the ideal system, the system whereby this economic waste of gold currency may be avoided, advocate that the coining of gold in the Indian mints may be begun. Sir, many of them say that India should have a gold coin of its own in order to avoid further complications by having the coinage of other countries. But on this question, Sir, of gold coins being minted in India and having a coin of our own, there seems to be a good deal of support and very little of support—perhaps none—for the recommendations contained in this respect in the Report of the majority. When such is the case, when disinterested, independent and reliable witnesses came forward and gave such ample testimony in favour of a gold coin, we naturally expected the Commissioners to return a finding in accordance with the evidence tendered before them. We did not expect the Commission—assuming the Commission was appointed by a court of law—to ignore altogether

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the evidence which was tendered without assigning any proper reasons for coming to a finding of their own, not supported by the evidence on record. If such a Commission were to come before a court of law, I have no hesitation in saying that the recommendations of such a Commission would be turned down, and if it came before a court of law, lawyers like myself would have had ample opportunities of cross-examining the Commissioners to find out the reasons for making these recommendations. That however is altogether a different matter. I am only dealing with this aspect of the case to show that this departure in the currency policy is necessary though it is not recommended by the Currency Commission. Sir, the position is this. You are the judges. The Commissioners have given their findings. It is for you to turn down that finding in this particular as it is not based on the evidence on record. In a way this Council is put to a difficult test now. This question of a gold coin is a crucial test which is being applied to all sections of the House. There are these Treasury Benches who say that they are anxious to introduce a gold standard and currency. They say they are quite prepared to meet you so far as it lies in their power. Then we have got the other class, the representatives of the people, and the nominated Members who really represent those who have no definite place in the franchise. Sir, I say it is the bounden duty of all of us to give the proper answer and say: "If there is a demand and if that demand is proper, we shall satisfy that demand". That is the only answer which is possible. Then, Sir, I come to the question whether the introduction of these gold coins would in any way interfere with the rupee currency. Sir, the gold mohur would be only a parallel coin to the rupee as introduced by this amendment. It will not be, for sometime at least, a powerful factor in the total currency of this country. Its effect on the total currency will be very small. Sir, if such a gold currency is introduced, there is absolutely no reason why the circulation of the rupee for normal purposes should be interfered with. I find in the evidence taken by the Royal Commission that Dr. Canon gives a crushing reply to this in these words:

"I see no ground for supposing that if complete liberty of exchanging all silver rupees and currency notes into gold coins were given at once all over India there would be an enormous demand for gold coins unless some ill-advised action had created distrust in the rupees and notes."

He says that if there is an opportunity to convert all the available silver and notes into gold, even then there will not be a great demand for gold coins unless—he postulates only one condition—unless ill-advised action had created distrust in the rupees and notes. That is a different matter altogether. I presume—and I think I am right in presuming—that our currency policy is in safe hands and they are not likely to commit anything to create this distrust in the notes and rupees. On the other hand, they will create confidence and trust in the currency policy if a gold coin is introduced at least in this modest way. Sir, Dr. Canon further disputes the statement that hoards of silver coins exist and granting they do exist he says:

"No doubt in future those hoards, if any, which would under existing circumstances be made in silver coin would tend to be made in gold coin, but there seems very little reason to expect any appreciable conversion of existing hoards, provided of course as stipulated at the beginning of this section, nothing were done to create distrust in the silver coins."

There is this further fact that in India these silver coins are found distributed in small quantities over a vast population and these people being poor and the condition of things being what it is, it is not likely that silver coins will come in large numbers for being converted into gold, for the simple reason that these people cannot afford to do so and they will have plenty of use for small coins.

Sir, there are various other reasons which may be put forward, but I do not propose to tire the House and take up the time of the House a minute more than is absolutely necessary. Sir, to anticipate the arguments from the Finance Secretary, I would say that the object of this amendment is not to wreck this Bill but to prevent the wrecking of this Bill. Sir, the controversy over this Bill, the controversy over the principles of this Bill, and the controversy especially over the ratio question, has been raging so fierce that I am afraid it will be a good time before conditions settle down. If you are interested in maintaining stable conditions, if you are interested in giving a good field for the working of the stabilised ratio, if you are anxious that this ratio of 1*s*. 6*d*. which you have fought for so strenuously and which you have got is to succeed, if that ratio is to be the real ratio and not merely a paper ratio like your 2*s*. ratio, I beseech you, Sir, to create that trust, that confidence, that serene atmosphere and that good-will which are necessary for the proper working of any ratio, however suitable it may be, to have its natural effect as a stabilising factor. I appeal to you once again not to give a stone when we ask for bread. You may say the stone which you give is a precious stone. But, Sir, to hungry people, to people who cannot use all that precious stone immediately it is no good for the present, because they will have to live for some time before they can make good use of the precious stone. We would rather have an ordinary loaf of bread which will be adequate for the purpose, we would rather prefer to have it to waiting for a day when we can make use of those precious stones which are given to us. What do these Currency Commissioners say? They say, "Let us go on collecting all the building material Let us not hurry about constructing that building, because if you begin to construct it, it will not be such an edifice as will suit the glory of India." I would say that there is no harm in using some little of that material and putting in other available material and proceeding to build out-houses and servants' quarters and the compound, so that when the time comes when we are fully equipped with all the materials for that magnificent edifice, we shall put it up, and these quarters which are put up now may at least lay the foundations of this magnificent edifice for the construction of which you want the other auxiliary equipments and these small out-houses and these compounds may stand you in good stead, if really you are sincere, you are true in your efforts to give India a gold standard and gold currency. Sir, I am only asking for a temporary thing, temporary in the sense that you are going to have a permanent gold standard and gold currency in the future, and that is why I have thought it proper to bring this temporary thing in a temporary measure brought in for the purpose of fixing the ratio. I have been emboldened in this step because the gold coin is sought to be demonetised and the proper place for the successor of the gold sovereign will be in this Bill and not in the other Bill. That Bill may have other ambitious schemes and there is no harm in having those ambitious schemes when the time comes.

One word more and I have done. We people have been waiting patiently, and personally on my part as a true Brahmin I have been waiting for some *dakshina*, that is, a parting gift. We have been to some-

[Mr. P. C. Desika Chari.]

extent co-operating, and it must certainly be said that this House has been considerably co-operating with the policy of the Government, and if you do not want to compel the people of this country to regard our opinions thrown on the side of the Government as chaff, I hope you will show that you have got regard for the people's opinions once in a way. I hope that you would not show to the world that you are more debased than the debased rupee. The rupee at least is convertible under all circumstances. I hope and trust that you will at least come up to the level of the debased rupee, and though not to the same level, at least to this level that you are convertible on some occasions. That is what I want; it is a test and I put you to that test. If Honourable Members on the Treasury Benches respond to this appeal made to them it will be to the interests of both the Members of the Treasury Benches and the elected representatives of the people. I would say that there has been an interchange of views and to use a currency term, I expect the compensatory effect of exchanges of views in this matter at least when there are no serious obstacles in the way. With these words I commend my amendment to the acceptance of the House.

THE HONOURABLE THE PRESIDENT: Amendment moved:

"That after clause 1 of the Bill the following new clause be inserted:

'2. In the Indian Coinage Act, 1906, after section 3 the following new section shall be inserted and the subsequent sections shall be renumbered accordingly:

Gold Coinage.

'4. (1) The mint shall coin a gold Mohur containing 123·27447 grains troy of gold 11-12ths fine.

(2) Any person who tenders at any time to the Governor General in Council, at the Office of the Master of the Mint or at any Government Treasury or the Imperial Bank or any of its branches or at any other place notified in this behalf by the Governor General in Council in the Gazette of India, fine gold and pays seigniorage to cover minting charges, according to a scale to be notified in the Government Gazette, shall be entitled to receive gold Mohurs proportionate to the amount of gold standard, at the rate of 113·0016 grains of fine gold per Mohur.

