

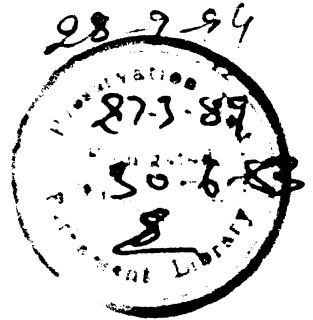
28th November, 1933

THE
LEGISLATIVE ASSEMBLY DEBATES
(OFFICIAL REPORT)

Vol. VIII, 1933

(20th November to 9th December, 1933)

SIXTH SESSION
OF THE
FOURTH LEGISLATIVE ASSEMBLY
1933.



Legislative Assembly.

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Deputy President :

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MESSLAD

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LEGISLATIVE ASSEMBLY.

Tuesday, 28th November, 1933.

The Assembly met in the Assembly Chamber of the Council House at Eleven of the Clock, Mr. President (The Honourable Sir Shanmukham Chetty) in the Chair.

QUESTIONS AND ANSWERS.

INSTRUCTIONS GIVEN BY THE RAILWAY BOARD *RE* PROMOTION OF CERTAIN RAILWAY OFFICERS.

1184. ***Mr. Lalchand Navalkar:** (a) Are Government aware of the instructions given by the Railway Board in their letter No. 688-E. G., dated the 3rd March 1931, to the Agents of State Railways, to the effect that with a view to eliminating all avoidable hardship the Board desires that an employee who in the circumstances explained in paragraph 4 (demoted to lower rank) is retained in a lower post drawing the same rate of substantive pay as that allowed to him on reversion will, subject to continued efficiency, be considered when a suitable opportunity offers for promotion to the class or grade in which he was formerly employed or to a post of equivalent or lower rank?

(b) Will Government be pleased to state if these instructions are strictly followed by the office of the Divisional Superintendent, North Western Railway, Karachi?

(c) Is it a fact that the demoted persons are not taken in the inverse order?

(d) Is it a fact that Messrs. Bhagatsingh, Bhagwan, Madhaydas, Doulatram, Thanuram and Nebhraj, reverted Markers of Karachi Division, have been ignored, and that the newly recruited Goods Marker, named Bhagwandas Dunichand, with about three months' service, has been promoted as Train Clerk? If so, who is responsible for promoting Bhagwandas, the Divisional Superintendent himself or the Divisional Personnel Officer, and for what reasons?

(e) On account of retrenchment, were any instructions sent to the Divisional Superintendent, North Western Railway, Karachi, not to recruit any person but to take up if necessary persons from amongst the demoted staff?

(f) If the reply to part (e) be in the affirmative, why were Goods Markers Bhagwandas, Mohmed Khan and several others recruited on Karachi Division, instead of promoting the demoted inferior labour staff as Markers, their previous appointments?

Mr. P. B. Rau: (a) In the letter quoted it was stated that an employee who is retained in a lower post will rank in seniority above men holding similar posts drawing the same rate of substantive pay as that allowed to him on reversion ~~and will, subject to continued efficiency,~~ be considered when a suitable opportunity offers for promotion to the class or grade in which he was formerly employed, or to a post of equivalent or lower rank.

(b) Government have no reason to believe that these instructions are not followed.

(c) The orders of Government are that retrenched persons should be taken in the inverse order of their discharge subject to the maintaining of communal proportions. They also provide that if an employee who was discharged is re-employed in a lower post, he should, subject to good work, be considered for promotion, when a suitable opportunity offers, to the class or grade in which he was formerly employed or to a post of an equivalent or lower rank.

(d) and (f). I have sent a copy of these questions to the Agent, North Western Railway, in order that he may satisfy himself that the rules on the subject have been carried out.

(c) The existing orders are that no outsider should be appointed in any department, division, district or office of the railway so long as a suitable man is available from the waiting list, or next after that, from among the Great Indian Peninsula Railway strikers who are still out of employment.

Mr. M. Maswood Ahmad: Will Government be pleased to state if, on reinstatement of the retrenched hands, their service will be regarded as continuous service or not?

Mr. P. B. Rau: I am not quite sure of that. I should like my Honourable friend to put a question on paper.

Mr. Lalchand Navaraj: May I know from the Honourable Member if he is always satisfied with the presumption that the Agent is following the rules and regulations issued by the Railway Board, or that when there is any specific instance given he enquires of the Agent?

Mr. P. B. Rau: Until it is proved to the contrary, the presumption is that the Agent is following the orders of the Railway Board.

Mr. Lalchand Navaraj: But when an allegation is made in the House that they are not being followed, and certain instances are given, will the same answer hold good that the presumption is that he is following the orders?

Mr. P. B. Rau: The only question that has been put to me here is, "Are Government satisfied that these rules are strictly followed?"

Mr. Lalchand Navaraj: I have given instances where they have not been followed.

Mr. P. B. Rau: May I know what is the instance the Honourable Member has mentioned?

Mr. Lalchand Navalrai: As regards Mohmed Khan, etc.

Mr. P. R. Rau: As regards (d) and (f), I have sent a copy of the question to the Agent of the North Western Railway.

Mr. Lalchand Navalrai: The questions have been sent to the Agent of the North Western Railway, there is no doubt about it, but I have put my questions on a question of policy—the policy of the Railway Board in connection with the orders given to the Agents. I ask, if certain instances are given, is it sufficient merely to send the questions to the Agent for any action that he may take? On the other hand, we shall not know anything.

Mr. P. R. Rau: If my Honourable friend considers that this matter is of sufficient importance to be ventilated in this Legislature, and if he is still of that opinion after the appeal addressed to the House by the Honourable the Railway Member yesterday, I should be prepared to get the information.