(3) The gold Mohur shall be a full legal tender in payment or on account, provided that the coin (a) has not lost in weight so as to be more than ·05 per cent. below the standard weight and has not been defaced.

(4) In the making of the gold Mohur, a remedy shall be allowed of an amount not exceeding 5,000ths in weight and 2,000ths in fineness:

Provided that the above provisions shall not come into operation until such date as the Governor General in Council may direct in this behalf:

Provided also that such date shall not be later than 1st March, 1928'."

I would remind the House of the opinion expressed at the beginning of the morning sitting that it is eminently desirable that the Finance Bill should be disposed of in this House to-morrow. It is a necessary corollary of that proposition that this Bill should be disposed of in this House to-day. I see very little prospect of it unless subsequent speakers are far more successful than the last in condensing their arguments.

THE HONOURABLE RAO SAHIB DR. U. RAMA RAU (Madras: Non-Muhammadan): Sir, I rise to support the amendment moved by my Honourable friend Mr. P. C. D. Chari. Sir, India could boast of a gold currency for both external trade and internal purposes from time immemorial, and it is only under the British Raj that it has become the helpless victim of exchange. "The wealth of Ormuz and of Ind, or where the gorgeous East with richest hands, showers on her kings, barbaric pearl and gold "—such was the glowing picture of India and the East generally, portrayed by that eminent poet Milton, about 300 years ago. We have even to-day the ancient gold mohurs and other gold coins treasured up as relics of India's glorious past, in families which can claim a long and prosperous lineage. The currency system in India under the British rule has rightly given rise to grave doubts and misgivings in the minds of the people, and however docile the Indian may be, he is shrewd enough to observe that India is slowly and gradually being despoiled of her gold and silver and left only with copper, nickel, and paper instead. It is no exaggeration when I say that when the new nickel coins and one-rupee notes were first introduced during war time, people began seriously to recall the dark days of Mohd. Bin Taghklak Shah, when, as chronicled in history, leather coins were forced in circulation. "All is fair in love and War" and that great Muhammadan Emperor can be said to be no more guilty of currency follies and muddles committed during his Chinese expedition than the British during the Great War. Having thus consoled themselves, the people of India naturally expected, after the war, a speedy return to normal conditions. But, now, Sir, what do we find? The sovereign and half sovereign are going to be demonetized, the nickel coins have come permanently to stay and the much-despised one-rupee note will have its rebirth shortly. To crown all these, a higher exchange value is given to the silver rupee, which would go to aggravate the misery and indebtedness of the agricultural population of this country. The introduction of a gold standard and gold currency is a faint vision of the distant future which may even fade away with the march of time. The Government of India had, and still have, no doubt, the gold currency as their ideal but like the self-government for India, they wish it to be reached by successive stages only. Now, let us examine the efforts the Government have so far made in this direction in the past. According to the recommendations of the Herschell Committee 'the policy adopted in 1893, by the closing of the mints to the free coinage of silver, had for its declared object the establishment of a gold standard for India.' The Fowler Committee appointed in 1898 made the following specific recommendation:

"We are in favour of making the British sovereign a legal tender and a current coin in India. We also consider that, at the same time, the Indian mints should be thrown open to the unrestricted coinage of gold on terms and conditions such as govern the three Australian Branches of the Royal mint. The result would be that, under identical conditions, the sovereign would be coined and would circulate both at Home and in India. Looking forward as we do to the effective establishment in India of a gold standard and currency based on the principles of the free inflow and outflow of gold, we recommend these measures for adoption."

The Chamberlain Commission appointed in 1913, however, abandoned the ideal of a gold standard based on gold currency though they said there could be no objection on principle to its establishment. The Babington-Smith Committee that followed it in 1919, were precluded by the terms of reference, from considering alternative standards of currency. Thus, Sir, the successive stages adopted by the Government in regard to the realization of the ideal of a gold standard and gold currency for India were only in the descending order, *viz*., (1) vacillation, (2) stagnation and (3) ultimate abandonment of the ideal and policy adumbrated by the Herschell Committee about a quarter of a century ago. And now, Sir,

[Rao Sahib Dr. U. Rama Rau.]

the Young Committee has set up another ideal and policy before the Government and the public and that is what is called the gold bullion standard. In the opinion of this Commission, this standard fulfils the essential condition that it should be not stable only but simple and certain. The Commission adds that " it has the characteristics necessary to inspire confidence in the Indian people, to promote the habits of banking and investment and to discourage the habit of hoarding precious metals." Sir, my sincere conviction is that so long as the banking system in India is what it is at the present day, namely, a prop to European traders and exploiters, it cannot inspire confidence in the public. The Indian public cannot be accused if they find themselves reluctant to invest their savings in banks, when they know that the sums they invest are handled more freely and more largely for the advancement of foreign trade and industry than for the promotion of indigenous ones. Further, many banks and banking firms have collapsed within recent times which has shaken the public faith in them. Sir, in my own presidency, the late firm of Messrs. Arbuthnot & Co. were noted for their large banking business, and the rate of interest being slightly higher than that offered by the Madras Bank, agriculturists, merchants, officials, pensioners, and helpless widows too, invested their small savings in that firm which was credited with a long existence and was next in importance to the old Bank of Madras. All at once, the firm collapsed, with the result that a good many were rendered penniless and it was no consolation to the distressed and disappointed constituents when they heard that the principal of that firm was awarded 18 months' rigorous imprisonment for fabricating accounts, for after all their money was irrecoverably lost. Recent events in the Imperial Bank of India in Madras, where the Government money is kept, disclosed very serious revelations and sad mismanagement. How then can the Government expect the public to have confidence in the banks? The so-called hoarding habit is the direct outcome of the policy or want of policy on the part of the Government, with regard to exchange, currency and banking. As long as gold is kept hidden from the public view, so long will the people have a craving for it. When once gold comes into actual circulation and is daily handled, this hoarding habit will cease. Sir, trust begets trust and confidence begets confidence. I recollect, some years ago, the currency authorities issued a notification clothed in rather ambiguous language, that the value of a sovereign would be fixed permanently at Rs. 10 after a certain date, and those who were anxious to have the sovereigns in their possession converted at a higher rate into silver coins might do so before that time. This was really tempting and all classes of people, especially the middle classes, were daily knocking at the doors of the Currency officer—I speak from my experience in Madras—with their little hoards of sovereigns for encashment and conversion into silver, so that after the prescribed date they might be re-converted into sovereigns and thus procure some extra benefit. The appointed time arrived but this time the doors of the Currency office were ruthlessly shut against the public who were told that sovereigns had ceased to circulate and none would be available for sale. The Government's stress for sovereigns at the time was relieved, no doubt, to a certain extent by this device, but they had lost the confidence of the public. The Gold Bullion Standard and the Reserve Bank and all these measures would never appeal to the masses, unless and until they have visible evidence of gold coin passing through their hands in circulation. With regard to the gold bullion standard, a distinguished writer. in " The Monthly Review " of the Midland Bank of London, in September 1926, observed as follows:

" The fact that no gold coin will circulate means that the outward evidence of the gold standard—the only evidence which can possibly appeal to the vast mass of Indian Natives—will be suppressed. It will be like an artist painting a picture in colourless oils. An expert may see what the painter is endeavouring to portray, but for all ordinary people, the artist might just as well be spending his time in idle meditation. The only evidence of the gold standard which will appeal to the native, is provided by an ingenious scheme of savings certificates, redeemable in three or five years in gold or legal tender at the option of the holder or before maturity in legal tender only. The purchase of these certificates however presupposes some faith in established institutions and some acquaintance with the principles and practice of savings, so that it cannot be concluded that this is anything more than a palliative for the otherwise almost complete absence of practical demonstration of the existence of a gold standard."

In these conditions, the so-called bullion standard is little better than a bastard. The Midland Bank Monthly Review writer further observed that to present India with the bullion standard is like "giving a motor car without the means to obtain petrol." All this implies that there is no satisfactory substitute for an honest gold standard. Britain's persistence in refusing gold to India has made every Currency measure which she approves of suspect in the eyes of the people. The best antidote to India's gold "hunger", in so far as she is smitten by that disease, is straightforward recognition of what is her due, irrespective of the alarmists' croakings about the possible repercussion of that policy on British or Indian finance. If this is done, it will be soon found that the capacity of the stomach for gold for use even of India is surprisingly limited. The proposal made in the amendment is a modest beginning and will be the first step in the realization of the ideal of a gold standard and currency for India. Opinion of experts and laymen both in England and India is almost unanimous on this question of gold currency and unless the gold bullion standard, like the *de facto* ratio, is a settled fact, I see no reason why the Government should not accept this amendment.

With these words, Sir, I support the amendment.

THE HONOURABLE RAI BAHADUR NALININATH SETT (West Bengal: Non-Muhammadan): Sir, I support this amendment. The technical side of the question has already been dealt with by the previous speakers. I only desire to say a few words generally. I believe that with regard to gold currency, there is very strong support in the country for its introduction at once. The Currency Commission admit in their Report that, next to stabilisation of exchange, the most important point is the gold currency. It has been said that, under present circumstances, the introduction of gold currency will be very expensive mainly from the point of view that there will be shortage of world gold and the depression in the value of silver. It has also been said in the Report that the most advanced countries are practically using paper currency and are not using gold as currency owing to the great loss by use of the precious metal. India under the present circumstances is unable to follow the advanced countries of the world for various reasons. The people of India want gold currency at once. Her ignorant millions will not understand the so-called advantages of paper currency in the absence of gold coins or even of silver coins, which it is proposed will not be available in exchange for paper notes. In my opinion, gold coinage should be introduced at once, even if there be some expense

[Rai Bahadur Nalininath Sett.]

for it. According to the estimate of the Finance Department it is not much. The estimate is one and two-third crores per annum during the first five years and thereafter from two-thirds of a crore to 1·12 crores. Giving the people confidence in the stability of the currency is certainly a great thing. The widespread desire for the gold currency which was expressed by so many witnesses before the Commission should not be ignored. We are unable to appreciate the view of experts that the circulation of gold is beginning to be regarded as a sign of a backward civilisation. When people will be assured that there is gold currency and that they can get gold coins in exchange for paper notes, there will certainly be less tendency and desire to hoard gold and there will be less demand for the coins themselves. If India has to stand on its own legs we must have immediately gold currency. With these words I support the amendment.

THE HONOURABLE SIR BASIL BLACKETT (Finance Member): Sir, the last speaker has said, India wants a gold currency, therefore give it her. Even if it is a little expensive, give it her. But he has not attempted, nor have I heard anyone seriously attempt, to meet the argument clearly set forth by the Royal Commission that the introduction of a gold standard with a gold currency in India in any short period is simply impracticable. I can understand the attitude of those who say, India wants a gold currency, and India ought to have a gold currency as soon as possible. But it is clearly impossible to give India a gold currency simply by passing a clause in this Bill or in any Bill. Let us just see what would be the effect of either of these clauses. Both these clauses give the individual the right to go to a mint in India, to take gold to that mint and obtain gold coins from the mint for the purposes of circulation. This Bill imposes on the Governor General in Council, on the Currency Authority, an obligation to maintain at parity the legal tender currency of this country by giving sterling exchange freely under an obligation imposed on the Currency Authority whenever anybody asks for it. All therefore that those who desire a gold currency have to do, if they add this clause to the Bill, is to take their rupees and their currency notes to the Government as Currency Authority to obtain from the Government as Currency Authority sterling under the obligation imposed by this Bill, to use the sterling to buy gold, to bring the gold to India and take it to the mint and get it coined. That is to say, there is a certainty of a very large substitution of gold for currency notes and rupees in the circulation and a possibility of an enormous substitution. Now, the Government in undertaking the obligation to give sterling in exchange for legal tender are undertaking an obligation which is dependent on the size of their reserves. Those reserves are more than amply sufficient for the purpose of maintaining the parity of exchange value of the currency notes and rupees now in circulation so long as the Government are assured that the demand for rupees and notes for circulation will not be subjected to a sudden and large diminution owing to some unexpected cause not at present operating. But if you add to the causes at present operating the possibility of a very large substitution of gold currency for legal tender now in circulation, it is perfectly clear that the Government would quickly be faced with the position that their existing reserves were entirely insufficient to maintain the parity of the rupee at any exchange rate whatsoever. In fact, the operation of this clause, if added to this Bill, would be to break down the currency system of India altogether. It would not give India a gold currency, it would break down the

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currency system of India altogether. The Finance Department of the Government of India put before the Currency Commission a very carefully worked out scheme for the gradual introduction of a gold standard with a gold currency by successive stages, each stage being carefully safeguarded so as to prevent risks of breakdown. The Currency Commission examined that scheme and came to the conclusion that it involved too great risks for India for them to be able to recommend it. The Finance Department had stated that the success of their scheme depended upon certain particular pre-requisite conditions including the co-operation of authorities in the United Kingdom and in America, which co-operation was not forthcoming. The Finance Department have therefore felt compelled to accept the view of the Currency Commission that the adoption of their scheme in full at this stage would involve the risks that the Currency Commission say that it would. The Currency Commission, therefore, have suggested a scheme which is in fact the first stage in the Currency Commission's proposals, leading on, if the people of India so desire it, as soon as gold reserves have been accumulated in sufficient quantity, to the second and third stage and ultimately to a gold currency for India. Those who want a gold currency for India, in my opinion, will do well to consider seriously whether the quickest way of getting it is not to accept the recommendations of the Currency Commission. I for one express my opinion that that is the method that is most likely to bring India a gold standard and if she wants it a gold currency by the quickest means available to India. I suggest, therefore, that when a scheme with careful safeguards has been pronounced by the Currency Commission to be too risky for India to be wise to adopt it, it is clearly not in the interests of India to put a scheme, as proposed in this amendment, with no safeguards whatever on to the Statute-book.

To do so is not to forward the case of the gold currency but simply to break down the existing currency system of India. That is the argument that I would put forward why this proposal should be rejected. But I have one further point to make. The whole question of the recommendations of the Currency Commission, the desirability of the introduction of the gold bullion standard and the possibility of some alternative will come forward for careful consideration by a Committee of the Legislature and then by the Legislature as a whole in connection with the Gold Standard and Reserve Bank Bill, and that will be the opportunity to consider, not whether it is possible immediately to accept a clause of this sort, but whether it is possible to frame a scheme which will not merely point towards the adoption of a gold currency, if that is what India desires, but will directly lay down plans for arriving at such a conclusion. I am personally inclined to think that any attempt to lay down a date by which you will introduce gold currency or even to say definitely that a decision has been arrived at in the minds of India to introduce gold currency is more likely to delay than otherwise the introduction of such a currency because it will lead to the world attempting to protect its gold against the possibility of an Indian demand. However that may be, I would submit that the time for considering an amendment of this sort is on the Gold Standard Bill and not now, and that you will only break down the currency system of India altogether by putting a clause of this sort on the Statute-book. The position is really this, that you cannot impose on the Currency Authority an absolute obligation in all circumstances to prevent exchange from falling below the export gold point and at the same time have a gold coin freely in circulation until such time as you have built up very much larger reserves than are in sight at the

[Sir Basil Blackett.]

present time or for some little time to come. You can theoretically have a gold coin in circulation, the coining of which is at the option of the Government and with only a limited quantity available, with no possibility for the public to increase at its own option the amount of such coins in circulation, and have a gold bullion standard or a gold exchange standard in operation, but you cannot have a gold bullion standard or a gold exchange standard in operation as well as an uncontrolled amount of gold coins in circulation unless your reserves are very ample. You cannot give the public the option of bringing sovereigns in freely from outside the country or bringing gold to a mint and having it converted into gold coins without risking the breakdown of the primary obligation, namely, the maintenance of stability of exchange. If this Bill which imposes for the first time an obligation on the Government as Currency Authority to maintain stability of exchange is to succeed in its object, you must not at the present time wreck it or risk its success by imposing on the Currency Authority the obligation to have a free and an unrestricted increase in the gold circulation of the country. The two are not compatible, and I would therefore appeal to this Council not to be led away by the obviously true statement that the majority of opinion in India is at present advised is in favour of a gold currency, but to consider the practical question whether by adding a clause of this sort to the Bill they are in any way furthering that object. I say you are not furthering but you are hindering it. I therefore appeal to the Council to reject the amendment.