Dr. Ziauddin Ahmad: May I know if any machinery exists by means of which the Railway Board can find out whether their orders are carried out by the Agents, or is it simply a presumption?

Mr. P. R. Rau: I do not know what machinery my Honourable friend is referring to. The person aggrieved would certainly take some steps to bring the matter to notice.

Dr. Ziauddin Ahmad: If any one on behalf of the Legislature asks the Railway Board whether the orders of the Railway Board in any particular case have been complied with by the Agents, is the Honourable Member in a position to say, yes or no?

Mr. P. R. Rau: I do not think it is a practical proposition for the Railway Board to have an inspecting staff to see whether the orders of the Railway Board are carried out by the Agents or not.

Mr. Gays Prasad Singh: Are Government aware that a Member of this House from the Punjab gave notice of a Resolution which was admitted, that the Agent of the North Western Railway sometimes does not, as a matter of fact, carry out the instructions conveyed to him by the Railway Board?

Mr. P. R. Rau: I remember that there was a Resolution on the subject last Session.

Mr. Lalchand Navalrai: May I know whether the procedure that is followed by the Honourable Member here is followed by the Agent in his turn by sending on the question to the next channel, namely, the Divisional Officer?

Sir Cowasji Jehangir: May I ask the Honourable Member, when a question is asked in this House and the Honourable Member refers to an Agent, does he expect to get any reply from that Agent as to any action taken, or does he expect no reply from the Agent?

Mr. P. B. Rau: In certain cases if a *prima facie* case has been made out for investigation by the Railway Board, the Railway Board ask for a reply. In certain other cases it is possible that the allegation is that subordinates of the Agent have not followed the instructions, then the questions are sent to the Agent for taking all necessary action.

Sir Gowasji Jehangir: If that is the case, then it is useless to ask any question about any railway, because you send it to the Agent, but no reply is expected.

Mr. P. B. Rau: I have already explained to the House in reply to a question yesterday that it is practically impossible for the Government of India to concern themselves with all matters of detail in railway administration.

Mr. M. Maswood Ahmad: Is the Honourable Member aware that before questions are admitted they are very carefully examined, and that when they are admitted by the President, it means that they are of public importance and public concern?

Mr. P. B. Rau: I have no doubt about that.

Sir Gowasji Jehangir: It is very possible that certain questions are of a trivial character,—that is possible. But if a question is asked and the Honourable Member refers that question to an Agent and if the Agent knows that no answers are expected by the Honourable Member, is it not likely that the Agent would treat the question put by the Honourable Member to him rather lightly?

Mr. P. B. Rau: No, Sir. I have a much higher opinion of our Agents.

Sir Gowasji Jehangir: Has the Honourable Member any knowledge of human nature?

Mr. P. B. Rau: I dare say that I have not as much knowledge of human nature as my Honourable friend has.

Sir Gowasji Jehangir: Then may I tell my Honourable friend that it is human nature not to pay very much attention to a question that does not require a reply? (Laughter)

Mr. Lalchand Navaraj: May I suggest another course to the Honourable Member if he is not perturbed? In matters of detail, not in matters of policy, but in matters of detail,—if we address the Agent, will he reply?

Mr. President (The Honourable Sir Shanmukham Chetty): We had some questions of a similar nature yesterday and the same matter is being raised today. Where an Honourable Member has put down a question which has been admitted by the Chair, it means that the question is of public importance, and the Chair and the House have got a right to expect that a suitable answer will be given. The Chair also realises that there are a great many matters in which powers have been delegated to the

Agents of Railways and they must be trusted to carry out those powers. But when an Honourable Member has definitely put down a question, especially bringing to the notice of the Government a specific case in which the Agent is supposed not to have carried out the orders, and when the Honourable Member replying for Government says that the question has been forwarded to the Agent, the Chair thinks it is proper that the Agent must send a reply to the Railway Board and that reply must be communicated to the Honourable Member who asked the question at any rate, so that, if it is unsatisfactory, he might pursue the matter further. That will suit the convenience of the House and the Chair does not think it will infringe on the delegated powers of the Agents either (Cheers.)

APPOINTMENTS THROUGH SELECTION BOARDS ON STATE RAILWAYS.

1185. *Mr. Lalchand Navalrai: (a) Will Government be pleased to state whether the orders of the Railway Board are that fresh appointments in the subordinate services on State Railways of men not discharged or demoted during the last retrenchment should be made through Selection Boards?

(b) If the reply to part (a) be in the affirmative, have any Selection Boards been held in the Karachi Division of the North Western Railway since 1931, and is it a fact that all appointments in the subordinate ranks since that day have been made by the Divisional Personnel Officer without reference to any Selection Board?

(c) If so, what was the justification for contravening the orders?

Mr. P. B. Rau: (a) The rules for the recruitment and training of subordinate staff on State-managed Railways (a copy of which is available in the Library of the House) provide for Selection Boards for recruitment of certain categories of subordinate staff.

(b) and (c). I have sent a copy of these questions to the Agent of the North Western Railway in order that he may see whether these orders have been contravened in the Karachi Division, and, if so, to consider the steps necessary to set matters right.

Mr. Lalchand Navalrai: And also to reply to this House,—is the Honourable Member prepared to add that?

Mr. P. B. Rau: I have just heard the ruling of the Chair and my Honourable friend can be sure that it will be complied with.

RECRUITMENT OF NON-MATRICULATES IN THE DIVISIONAL OFFICE, NORTH WESTERN RAILWAY, KARACHI.