THE HONOURABLE SIR MANECKJI DADABHOY (Central Provinces: Nominated Non-Official): Sir, my task has been considerably lightened by the very happy intervention at this stage of the Finance Member who has so graphically dealt with the difficulties that were in the way of the Currency Commission. I must state at the outset that it is not a happy augury for India that purely economic questions should be dealt with and clouded by political considerations. My friend Seth Govind Das accused the Government of a policy of sending out all the gold from India and not keeping it in India. I hope he has heard the explanation which Sir Basil Blackett gave a few minutes ago.

THE HONOURABLE SETH GOVIND DAS: Not satisfactory.

THE HONOURABLE SIR MANECKJI DADABHOY: Not satisfactory? The Government of India laid before us a scheme asking for the introduction of gold currency by successive stages and the whole responsibility of adopting or discarding that scheme rested with the Commission, and it was the Commission who after careful consideration turned down the scheme of the Government of India for the present and took the responsibility of advising an altogether different scheme. I assure all Honourable Members in this Council that I and my brother colleagues on the Commission fully sympathise with the aspirations and the desire of India to have a gold currency. We are in full agreement on that subject. We want to accelerate the date of the introduction of a gold currency into this country, and it is for that purpose, that our scheme may not be wrecked, and that we may be treading on a safe and expedient course that we have at present asked you to stay your hands for a few years from the introduction of a gold currency into this country. We desire, I mean the Currency Commission sincerely desires, that at an early date the gold currency should be introduced in this country. The difficulty which we did encounter was that we have introduced a gold bullion standard for India and we have placed for the first time in the history of this country an obligation on the Currency Authority, or the Reserve Bank when it comes into existence, of buying and selling gold at gold parity. We have laid that obligation, not to sell gold for the purpose of supporting foreign exchange only, but we have also given them that power for the purpose of internal supply of gold and for the safe working of that mechanism we thought that the sovereigns and the gold coins would be a hindrance and would thwart the object of the scheme which we have at heart. It is necessary to maintain the compensatory effect of exchanges, and the result of free mintage of gold coins in an Indian Mint will have a disastrous effect on the policy that we have indicated. We have sought to meet the currency difficulties of the Government of India by formulating a scheme which will cause an automatic expansion and contraction of currency. With that object we have introduced a gold bullion standard, because, when gold is actually delivered to the Currency Authorities in exchange for rupees and notes, currency will be expanded, and on the other hand, when gold is delivered by the Currency Authorities in exchange for rupees or notes the currency would be contracted. Our scheme aims at achieving that object to the full, and if we allow gold coins to come into existence and function as currency in the State, it will cause a grave dislocation of business. You are aware that in the past the silver hoards have caused a great dislocation in the currency system of the Government. India is a peculiar country. In no country in the world are coins hoarded. This is the only country where coins, be they silver or gold coins, are hoarded. You are aware that the function of coins is to circulate. The main object of currency is circulation so that barter may take place conveniently and without hindrance. If a large measure of that currency is daily put into the hoards, whether it be silver hoards or gold hoards, the result is that the compensatory mechanism of exchange is disturbed and the very function for which the currency is intended does not succeed. It was with that very object and to cause an automatic expansion and contraction of the currency—it was with the object that the whole currency system of the country may be successfully worked and the desire of the people of India for the introduction of a gold standard in the country at the earliest possible time may be realised—that we have adopted a cautious policy which we have recommended in our Report in antagonism to the opinion of the Government of India on that subject. We have expressly stated in our Report that no sooner are our reserves satisfactorily built up, and probably most of you are aware that in our Paper Currency Reserve which now stands at 185·1 crores the actual gold coin and bullion is only 22·8 crores. we have got very little actual gold coin and bullion in the reserves and it will be impossible for the Currency Authority to meet the demand for the free coinage of gold in this country that we have postponed the immediate introduction of a gold currency. It is with that object that in paragraph 78 of the Report we advised:

> "The holding of gold, which now stands at about 12·8 per cent., should be raised to 20 per cent. as soon as possible, and in any case in not more than 5 years, and to 25 per cent. in 10 years, with a minimum of Rs. 30 crores from the outset. This would give a minimum of about Rs. 60 crores after 10 years on the basis of the present circulation. During this period no favourable opportunity of fortifying the gold holding in the Reserve should be allowed to escape."

I trust that the standard which we have laid down will be attained even earlier than 10 years. We have now settled the ratio question, and if the

[Sir Maneckji Dadabhoy.]

trade conditions of India improve, there is no doubt that India will be in a position to attain the result which we have indicated at a much earlier date. Put in a nutshell the proposition is simply this. The Currency Authority is delegated with a responsibility. This responsibility, in our opinion, can be best fulfilled by the Currency Authority by keeping a certain percentage of gold and gold exchange in the Reserve. The maximum amount of gold or gold exchange to be kept in the Reserve is determined by the excess of India's foreign payments abroad over India's credit abroad, but it should be remembered that every sale of gold involves a contraction of an equivalent amount of internal legal tender currency. The Council is aware that there is a limit beyond which it is impossible for any Currency Authority to contract or expand the currency. In all countries which have adopted as their basis the gold exchange or the gold bullion standard the maximum of the total amount of gold or gold exchange kept in the reserves is determined by this contractability of the currency. In India owing to larger amounts of gold in hoards the problem has become more complicated. The currency in hoards being stagnant and lying idle is not able to perform the ordinary object and the motive of functioning as currency. People estimate that there are over 200 to 250 crores of sovereigns in hoards and they are at present not performing the work of currency for which they were originally intended. Realise the state of affairs if these sovereigns come out into circulation at any time. If they do, it will be imperative to withdraw a corresponding amount of token currency if the legal tender character of the sovereign is to be maintained. The result will be that the Currency Authority will have a large amount of the legal tender currency for conversion into gold and gold exchange for which they have not made any provision. This obligation is absolutely impossible for the Currency Authority to undertake for the present. The object of the Currency Commission's proposal is to render innocuous these hoards which consist of gold coin in order that the Currency Authority may exercise control over the volume of monetary circulation in India and thereby be in a position to maintain the exchange value of the rupee stable. It should be carefully noted that the maintenance of the legal tender character of the sovereigns unless demonetised will place on the Currency Authority an onerous obligation which the Commission think it is not practicable for it to undertake with safety at this stage. The demonetisation of sovereigns is therefore essentially necessary in order that our recommendations may be given effect to in their entirety, and the system which we have chalked out may not be wrecked by the circulation of gold currency. It was that desire that prompted us to make a recommendation of this sort.