1186. *Mr. Lalchand Navalrai: (a) Will Government be pleased to state whether the orders on the North Western Railway are that certain posts in subordinate services, are to be given only to those who possess the matriculation educational qualification and that non-matriculates could be recruited or appointed by transfer to other inferior posts, and that the latter could not be transferred to posts reserved for the matriculates? Does the aforesaid order of the Agent, North Western Railway, say that the Divisional Superintendents would be held personally responsible in case of its infringement?

(b) Are these orders strictly carried out by the Divisional Personnel Officer, North Western Railway, Karachi? If not, why not?

(c) Is it a fact that some non-matriculates were recruited as clerks in the Divisional Office, North Western Railway, Karachi? If so, what were the reasons for contravening the orders referred to in part (a) above?

(d) Is it a fact that a non-matriculate had been transferred by the Divisional Personnel Officer, North Western Railway, Karachi, as a clerk in the grade Rs. 160—10—200—a post for matriculates only? If so, why?

(e) Is it a fact that one Nozermohmed—a Weighing Machine Fitter, North Western Railway, Karachi has been put to work as a grade II Clerk, by the Divisional Personnel Officer, North Western Railway, Karachi?

(f) Is it a fact that Mr. Nozermohmed is not only a non-matriculate but does not know sufficient English, and has been given an assistant to work on his behalf? If so, why has a semi-educated man been put to the clerical post in contravention of the orders?

Mr. P. R. Rau: With your permission, Sir, I shall reply to questions Nos. 1186 and 1187 together. Government have no information, but have sent a copy of these questions to the Agent, North Western Railway, who will, no doubt, take the necessary steps to see that all orders issued by the administration are carried out by subordinate officers.

PERIOD OF PROBATION OF TEMPORARY STAFF ON THE NORTH WESTERN RAILWAY.

† 187. ***Mr. Lalchand Navalrai:** (a) Are Government aware of the Agent, North Western Railway's Circular No. 1 of 1927, Part A, paragraph 8(d), directing that confirmation of staff will be considered only after the expiry of 12 months probationary period, and his further order No. 961-E./118, dated the 16th June, 1931, directing that that period of 12 months' probation can under no circumstances be reduced or waived by any subordinate office?

(b) Are Government aware whether these instructions are being strictly followed by the Divisional Personnel Officer, North Western Railway, Karachi? If not, why not?

EMPLOYMENT OF STAFF ON WORKS OTHER THAN THOSE TO WHICH THEIR PAY IS CHARGED ON THE NORTH WESTERN RAILWAY.

1188. ***Mr. Lalchand Navalrai:** (a) Has the attention of Government been drawn to the Railway Board's letter No. 6862-F., dated the 26th March, 1931, directing that the staff should not be employed on works other than those to which their pay is charged and for which they are employed? If so, are these orders followed on the Karachi Division of the North Western Railway?

(b) Are Government aware that the following persons on Karachi Division were or are working on posts other than those for which they are employed or their pay is charged to? Messrs. Gullam Yassin Guard, Shumisdin Guard, Allah Bux Guard, Munshiram Guard, K. N. Akhtar Fuel Clerk, Lachmi Narain Train Clerk?

(c) If the reply to part (b) be in the affirmative, who is responsible for the infringement of the Board's orders?

†For answer to this question, see answer to question No. 1186.

Mr. P. E. Rau: These orders are general and applicable to the Karachi Division of the North Western Railway as elsewhere. I have sent a copy of the question to the Agent, North Western Railway, to ascertain whether the allegations are correct, and if so, to take suitable action.

WITHHOLDING OF APPEALS AGAINST HIS ORDERS BY THE DIVISIONAL PERSONNEL OFFICER, NORTH WESTERN RAILWAY, KARACHI.

1189. ***Mr. Lalchand Navarai:** (a) Will Government be pleased to state if an employee in the subordinate railway service can appeal to the Divisional Superintendent against the orders of a Divisional Officer?

(b) If so, is it a fact that the Divisional Personnel Officer, North Western Railway, Karachi, does not forward to the Divisional Superintendent appeals against his orders? If so, why?

Mr. P. E. Rau: (a) The rules provide that an appeal from an order of discharge (except on reduction of staff) or dismissal lies to the authority next above the officer passing the order.

(b) I am sending a copy of this question to the Agent, North Western Railway, for any action that he may consider necessary.

Mr. Lalchand Navarai: What is the rule when an appeal is presented against the order of the Divisional Personnel Officer, for being forwarded to the Divisional Superintendent? Is he bound to forward it or not?

Mr. P. E. Rau: I am informed by the Agent of the North Western Railway that an appeal against an order of discharge passed by any officer without the prior approval of the Divisional Superintendent lies to the Divisional Superintendent and is submitted to him for his orders.

Mr. Lalchand Navarai: Then it will be forwarded, and not held up?

Dr. Ziauddin Ahmad: The main question is not answered. Is the officer who passed the order bound to forward the appeal to the next higher authority or can he withhold it?

Mr. P. E. Rau: My Honourable friend has not heard my reply. I said that I am informed by the Agent of the North Western Railway that an appeal against an order of discharge passed by any officer, without the prior approval of the Divisional Superintendent, lies to the Divisional Superintendent and is submitted to him for his orders.

Dr. Ziauddin Ahmad: If an appeal is sent, can the Divisional Officer withhold the appeal and not forward it, because the appeal cannot be sent direct to the higher authority?

Mr. P. E. Rau: The rules, under which appeals can be withheld, are definite and only for special reasons can such appeals be withheld. When an appeal lies to the Divisional Superintendent under the rules, no subordinate officer can withhold that appeal.

Mr. M. Maswood Ahmad: In some cases orders are signed by some officer for the Divisional Superintendent. In such cases do the appeals lie to the Divisional Superintendent or to the Agent?

Mr. P. E. Rau: The orders might be signed for the Divisional Superintendent, but they might have been given by the Divisional Superintendent himself.

Mr. M. Maswood Ahmad: In certain cases the signatures are for Divisional Superintendents. In such cases does the appeal lie to the Agent or to the Divisional Superintendent, because such instances have occurred in the Dinapore Division?

Mr. P. E. Rau: Without knowing the particulars of that case, I am not in a position to reply.

CADRE OF THE INDIAN MEDICAL SERVICE FOR VARIOUS PROVINCES BASED ON THE LEE COMMISSION REPORT.

1190. ***Mr. A. Das:** (a) Has the attention of Government been directed to the recent notifications in the *Gazette of India*, dated the 30th September, and the 7th October, 1933, about the cadre of Indian Medical Service for the various provinces based on Lee Commission Report? If so, does the number include the posts of the Inspector General of Civil Hospitals and the Director General of Public Health in such provinces where such posts exist? If not, under what cadre do they come?

(b) Does the Lee Commission Report provide for a cadre of Indian Medical Service for the United Provinces at 24 or 30? If the former, how have the persons on leave reserve been included in it? If the latter, will Government be pleased to state what portion of the Lee Commission Report provides for the cadre for the United Provinces at 30?

Mr. G. S. Bajpai: (a) The answer to the first part is in the affirmative, except that I have not been able to find any relevant reference in the *Gazette of India* of the 7th October, 1933. The posts of Inspector General of Civil Hospitals, North-West Frontier Province, and Director of Public Health, Central Provinces, are included in the cadre of the Indian Medical Service (Civil). The posts of Inspectors General of Civil Hospitals in all other provinces and the posts of Directors of Public Health in some of the other provinces are required to be filled by selection from amongst Indian Medical Service officers who were in civil employ on the 10th May, 1928, and whose rights have been protected under a notification of the 12th October, 1932, a copy of which has been placed in the Library of the House.

(b) The Lee Commission made no suggestions regarding the number of Indian Medical Service officers to be employed in the United Provinces. Under Devolution Rule 12, the Secretary of State in Council is the authority to prescribe the number of Indian Medical Service officers to be employed by a Local Government and the cadre sanctioned by him for the United Provinces consists of 24 specified posts and six officers to provide leave reserve.

REVISED SCALES OF PAY FOR THE SUPERIOR SERVICES.

1191. *Mr. S. O. Mitra: (a) Has the attention of Government been drawn to the news published in the *Hindustan Times*, dated the 8th November, 1933, on page 1, under the caption "Revised Scales of Pay"?

(b) Is it a fact that the Government of India have decided not to take any further steps for revising the scales of salary of the Indian Civil Service and the Indian Police Service officers besides collection of some data by Mr. T. Sloan?

(c) Is it a fact that Government have announced the revised and reduced scales of pay for services under them?

(d) Do these revised scales include the revision of pay for the I. C. S. and I. P. S.? If not, is such a revision under contemplation by Government? If not, what are the grounds for not reducing the scales of pay for new entrants to those services? When do Government propose to announce their decision in regard to the reduction in pay of these two services?

(e) Will Government be pleased to give reasons for this differential treatment towards the high salaried and other lower salaried staff?

(f) Will Government be pleased to state the amount of saving that they expect within the next five years by the revised scales of pay introduced for the services under them?

(g) Will Government be pleased to state the amount of saving that would have accrued to them if the same general rate of reduction in pay were applied to the I. C. S. and the I. P. S. for the next five years?

(h) Why did not Government consider the question of revising the scales of pay for the I. C. S. and the I. P. S. first before touching the lower services?

(i) Have the Government of India been informed by the Secretary of State for India that the British Parliament is not likely to entertain any suggestion of the reduction of pay of the I. C. S. and the I. P. S. officers?

(j) If it is not proposed to revise the scales of pay of these two services, are Government prepared to give up the question of reducing the scales of pay of the other services as well? If not, why not?

(k) Is it contemplated to postpone the revision of pay of the I. C. S. and the I. P. S. for review till five years after the setting up of the new Constitution? If so, why?

(l) Will Government be pleased to state whether the General Purposes Sub-Committee of the Retrenchment Advisory Committee recommended the revision of pay simultaneously for all services? If so, will Government be pleased to state the reasons for accepting only one part of the recommendation?

The Honourable Sir Harry Haig: (a) and (c). Yes.

(b), (d) and (k). No recommendations have yet been made by the Government of India to the Secretary of State on the question of revision of rates of pay for new entrants to the Indian Civil Service and the Indian Police.

(e) Does not arise.

(f) and (g). The Government of India have not calculated the savings that will result in the next five years from the revision of pay of the services under their control, and they are unable to state what savings would accrue from hypothetical reductions in the scales of pay of the Indian Civil Service and the Indian Police.

(h) and (i). The Officer on Special Duty took up the case of the Indian Civil Service and the Indian Police at an early stage of his enquiry. The problems arising in these two services are more complicated than in the services recruited solely in India, and as they are All-India Services it has also been necessary to consult all Local Governments. This has naturally caused some delay in the consideration of the case.

(i) The Government of India have received no such information.

(j) The question of the scale of pay of each service has been considered on its merits.

Mr. S. C. Mitra: Do Government accept the general principle that before they revise the scale of pay of lower salaried officers, in justice and fairness, they should revise the scale of the high salaried officers?

The Honourable Sir Harry Haig: That is not the principle that has been followed or the procedure. What Government have endeavoured to do, as I have just stated, is to deal with the pay of each service on its own merits.