I shall only say a few words regarding the alleged desirability and the necessity of the immediate introduction of a gold currency in India. A great deal has been said by the previous speakers on the subject. It has been said that since the Muhammadan rule the gold currency has prevailed. Nobody disputes that proposition. Nobody disputes that a gold currency is the ideal to attain, but the House must be aware that since 1920 at least, since the ratio was 2s., the gold sovereign or gold currency has ceased to function as currency. Even when the gold currency was introduced for the first time in 1906 very few sovereigns really circulated. Whatever sovereigns were minted went into the hoards with the result that you are fully aware. All the civilised countries of the world are now gradually giving up gold coins. We in India desire, at least it is the desire of the Commission, that India should take advantage of the experience of all civilised first class commercial countries, that we should build up our future currency policy on the experience gained by other nations and that we should not start a new policy altogether. And we thought that it would be safer in the interests of India to abide by the experience of other important nations. In England gold currency only exists in name. We have the evidence of Lord Montagu Norman on that point that gold sovereigns cannot be claimed as a matter of right by any party in the country. In the United States a gold currency simply exists in theory but not in practice. Many of you must have studied the evidence given by Governor Strong on that subject. I cannot understand the amazing statement made by my Honourable friend, Seth Govind Das, this morning, who is supposed to have read the evidence of Lord Montagu Norman as well as that of Governor Strong. When the gold standard was introduced in England the Chancellor of the Exchequer made an explicit statement, which is pertinent to our discussion here to-day, and I will draw the attention of the House to his remarks on the subject. When this gold standard was introduced in 1925 he stated thus:

> "Returning to the international gold standard does not mean that we are going to issue gold coinage. That is quite unnecessary for the purpose of the gold standard and it is out of the question in present circumstances. It would be an unwarrantable extravagance which our present financial stringency by no means allows us to indulge in. Indeed, I must appeal to all classes in the public interest to continue to use notes and to make no change in the habits and practices we have become used to for the last 10 years. The practice of the last 10 years has protected the Bank of England and other banks against any appreciable demand for sovereigns or half sovereigns."

And what has been the state of affairs in the country? Since the War the people of this country have more readily and more willingly taken to paper currency, and this policy encourages them to invest money in bonds and other securities and not to hoard the money. Are you prepared
1 P.M.
to go back on this system? Don't you think it is advisable in the interests of India that the people should be taught that their progress as a nation lies in cultivating the banking habit, getting out money from their hoards, investing the same in safe banks and enriching themselves? Money invested in hoards is unrecuperative; money which goes in circulation and is utilised brings in wealth and prosperity. Is it, therefore, advisable that we should go back and perpetuate a system which is uneconomical and for which there is no necessity or no real demand? My friend Seth Govind Das said this morning there is a demand for gold and gold coins. I controvert that statement. There is a demand for gold coins for hoarding purposes, but there is no demand for gold coin for the actual purpose of circulation . . . .

THE HONOURABLE SETH GOVIND DAS: There is certainly a popular demand for gold coins which is conclusively proved.

THE HONOURABLE SIR MANECKJI DADABHOY: I know more than you do.

THE HONOURABLE SETH GOVIND DAS: You know more of the Government demand, you know nothing of the popular demand.

THE HONOURABLE SIR MANECKJI DADABHOY: My friend talks of the popular demand. Let me give him a few figures. We say that even today the demonetisation of the sovereign is recommended only for currency purposes. As a store of value, if you want to store gold sovereigns in your house, who is there to prevent you from doing it? Nobody stops you. What has happened actually? During the five years preceding the War, India imported sovereigns to the extent of 11 crores of rupees a year. The War of course put a temporary ban on the importation of sovereigns. In 1924-25 India imported gold bullion to the extent of 73 crores, of which 14 crores represent imports of sovereigns. Is there anything to prevent India from having private imports if she wants to keep the sovereigns as a store of value, to hoard them in the country? There is nothing to prevent you from importing sovereigns into this country. This legislation does not prevent you from importing gold sovereigns into this country. The present section only takes away the tender quality of the sovereign for the purposes of currency in this country. But if you like to utilise it as gold, you are welcome to buy it; there is no legislation to prevent you from buying it; Government is not going to introduce any legislation to prevent you from buying gold. In fact, at no period in the currency history of India has any legislation been introduced for the prohibition of gold entering this country except for a brief period during the War when gold was required for the purpose of fighting the Great War, and a temporary ban was put on the import of gold. Well, that ban was removed at the earliest possible opportunity. There is really nothing to prohibit you from importing gold into this country. The passing of the present legislation does not in any way prevent you from importing gold and hoarding it if you like to do so. As a matter of fact, sovereigns worth crores of rupees have been purchased, and even now, though they do not circulate at all since the year 1920, sovereigns are pouring into this country week by week, month by month. The only object of this legislation, as I said, is to take away the tender quality of the sovereigns in order that the scheme which we have propounded should work satisfactorily and that it should not be wrecked. In connection with this there has been no difference of opinion. Even our colleague Sir Purshotamdas Thakurdas agreed with us in this view. I will read his words from paragraph 53 in his Minute of Dissent. He says this:

"But as nine of my colleagues are convinced of the necessity of demonetising the sovereign and the half sovereign as essential to the establishment of a gold bullion standard, I am prepared to view with diffidence my inability to see eye to eye with them and do not press my objections beyond recording my opinion."

Here our colleague was in agreement with us.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: No, no.

THE HONOURABLE SIR MANECKJI DADABHOY: He did not differ from us in this matter, I know.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: He got his objection put on record.

THE HONOURABLE SIR MANECKJI DADABHOY: Since then he has resiled from the position he had taken up formerly, under the combined pressure of the National Party and the Swaraj Party. What has been the result of it? He has entirely given away his own Minute of Dissent by taking up the attitude he has taken. The whole Minute of Dissent was founded on it, and I shall have another opportunity to speak more about it when the Reserve Bank Bill is introduced, but I assure this House that it is our desire to give gold currency, and in order to accelerate the period of the introduction of that currency, we have made this recommendation in the real interests of this country, and if you have the real interests of India at heart, then support our proposal, so that you can get gold currency at no distant date.

THE HONOURABLE MR. G. A. THOMAS (Bombay: Nominated Official): Sir, I move that the question be now put.

THE HONOURABLE THE PRESIDENT: The question is that the question be now put.

The motion was adopted.

THE HONOURABLE THE PRESIDENT: The question is:

"That after clause 1 of the Bill the following be inserted as clause 2:

'(a) The Governor General in Council shall from the 1st day of August, 1927, establish a gold mint in Bombay or Calcutta, where gold coin shall be minted, containing a quantity of gold, equal to that in the British sovereign, and of the same weight and fineness. Such a coin shall be called a gold mohur.

(b) Any person who offers to the Governor General in Council, at the office of the Master of the Mint, at Bombay or Calcutta, Rs. 13-5-4 shall be entitled to receive from the Master of the Mint, a gold sovereign or gold mohur.

(c) Any person who offers to the Master of the Mint at Bombay or Calcutta, a quantity of gold, equivalent in weight and fineness, to that contained in the British sovereign shall be entitled to receive in exchange, for this amount of gold so tendered, a gold sovereign or a gold mohur'."

The Council divided:

AYES—10.

Desika Chari, The Honourable Mr. P. C.
Govind Das, The Honourable Seth.
Khaparde, The Honourable Mr. G. S.
Mahendra Prasad, The Honourable Mr.
Mukherji, The Honourable Srijut Lokenath.
Ram Saran Das, The Honourable Rai Bahadur Lala.
Ramadas Pantulu, The Honourable Mr. V.
Rama Rau, The Honourable Rao Sahib Dr. U.
Roy Choudhuri, The Honourable Mr. Kumar Sankar.
Sett, The Honourable Rai Bahadur Nalininath.

NOES—27.

Akbar Khan, The Honourable Major Nawab Mahomed.
Brayne, The Honourable Mr. A. F. L.
Charanjit Singh, The Honourable Sardar.
Commander-in-Chief, His Excellency the.
Corbett, The Honourable Mr. G. L.
Dadabhoy, The Honourable Sir Maneckji.
Das, The Honourable Mr. S. R.
Evans, The Honourable Mr. F. B.
Froom, The Honourable Sir Arthur.
Gray, The Honourable Mr. W. A.
Habibullah, The Honourable Khan Bahadur Sir Muhammad, Sahib Bahadur.
Haig, The Honourable Mr. H. G.
Manmohandas Ramji, The Honourable Mr.
McWatters, The Honourable Mr. A. C.
Mehr Shah, The Honourable Nawab Sahibzada Saiyad Mohamed.
Misra, The Honourable Pandit Shyam Bihari.
Nawab Ali Khan, The Honourable Raja.
Rainy, The Honourable Sir George.
Sams, The Honourable Mr. H. A.
Stow, The Honourable Mr. A. M.
Suhrawardy, The Honourable Mr. M.
Swan, The Honourable Mr. J. A. L.
Symons, The Honourable Major-General T. H.
Tek Chand, The Honourable Diwan.
Thomas, The Honourable Mr. G. A.
Thompson, The Honourable Sir John Perronet.
Umar Hayat Khan, The Honourable Colonel Nawab Sir.