Diwan Bahadur A. Ramaswami Mudaliar: Have Government received replies from Local Governments who have been consulted on the subject?

The Honourable Sir Harry Haig: We have received replies from all Local Governments.

Dr. Ziauddin Ahmad: When are they likely to send their recommendations to the Secretary of State?

The Honourable Sir Harry Haig: Very shortly.

Dr. Ziauddin Ahmad: May I ask whether the retrenchment or reduction in salaries should be given effect to simultaneously both in regard to the services under the Government of India and the All India Services and that one should not have priority over the other?

The Honourable Sir Harry Haig: There can be no question of introducing revisions of pay with retrospective effect unless, as in the case of certain services, notice has been given.

Dr. Ziauddin Ahmad: My point was this. Whenever any scale of pay has been fixed for future men who are entering the service, the new scale should be applied simultaneously to the men in the service of the Government of India and in the All India Services and not applied one before the other?

The Honourable Sir Harry Haig: The new scales of pay have already been sanctioned and brought into force with regard to the services under the Government of India.

Mr. K. C. Neogy: Can the Honourable Member give an approximate idea as to the time that will be required for the Government of India to complete their inquiries in regard to these two services and also for the Secretary of State to make up his mind as to what action to be taken.

The Honourable Sir Harry Haig: I may say that within the last few days the Government of India have reached general conclusions, so far as they are concerned, and they propose to address the Secretary of State very shortly.

Mr. Gaya Prasad Singh: Do I take it that it is in pursuance of the recommendations of the Retrenchment Sub-Committee that the revised scale of pay for subordinate officers has been arrived at?

The Honourable Sir Harry Haig: The question of introducing new scales of pay for the services under the Government of India and, I think, also in the case of the I. C. S. and the Indian Police, was undoubtedly suggested by the Retrenchment Committee.

Mr. Gaya Prasad Singh: My question was whether the revised scale of pay for subordinate officers has been decided as a result of the recommendations of the General Purposes Sub-Committee of the Retrenchment Committee?

The Honourable Sir Harry Haig: I am not very familiar with the proceedings of that Committee, but I do not think that they went into any detailed recommendations. I think the recommendations were worked out by the Officer on Special Duty.

Mr. Gaya Prasad Singh: Is it a fact that the General Purposes Retrenchment Committee also recommended that the revised scales of pay should operate in the case of the I. C. S. and the Indian Police Service simultaneously with those of the subordinate staff?

The Honourable Sir Harry Haig: I have no recollection of any recommendation that the scales should issue simultaneously, but, as I have already said, they did wish the case of the I. C. S. and the Indian Police to be taken up.

Mr. Lalchand Navalrai: May I know from the Honourable Member if this revised scheme with regard to the higher-paid officials will come into operation after the introduction of the new Constitution, or before that?

The Honourable Sir Harry Haig: I am afraid I am not in a position to say anything about the conclusions that are likely to be reached on this question of the future pay of the I. C. S. and the Indian Police.

Mr. Lalchand Navalrai: What was then the justification for bringing into operation revised scales of pay with regard to the subordinates?

The Honourable Sir Harry Haig: The justification was "retrenchment".

Mr. S. C. Mitra: May I take it that if the higher authorities do not accept the Government scheme as regards the scales of pay of the higher-salaried officers, they will not enforce and penalise merely the lower-salaried men?

The Honourable Sir Harry Haig: Sir, as I have already stated, the Government of India think it necessary to deal with the pay of each service on its own merits, and they cannot accept the principle that if a revision of pay is not made in one service, therefore it must not be made in another service in which there appears to them to be full justification for making it.

Mr. Gaya Prasad Singh: Does not the justification for retrenchment operate equally in the case of officers of the I. C. S. and the Indian Police?

The Honourable Sir Harry Haig: No doubt, Sir, if the matter is put as the Honourable Member puts it, it sounds as if the higher-paid services should equally have their pay reduced; but, as I have already mentioned, there are special complications arising in the case of services which are recruited not solely in India.

Mr. K. C. Neogy: Does the Honourable Member realise that if there be any discriminatory treatment between the higher services like the I. C. S. and the other All India Services or the subordinate services then, so far as the future recruits are concerned, there may be loss of efficiency in the case of the latter class, having regard to the sure discontent that will arise so far as the lower services are concerned?

The Honourable Sir Harry Haig: I do not think that is a necessary conclusion.

Mr. Gaya Prasad Singh: Is it not a fact that the Retrenchment Committee was set up for the purpose of retrenching the pay and personnel of the subordinate Indian services and not of the Superior I. C. S. and Indian Police Service?

The Honourable Sir Harry Haig: The whole matter, as I have already stated, has received the most careful consideration and is receiving the most careful consideration now.

Mr. Gaya Prasad Singh: Do I understand that the revised scales of pay for the members of the I. C. S. and of the Indian Police will come into operation shortly?

The Honourable Sir Harry Haig: I can make no statement about our conclusions. The matter will now be referred to the Secretary of State.

Mr. Gaya Prasad Singh: When is the Secretary of State likely to reach his conclusion?

The Honourable Sir Harry Haig: I am afraid I am not in a position to make any statement on the subject.

Dr. Ziauddin Ahmad: Is it not a fact that the ratio of the average pay of the higher staff to the average pay of the subordinate staff is much higher in this country than it is in any other country, and that, by this discrimination which they are going to introduce, this ratio will become much higher?

The Honourable Sir Harry Haig: I would ask the Honourable Member not to make any assumptions which are not justified by what I have stated.

Sardar Sant Singh: Is it or is it not a fact that the proportion of the pay of the higher service officers to that of the lower service officers in England is 1 to 32 while in India it is 1 to 133?

The Honourable Sir Harry Haig: I am afraid I am entirely unacquainted with the figures which the Honourable Member just quoted.

Sardar Sant Singh: Will the Honourable Member please make inquiries and find out?

The Honourable Sir Harry Haig: If the Honourable Member will send me the figures on which he relies, and the authority for them, I shall be very glad to peruse them.

Mr. T. N. Ramakrishna Reddi: Do the Government see the advisability of giving effect to the revised scales of pay with regard to the subordinates simultaneously with the revised scales of pay for the I. C. S. and the Indian Police?

Mr. President (The Honourable Sir Shanmukham Chetty): That question has been asked already.

Mr. B. Das: May I inquire from the Honourable Member if the complications he refers to are the memoranda which the I. C. S. and the Indian Police Associations have submitted to the Joint Parliamentary Committee, and whether it is not a fact that they mentioned there that they did not want their salaries, emoluments and allowances to be in any way reduced?

The Honourable Sir Harry Haig: I think the Honourable Member is referring to a different point. We are discussing at the moment the question of the rates of pay for new entrants and not the question of maintaining the rates of pay of existing members.

Mr. B. Das: Was it not mentioned in those memoranda that they would not like any lowering of the scales of pay of the new entrants for the I. C. S. and the Indian Police?

The Honourable Sir Harry Haig: I am afraid I cannot carry in my mind what was said in these memoranda, but it seems to me on the face of it improbable that serving members will take any very keen interest in the pay of their successors.

Mr. B. Das: Is not the Honourable Member a member of the I. C. S. Association which submitted that memorandum?

The Honourable Sir Harry Haig: No, Sir. I am certainly not. In my present position it would be quite improper for me to be a member of the I. C. S. Association.

Diwan Bahadur A. Ramaswami Mudaliar: In view of the general misapprehension that has been caused over this question, is not the Honourable Member in a position to say that the conclusions, which the Government of India have arrived at on this question, do involve a revision of the scales

of pay for the I. C. S. and the Indian Police, and that that revision is in the direction of reducing the present rates of pay? I do not ask any further details.

The Honourable Sir Harry Haig: I am sorry not to be able to meet my Honourable friend as I am not in a position to make any statement with regard to the nature of the conclusions of the Government of India.

Mr. Lalchand Navalrai: May I know from the Honourable Member if new entrants into the higher services are being entertained on the existing rates of pay or not?

The Honourable Sir Harry Haig: I am not sure whether the Honourable Member refers to the I. C. S. and the Indian Police. At present the new entrants into those services are coming in on the existing rates of pay.

Mr. K. G. Neogy: The Honourable Member has stated that the present members of the services are not expected to be quite so keen on the retention of the existing emoluments so far as the new entrants are concerned. Do I take it that that represents the opinion of the Government of India as a whole and do I take it that that also gives us an indication about the attitude which the Government of India have taken in the matter?

The Honourable Sir Harry Haig: The concern of the Government of India is to secure that there shall be such rates of pay fixed for new entrants as will ensure our getting an adequate supply of candidates of the class required.

MUSLIM SUPERINTENDENTS IN THE GOVERNMENT OF INDIA DEPARTMENTS.

1192. ***Mr. Muhammad Azhar Ali:** (a) Is it a fact that on the 1st October, 1933, there were four Muslim Superintendents in all the Departments of the Government of India, Secretariat, two of them being in the Finance Department?

(b) Is it a fact that both the Muslim Superintendents in the Finance Department, have been compulsorily made to retire from Government service? If so, will Government please state the reasons for taking such a drastic measure?

(c) Will Government please state what is the percentage of Muslims to the total strength in the Finance Department?

(d) Is it a fact that there is not a single Muslim in the Upper-Time-Scale of the Finance Department?

(e) Will Government please state what steps they propose to take to increase the Muslim representation in the Finance Department?

(f) Are Government aware that the retirement of the three Indian Superintendents has created an impression that Government wanted to promote the interests of the Anglo-Indians in the Finance Department?

(g) Is it a fact that one of the retrenched Muslim Superintendents worked satisfactorily as an Assistant Secretary for 2½ years? Is it a fact that his post was abolished and the second post of an Assistant Secretary retained and given to an Anglo-Indian who was junior to him in service?

(k) Are Government aware that this action of the Finance Department in retiring three Indian Superintendents simultaneously has caused great consternation among all the communities of the Government of India Secretariat and has created a feeling of insecurity of service?

(l) Will Government please state in how many cases Article 465-A of the Civil Service Regulations, under which the three Indian officers have been made to retire, has been applied since 1914?

The Honourable Sir George Schuster: (a) Yes.

(b) Two Muslim Superintendents and a Hindu Superintendent in the Finance Department have recently proceeded on the full amount of leave due to them preparatory to retirement.

(c) 22 per cent.

(d) I presume that the Honourable Member refers to the upper time scale for first division clerks. None of the five posts on this scale is at present held by a Muslim.

(e) The Finance Department will observe the policy determined by the Government of India in this matter. That policy is now under discussion.

(f) No.

(g) One of the Muslim Superintendents officiated as Assistant Secretary for nearly 24 years. He was reverted owing to the reduction in the number of posts of Assistant Secretary from three to two and no Anglo-Indian has been appointed in his place. In this connection I would invite the attention of the Honourable Member to the reply given to unstarred question No. 161 asked by Mr. Maswood Ahmad on the 30th of September, 1932.

(h) No.

(i) The information is not readily available.

CREATION OF THE POSTS OF CERTAIN OFFICERS IN THE FINANCE DEPARTMENT.