The motion was negatived.

THE HONOURABLE THE PRESIDENT: The question is:

"That after clause 1 of the Bill the following be inserted as clause 2:

'2. In the Indian Coinage Act, 1906, after section 3 the following new section shall be inserted and the subsequent sections shall be renumbered accordingly:

Gold Coinage.

'4. (1) The mint shall coin a gold Mohur containing 123·27447 grains troy of gold 11-12ths fine.

(2) Any person who tenders at any time to the Governor General in Council, at the Office of the Master of the Mint or at any Government Treasury or the Imperial Bank or any of its branches or at any other place notified in this behalf by the Governor General in Council in the Gazette of India, fine gold and pays seignorage to cover minting charges, according to a scale to be notified in the Government Gazette, shall be entitled to receive gold Mohurs proportionate to the amount of gold tendered, at the rate of 113·0016 grains of fine gold per Mohur.

(3) The gold Mohur shall be a full legal tender in payment or on account, provided that the coin (a) has not lost in weight so as to be more than ·05 per cent. below the standard weight and has not been defaced.

(4) In the making of the gold Mohur, a remedy shall be allowed of an amount not exceeding 5,000ths in weight and 2,000ths in fineness:

Provided that the above provisions shall not come into operation until such date as the Governor General in Council may direct in this behalf:

Provided also that such date shall not be later than 1st March, 1928'."

The question is that that amendment be made.

I think the "Noes" have it.

THE HONOURABLE MR. P. C. DESIKA CHARI: The "Ayes" have it.

THE HONOURABLE THE PRESIDENT: Is the Honourable Member proposing to challenge a division?

THE HONOURABLE MR. P. C. DESIKA CHARI: Yes, Sir.

THE HONOURABLE THE PRESIDENT: Will those Honourable Members who vote "Aye" rise in their places? The "Ayes" are 10.

Will those who vote against the amendment rise in their places? The "Noes" are 27. Therefore, the "Noes" have it.

The motion was negatived.

THE HONOURABLE THE PRESIDENT: The decisions that have been arrived at by the House on the Bill dispose of practically all the amendments which stand on the paper. I now propose to proceed with the clauses of the Bill in the usual order.

The question is:

"That clause 2 do stand part of the Bill."

The motion was adopted.

Clause 2 was added to the Bill.

THE HONOURABLE THE PRESIDENT: The question is:

"That clause 3 do stand part of the Bill."

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Sir, I beg to move an amendment:

"(a) That sub-clause (c) (i) of clause 3 of the Bill be omitted.

(b) That sub-clause (d) (i) of clause 3 of the Bill be omitted.

(c) That sub-clause (e) (ii) of clause 3 of the Bill be omitted."

THE HONOURABLE THE PRESIDENT: Before the Honourable Member proceeds further, I should like to be quite clear on this point. As I have read it, I understood that the sub-clauses in the Bill which he seeks to amend are necessarily consequential amendments on clause 2 of the Bill to demonetise the sovereign and half-sovereign. If that is so, it seems to me that with the demonetisation of the sovereign and half-sovereign the amendments the Honourable Member proposes to move are no longer proper.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Sir, I beg to say that the demonetization is a different matter to the one which has already been debated upon, and so I beg your permission to allow me to move the amendment.

THE HONOURABLE SIR BASIL BLACKETT: Sir, I do not know whether you want me to intervene on this point. The question of the demonetization of the sovereign is to some extent a different one from the amendment that has recently been discussed, but that question is disposed of, I understand, by the passing of clause 2. Clause 2 has been passed and therefore that question of the demonetization of the sovereign is no longer open. These amendments to clause 3 are absolutely consequential on the proposed amendment to clause 2 which has just now been ruled out. I think, Sir, as you have said, that these amendments are ruled out by the decision already taken by the Council.

THE HONOURABLE THE PRESIDENT: That was the point that I endeavoured to make, not that on the previous decision of the Council with regard to clause 4 these amendments are ruled out, but as the House has adopted clause 2, the amendments contained in the Bill in clause 3 are purely consequential on the passing of clause 2 and therefore, the Honourable Member's amendments to omit them are decidedly inappropriate. The Honourable Member is entitled to speak on the clause if he so desires.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Sir, the demonetisation of the sovereign which is in the Bill is such a grave subject that I must oppose it and also warn the Government . . . .

THE HONOURABLE THE PRESIDENT: The Honourable Member is rather late in opposing it. The House has already passed clause 2. Clause 2 stands part of the Bill. The Honourable Member's speech, if it came at all, should have come when clause 2 was put to the House.

The question is:

"That clause 3 do stand part of the Bill."

The motion was adopted.

Clause 3 was added to the Bill.

THE HONOURABLE THE PRESIDENT: The question is:

"That clause 5 do stand part of the Bill."

THE HONOURABLE MR. KUMAR SANKAR ROY CHOUDHURI: Sir, I beg to move:

"That in sub-clause (1) of clause 5—for the words 'of the Controller or the Deputy Controller, as the case may be,' the words 'of the purchaser' be substituted."

[Mr. Kumar Sankar Roy Choudhuri.]

The object of this amendment is quite simple. It is to give the option to get gold or sterling to the purchaser instead of leaving it to the Controller or the Deputy Controller. Since the Government have agreed to give sterling or gold. I do not see why they should object to give it to the purchaser if he wants to have it. I submit that the Government ought to accept this amendment.

THE HONOURABLE MR. A. F. L. BRAYNE (Finance Secretary): Sir, the amendment seeks to impose on Government a definite obligation to give to any person gold, at any time from 1st April, 1927, and that, Sir, is an obligation which Government are not in a position during this provisional stage to undertake. The question of the selling of gold would arise under the Reserve Bank Bill and only then, when the Reserve Bank is fully established, will they be in a position to give gold on demand. At present, if this amendment were passed, Government would find themselves on the 1st of April, 1927, with somebody coming forward demanding a considerable amount of gold. Government would be bound by Statute to give that gold which they will not be in a position to do as they have not built up any reserve. The option must remain with the Controller of Currency as long as he continues to control the currency. I oppose the amendment.

THE HONOURABLE MR. KUMAR SANKAR ROY CHOUDHURI: I submit, Sir . . . .

THE HONOURABLE THE PRESIDENT: The Honourable Member has no right of reply. Does he wish to make a personal explanation?

THE HONOURABLE MR. KUMAR SANKAR ROY CHOUDHURI: There is a subsequent amendment also to this clause.

THE HONOURABLE THE PRESIDENT: I have not yet put the clause. I will put the Honourable Member's first amendment now.

The question is:

"That in sub-clause (*1*) of clause 5—for the words 'of the Controller or the Deputy Controller, as the case may be,' the words 'of the purchaser' be substituted."

The motion was negatived.

THE HONOURABLE MR. KUMAR SANKAR ROY CHOUDHURI: Sir, I beg to move:

"That in sub-clause (*1*) of clause 5—for the figures '1065' the figures '40' be substituted."

The object of this amendment is to bring this clause into line with clause 4 in which the figure is 40 instead of 1,065. That amendment was accepted by the Government in the Legislative Assembly and my object in bringing this amendment is to bring the two classes into line.