1193. *Mr. Muhammad Azhar Ali: (a) Is it a fact that new posts of an Assistant Secretary, a Special Officer and an Additional Secretary have recently been created in the Finance Department? If so, will Government please state the reasons for creating these posts in these days of retrenchment?

(b) Are Government aware that there is a general feeling among the public that considerations of economy are pressed by the Finance Department upon other Departments and not applied to their own Department?

The Honourable Sir George Schuster: (a) One temporary post of Additional Secretary has been created in the Finance Department for a period of six months and one post of Officer on Special Duty for about 14 months. Both of these have been created for the purpose of dealing with special work in connection with the Reserve Bank. The Officer on Special Duty is also in charge of some of the ordinary work of the Department and one post of Assistant Secretary is being held in abeyance during the period of his appointment.

(b) No. The Government cannot believe that such a misapprehension should exist.

EVIDENCE OF THE SECRETARY OF STATE FOR INDIA ON THE SUBJECT OF RECIPROCITY AND RETALIATION IN RELATION TO THE DOMINIONS OF THE BRITISH EMPIRE.

1194. ***Mr. B. Das:** (a) Has the attention of Government been drawn to the press reports published in *The National Call* of November 8th, giving a summary of the evidence tendered by the Secretary of State for India on the subject of reciprocity and retaliation in relation to the Dominions of the British Empire?

(b) Is the report published in the Press a correct statement of the position taken up by the Secretary of State?

(c) If the report is correct, do Government agree with the position taken up by the Secretary of State?

(d) Did Government send in their recommendation on the subject before the Secretary of State gave his evidence, and was that recommendation different from the view expressed by the Secretary of State?

(e) Have Government made any representation to the Secretary of State on the subject of his evidence, and, if so, will they please place the correspondence on the subject on the table of the House?

(f) Are Government aware that the Secretary of State's evidence on the subject has created resentment in the country?

The Honourable Sir Brojendra Mitter: (a) Yes.

(b) and (c). The report in the Press is necessarily brief. Copies of the minutes of evidence given by the Secretary of State for India before the Joint Select Committee have been placed in the Library of the House.

(d) and (e). The subject matter of paragraphs 122-124 of the White Paper proposals has been discussed with the Secretary of State, but Government regret that the correspondence cannot be laid on the table of the House.

(f) Yes.

Sir, may I add that this matter may not be further pursued at the moment, because we are arranging to have a debate shortly.

Mr. B. Das: That will satisfy me.

ADMINISTRATION OF JUSTICE IN PROVINCES WHERE THE HIGH COURTS ARE UNDER THE LOCAL GOVERNMENTS.

1195. ***Pandit Ram Krishna Jha:** Will Government be pleased to state whether they are responsible for the efficient and timely administration of justice in the provinces where the High Courts are under the Local Government?

The Honourable Sir Harry Haig: The administration of justice is a provincial subject.

DELAY IN DISPENSING JUSTICE.

1196. ***Pandit Ram Krishna Jha:** Will Government be pleased to state whether after such effect as has been given to some of the recommendations

of the Civil Justice Committee, delay in dispensing justice has been appreciably reduced? If not, do Government propose to take any other steps to avoid undue delay in the disposal of the cases? If not, why not?

The Honourable Sir Harry Haig: Effect has been given to a number of proposals designed to reduce the law's delays. Local Governments are primarily responsible for the administration of justice, in consultation with High Courts, and are fully alive to the importance of taking such measures as are practicable to further this end.

NUMBER OF JUDGES IN EACH HIGH COURT IN INDIA.

1197. ***Pandit Ram Krishna Jha:** Will Government be pleased to state the number of the judges of each of the High Courts in India on the date the report of the Civil Justice Committee was submitted to Government, and the number of judges of each of the High Courts in the month of October, 1933?

The Honourable Sir Harry Haig: I lay on the table a statement giving the information.

Statement showing the number of Judges of High Courts including Additional Judges in January, 1926 and October, 1933.

High Courts.	1925.	1933.
Madras	12	14
Bombay	10	11
Calcutta	16	16
Allahabad	9	12
Lahore	11	14
Poona	9	10
Bangalore	11	11

APPOINTMENT OF JUDGES IN HIGH COURTS UNDER THE LOCAL GOVERNMENTS.

1198. ***Pandit Ram Krishna Jha:** Will Government be pleased to state if they are responsible for the appointment of judges in the High Courts which are under Local Governments? If so, what is the procedure adopted in the selection of persons for appointment as Judges in such High Courts?

The Honourable Sir Harry Haig: Permanent appointments to the High Courts are made by His Majesty under section 101 of the Government of India Act.

INDO-JAPANESE TRADE AGREEMENT.

1199. ***Mr. B. Das:** (a) Will Government be pleased to state whether a new Indo-Japanese Trade Agreement has been entered into, and the date from which it has come into operation?

(b) Will Government be pleased to state the terms of final settlement of the Indo-Japanese Agreement?

(c) Is it a fact that Government had to extend the terms of the old agreement by another one month since the original extension of six months was sanctioned?

The Honourable Sir Joseph Shore: (a) and (b). The negotiations with the Japanese representatives are still in progress and no trade agreement has so far been reached.

(c) The Honourable Member's attention is invited to the Government of India, Commerce Department Press Communiqués, dated the 27th and the 30th September, 1933.

Mr. B. Das: Will the Honourable Member kindly give us a forecast as to when these negotiations with the Japanese Delegation will terminate?

The Honourable Sir Joseph Shore: I am afraid I cannot give any opinion in the matter.

Mr. B. Das: Did my Honourable friend anticipate in September that it would drag on till November and might drag on till next year?

The Honourable Sir Joseph Shore: It is no good by giving my Honourable friend a statement of my own anticipations in the matter.