THE HONOURABLE MR. A. F. L. BRAYNE: It is quite natural for the Honourable Member to propose this amendment but the conditions here are absolutely different. In the first case, where the amendment was carried in the other place, the question at issue was the receipt of gold and Government were prepared to accept the amendment because they wished to build up a reserve of gold as quickly as possible and they did not mind taking small quantities of gold. In this case it is a question of the sale of gold, and, if this amendment were made, it would really mean that the Government or the Controller of Currency would be competing with the bullion market in doing work which it is the business of the bullion market to do. Therefore, I think it would be unfortunate if this amendment were carried. The amount already stated, 1,065 tolas, is sufficiently small for all exchange purposes. I therefore oppose the amendment.

THE HONOURABLE THE PRESIDENT: The question is:

"That in sub-clause (1) of clause 5—for the figures '1065' the figures '40' be substituted."

The motion was negatived.

THE HONOURABLE THE PRESIDENT: The question is:

"That clause 5 do stand part of the Bill."

The motion was adopted.

Clause 5 was added to the Bill.

Clause 1 was added to the Bill.

The Title and Preamble were added to the Bill.

THE HONOURABLE MR. A. F. L. BRAYNE: Sir, I rise to move the following motion . . . .

THE HONOURABLE THE PRESIDENT: I think we had better dispose of the Currency Bill first.

THE HONOURABLE MR. A. F. L. BRAYNE: Sir, I move that the Bill be passed.

THE HONOURABLE THE PRESIDENT: The question is:

"That the Bill further to amend the Indian Coinage Act, 1906, and the Indian Paper Currency Act, 1923, for certain purposes and to lay upon the Governor General in Council certain obligations in regard to the purchase of gold and the sale of gold or sterling, as passed by the Legislative Assembly, be passed."

THE HONOURABLE MR. V. RAMADAS PANTULU: Sir, I wish to say one word. We cannot record our silent vote on this Bill.

THE HONOURABLE THE PRESIDENT: If the Honourable Member is going to be at all long I propose to adjourn now and hear him afterwards.

THE HONOURABLE MR. V. RAMADAS PANTULU: No. I do not propose to take more than two minutes, Sir. After the long and weary controversy which has been raging over this Bill both outside and inside the Legislature it would be inopportune and inadvisable on my part to repeat any of those arguments for or against it. I would merely point out that the public opinion in this country is decidedly against the attitude taken up by Government both with regard to the ratio as well as with regard to the introduction of a gold currency. In the Assembly the Government were able to win a victory by what may be called a snatch vote, a difference of three on the question of ratio.

THE HONOURABLE SIR MANECKJI DADABHOY: By 12 votes finally when the Bill was passed. (*An Honourable Member*: "And 40 were nominated.")

THE HONOURABLE MR. V. RAMADAS PANTULU: In this House the Bill had a more smooth sailing as one would naturally expect it. The two Members of the Central Legislature who were on the Currency Commission were Sir Purshotamdas Thakurdas and Sir Maneckji Dadabhoy.

[Mr. V. Ramadas Pantulu.]

Appropriately enough, the Member of the Legislature who represented the popular view happens to be in the popular Chamber and the country owes a deep debt of gratitude to him for so ably voicing the feelings of the country and awakening the consciousness of the country to the enormities of the Government's exchange policy in this country. The country however cannot be proud of the other Indian member who is sitting in this Council, who has not voiced the feelings of the country but has merely voiced the feelings of the vested interests . . . .

THE HONOURABLE SIR MANECKJI DADABHOY: That you will find out after ten years.

THE HONOURABLE MR. V. RAMADAS PANTULU: I hope both of us will live to see which is true. This House which consists of the plutocratic and official interests will no doubt pass the Bill more easily than the Assembly, nevertheless, I venture to point out to the Finance Member, who is sitting here, that very soon he will realise that his policy has not placed India on the road to prosperity. With these words I oppose this motion to pass the Bill.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: I endorse the Honourable Mr. Ramadas Pantulu's remarks as to the wrong policy of the Finance Member.

THE HONOURABLE SIR BASIL BLACKETT: I do not wish to detain the House from its luncheon at this stage. I should like just to say one or two words, a few valedictory words to this Bill and on the welcome consequences which we hope to see from it. I should like to protest against the assumption that was made by my Honourable friend, Mr. Ramadas Pantulu, and by other gentlemen who spoke in opposition to the Government, that because they oppose Government therefore they are right, that because they oppose Government therefore they represent the opinion of the people. I assure him that the Government have every reason to believe that the opinion of the people has been entirely misrepresented by the Honourable Mr. Ramadas Pantulu and his friends. (*An Honourable Member*: "Question.") Government, I say, have every reason to believe it—there will be no question as to that. The Honourable Member may doubt whether he believes it, but I think he is one of the minority that does not represent the popular opinion in this connection. Organised public opinion has certainly been created to be very vocal and very vociferous on this matter and I think Government have all the more reason to believe that they do represent the right opinion, because in spite of the violent agitation and the organised opposition they have been able to carry a majority of both Houses of the Legislature in their favour. (*An Honourable Member*: "All nominated Members.")

There is one subject that I should like to refer to for a moment and that is the effect of this ratio on the country and the terrible prophecies of disaster that have been made to the Government from time to time during this debate. All sorts of terrible consequences are going to flow from the establishment by Statute of a fact which has existed for two years. It is a little difficult to see why there should be an enormous change as a result of the intervention of the Statute to recognise a fact which has been in existence for so long. But nevertheless, I do know that some of the Honourable Members who have attacked this ratio have come to believe that it really will do some harm. I can only, I think, in reply reiterate my strong conviction that they are wrong, and, if I may slightly modify the words of Addison, say:

> "T'is not in mortals to command success;
> But we'll do more, O ratio, we'll deserve it."

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Time alone will prove it.

THE HONOURABLE SIR BASIL BLACKETT: One matter has been mentioned several times and that is the difficulty of maintaining the ratio of 1*s*. 6*d*. In the admirable speech on which I should like to congratulate my Honourable colleague, Mr. McWatters, which he made yesterday, the fallacy of the idea was clearly brought out that there is more difficulty in maintaining the ratio once prices are stabilised at one figure rather than another figure. (*An Honourable Member*: "Then you could have maintained it at 2*s*.") It could have been maintained at 2*s*. undoubtedly if the Government had had a balanced budget at the time and if prices had in fact been stabilised at anything approaching 2*s*. at the time. But prices were not stabilised at 2*s*. in 1920 any more than they were stabilised at 1*s*. 4*d*. in 1924. The attempt to stabilise it at 2*s*. in 1920 failed and so might have failed an attempt to stabilise it at 1*s*. 4*d*. in 1924. But the point I was making is this, that there is a real difficulty in maintaining the stability of Indian exchange at any figure whatsoever and a good deal of the attack that is made has tended to ignore this real difficulty. The main difficulty of the Indian currency at the present time is the existence of a very large surplus of coined silver rupees which are promises by Government to pay one rupee at a fixed exchange and these promises have to be redeemed whenever those rupees are presented. Unfortunately, those rupees which came into existence in special circumstances just towards the end of the War and just at a time when there was a serious rupee famine, are now clearly in excess of what is required for circulation. I have not got the figures exactly here, but I think that on the 31st March 1919 there was only about 15 to 20 crores of rupees in the Paper Currency Reserve, that is less than the margin required for safety. The figure at present is about 104 crores in the Currency Reserve, 20 crores more than this time a year ago. What has happened is that people who have held rupees not for circulation purposes but as a store of value or what is called hoarding, a word which I use not with any disparaging signification, and took their rupees out of the hoards and replaced them by gold bullion or by silver bullion, or in some cases, a very good thing indeed by bank balances. Those rupees have flowed back to the Government treasuries and have to be redeemed. In order to redeem them Government have used the reserves for the purpose of redeeming them, and in place of 20 crores and more of sterling securities, gold assets, now hold 20 crores and more extra of silver rupees as compared with a year ago, and in all 104 crores of silver rupees. These are potential gold assets if and when we can sell silver. Obviously as bullion they are not worth 104 crores of rupees or even more than half that value, but the difficulties of realising those reserves at an early date are great and so there is a definite strain on the reserves as a result of the existence of these surplus rupees. That strain on the reserves is almost entirely independent of the ratio. It does not matter whether it is 1*s*. 4*d*. or 1*s*. 6*d*. If people are tired of holding the silver rupees in their reserve and wish to replace them by other form of coin or bullion,

[Sir Basil Blackett.]

then Government have the liability to redeem those rupees and it does not matter really what the particular ratio may be. It has no effect on the pace at which those rupees come out for redemption. This is the real difficulty of the whole question of maintaining the stability of the rupee. We hope to get over that first of all by the fact that, to a large extent, at any rate, those surplus rupees have already come out of hoards. We do not know how many are left, because it is impossible to find any actual statistics; but at any rate it is quite clear that a large proportion of the surplus rupees are now safely housed in the Government reserves. When once that process of the inflow of rupees from hoards comes to an end, all will be comparatively plain sailing. But the attack on the Government for using its reserves for the purpose of carrying out its obligations, namely, to redeem its promise to pay for the rupees it has issued, is one, I think, which is very often misconceived, because the Government are simply carrying out their promise and they must use their reserves for that purpose; they will have to use the reserves, whatever the ratio, and if they did not use these reserves, they would be open to very serious criticism. At any rate, the only result could be that stability of exchange would be lost and gone for ever from the point of view of India. That being so, I do hope that people will be a little less ungenerous in their accusation repeated time and again, that the Government fritter away the reserves; and remember that the reserves are still very large and have been built up to a very great extent by the action of Government in preventing exchange from rising above 1*s*. 6*d*. Reserves that have been used in the last year for the purpose of maintaining exchange at 1*s*. 6*d*. were practically all created by the action of Government in preventing exchange from rising above 1*s*. 6*d*. I do not wish to pursue this subject. I only wish to make the same appeal that I made in another place and that is, now that this controversy is over, I do hope that we shall all forget it as quickly as we can and put all our minds together in order to produce the best results for India out of the very valuable recommendations of the Currency Commission.

THE HONOURABLE SIR MANECKJI DADABHOY: Sir, I would like to say only one word regarding myself. My friend Mr. Ramadas Pantulu has made certain observations against me in this House at the last stage of this controversy, and reflections have also been made on my work in the Legislative Assembly. Sir, I have no hesitation in stating that I consider the greatest reward of my work is the consciousness of having done my duty. Sir, I may assure this House and the general public that, whatever little part I have taken myself in the deliberations of the Royal Commission, I have throughout acted in fear of God and in the best interests of my country. I have acted regardless of the cheap encomiums and plaudits of politicians of the type of Mr. Ramadas Pantulu or Mr. Jamnadas Mehta.

THE HONOURABLE SIR ARTHUR FROOM (Bombay Chamber of Commerce): Sir, I do not wish to detain the House for more than one minute. I should dislike very much that this great controversial measure should not pass away from us without a word of congratulation from one of the commercial Members of this House to the Honourable the Finance Member on having piloted through very very troubled waters a measure which, I feel quite convinced, is for the good and benefit of India. The work was begun by the Currency Commission, and the Honourable the Finance Member has continued the good work and has brought it to fruition to-day.

There is only one remark I wish to add. I have been astonished all through this debate and the debate in the other place that there should be such a lot of discussion on the question of the ratio, the chief object of the Bill being lost sight of, in my opinion, over this question of ratio. Stability is what we want, and what we have got now—thank goodness. Whether it was 1*s*. 6*d*. or 1*s*. 4*d*. that did not matter so much. We have had 1*s*. 6*d*. for several years. We wanted to stabilise the existing ratio, and we have done it now. In voting in another place against the Bill in its final stages certain Honourable Members shouted "No". Certain other Honourable Members also shouted "No" in this House at a similar stage of the Bill. I wonder if they realise what they were doing. What are the chief points of the Bill? We are going to have a gold standard and a Reserve Bank. What is the next point? We are going to get rid of what Members in this House and Members in the other House as well as the public in India have contended for, so many years,—the financial control of India from the India Office. It seems to me, Sir, that most of the Honourable Members in this House have overlooked those vital points in their discussion on the ratio. I was surprised at the words uttered by my Honourable friend on my right just now. Looking at the list of amendments to-day, there is not one which stands in his name,—and why? Because in speaking the other day he got up and said "I know very little about the whole matter", and having made that admission, I was surprised to hear the tone of his remarks just now.

Sir, I finish as I began. I offer on behalf of the European commercial community my heartiest congratulations to the Finance Member on his great work, his perseverance, the way he has explained again and again all difficult points, without losing his temper,—I think very few Members of Government could have kept it in the way he has done. He has always been at great pains to explain the difficult points, and even now, when the Bill is being passed, he has taken the trouble to get up and make some further explanation to the Honourable Members of this House. (Applause).

THE HONOURABLE THE PRESIDENT: The question is:

"That the Bill further to amend the Indian Coinage Act, 1906, and the Indian Paper Currency Act, 1923, for certain purposes, and to lay upon the Governor General in Council certain obligations in regard to the purchase of gold and the sale of gold or sterling, as passed by the Legislative Assembly, be passed."

The motion was adopted.

THE HONOURABLE THE PRESIDENT: Honourable Members have, I am told, before them the list of business for to-morrow. If they will look at that, they will see that there are two motions standing in the name of the Honourable Mr. Brayne. He has asked me if he may move them to-day. They are more or less of a formal nature,—motions of concurrence in certain recommendations made by the other House. As I understand that it is desirable that the other House should take steps to complete the constitution of the Joint Committee on the Bills referred to in those motions and as that House cannot take steps to do that until they receive a message of concurrence from this Chamber, I propose to allow Mr. Brayne to move them now.

GOLD STANDARD AND RESERVE BANK OF INDIA BILL.

MOTION FOR REFERENCE TO A JOINT COMMITTEE.

THE HONOURABLE MR. A. F. L. BRAYNE (Finance Secretary): May I move the second motion first?

THE HONOURABLE THE PRESIDENT: Certainly.

THE HONOURABLE MR. A. F. L. BRAYNE: I move, Sir:

"That this Council do recommend to the Legislative Assembly that the Bill to establish a gold standard currency for British India and constitute a Reserve Bank of India, be referred to a Joint Committee of the Council of State and of the Legislative Assembly, and that the Joint Committee do consist of 28 members."

As Honourable Members are aware, this Bill is one of the most momentous which has come or will come before the Indian Legislature. It establishes not only a gold standard, but it also transfers the control over the currency and credit, Government remittances and the note issue to a Central Bank and it is most desirable that a long Bill of such great importance should be considered by a representative Committee consisting of 14 Members from each Chamber.

The motion was adopted.

IMPERIAL BANK OF INDIA (AMENDMENT) BILL.

MOTION FOR REFERENCE TO A JOINT COMMITTEE.

THE HONOURABLE MR. A. F. L. BRAYNE (Finance Secretary): Sir, I move:

"That this Council do recommend to the Legislative Assembly that the Bill further to amend the Imperial Bank of India Act, 1920, for certain purposes, be referred to a Joint Committee of the Council of State and of the Legislative Assembly, and that the Joint Committee do consist of 28 members."

Sir, this amendment to the Imperial Bank of India Act is necessary, because with the establishment of the Reserve Bank, certain of the functions of the Imperial Bank will pass to the Reserve Bank. It is proposed also to remove certain restrictions which are now imposed on the Imperial Bank such as the restrictions on exchange business and business in London. As the larger Bill is being considered by a Joint Committee, it is desirable that this Bill which hangs upon it should also be considered by the same Committee.

Sir, I move.

The motion was adopted.

The Council then adjourned till Ten of the Clock on Saturday, the 26th March, 1927.