Diwan Bahadur A. Ramaswami Mudaliar: Is it not a fact that the month's extension has now expired, and may I know what is the state of affairs today?

The Honourable Sir Joseph Shore: The state of affairs today is that this country is no longer in trade treaty relations with Japan.

Mr. S. G. Jog: Will the Honourable Member see to it to withdraw the concessions suggested from the Japanese Delegation so that there may be a *status quo* and a free atmosphere between the two countries while the trade negotiations are going on?

The Honourable Sir Joseph Shore: I think my Honourable friend is aware that the extension of a month was not made conditional upon the withdrawal of the boycott.

Mr. S. G. Jog: Have the Government of India realised the effects of the continuance of the boycott by Japan on the country producers of India?

Mr. President (The Honourable Sir Shanmukham Chetty): The Chair ought to intervene. When negotiations are being carried on and not yet concluded between the Government of India and a foreign Government, this House will do well not to ask too many questions on the subject.

LOSS OF LETTERS OF CREDENTIALS OF THE JAPANESE DELEGATION.

1200. **Mr. B. Das:** Has the attention of Government been drawn to the statement in the Press that the Japanese Delegation could not present their letters of credentials as these were lost during the voyage?

Mr. H. A. F. Metcalfe: Government's attention has not hitherto been drawn to the statement referred to.

Mr. B. Das: Do I take it that neither the Foreign Office nor the Director of Statistics under the Commerce Department, nor even the Director of Information who is under the Home Department have a knowledge of this Press report which is a common knowledge throughout the length and breadth of India?

Mr. H. A. F. Metcalfe: I am not sure what the Honourable Member requires. If it is information as regards the truth of the Press report, I can say that owing to an unfortunate oversight credentials of some of the members of the Deputation were left behind, but steps were immediately taken to obtain those credentials before any formal business was undertaken by the Delegation.

Mr. B. Das: May I just mention for my Honourable friend's information that the Press report was that the letters of credentials of the whole of the Japanese Delegation were lost and not only of some members.

Mr. H. A. F. Metcalfe: I have already contradicted that statement. That is not the fact. What I have stated is the fact.

RESULT OF THE CONFERENCE CONVENED BY THE PRESIDENT OF THE BOMBAY MILLOWNERS' ASSOCIATION.

1201. ***Mr. B. Das:** (a) Will Government be pleased to state if they participated, or assisted in any way, in the tripartite conference as was convened by the President of the Bombay Millowners' Association?

(b) Will Government be pleased to state if they are in a position to state the result of that conference and if any non-official trade convention has been reached?

(c) Has the attention of Government been drawn to the statement in the press issued by Messrs. Kasturbhai Lalbhai, D. P. Khaitan and Lala Shri Ram on behalf of all the millowners minus those of the Bombay City that the up-country millowners dissociate themselves completely from any private understanding that Bombay millwallas might have reached with the Lancashire Delegation?

The Honourable Sir Joseph Bhoré: (a) No, Sir.

(b) The result of the conference including the text of the agreement entered into between the Lancashire Delegation and the Millowners' Association, Bombay, has already appeared in the Press.

(c) The attention of Government has been drawn to the statement. Government do not know on whose behalf the statement was issued.

Mr. Gaya Prasad Singh: Are Government aware that the agreement which has been entered into by the Bombay Millowners' Association and the Lancashire Delegation has been denounced by upcountry millowners?

The Honourable Sir Joseph Bhoré: I understand that the agreement between the Millowners' Association, Bombay, and the Lancashire Delegation has not met with the entire approval of certain sections of the textile industry in India.

Mr. Gays Prasad Singh: Are Government aware that the Chamber of Commerce of Bombay has also passed a resolution denouncing Mr. H. P. Mody and other gentlemen who were the sponsors of the agreement?

The Honourable Sir Joseph Shore: If my Honourable friend had read today's paper, he would have seen a statement there that the Indian Merchants' Association, Bombay, contemplate the revision of that resolution.

Diwan Bahadur A. Ramaswami Mudaliar: Is it a fact that the Mill-owners' Association, Bombay,—to give it its proper title—include the millowners not only of the City of Bombay, but of many other mills both in upcountry and in Southern India? Is it not a fact also that a considerable section of the millowners outside the Bombay City have supported this agreement?

The Honourable Sir Joseph Shore: My Honourable friend is quite correct.

Mr. K. C. Neogy: Have the Government applied their mind at all to the subject-matter of this agreement between the Bombay Millowners' Association and the Lancashire Delegation?

The Honourable Sir Joseph Shore: Government have naturally considered it and as, I think, I mentioned the other day, the action that they will take upon it will be made clear to the House when they come before this House with their proposals in respect of cotton textiles during the next Session.

Mr. B. S. Sanna: In view of the reply of the Honourable the Commerce Member that he does not know on whose behalf these gentlemen have issued that memorandum, will he tell us whether these gentlemen were invited by him only yesterday to confer with him and on whose behalf he asked them to confer with him?

The Honourable Sir Joseph Shore: My Honourable friend is singularly ignorant of what has taken place during the last two months. In order to assist Government in carrying on their negotiations with Japan, they invited representatives of the cotton textile industry and of various other interests in the country, and these gentlemen came as representatives of the textile interests.

Mr. K. C. Neogy: Has the Honourable Member's attention been drawn to a statement which the President of the Board of Trade made recently in the House of Commons in his speech on the debate on the address in which he stated as follows:

"The main result achieved by the Delegation in India was the willingness of the Government of India to discuss the new agreement immediately the Japanese negotiations were concluded."

May I know on what occasion and in what manner and in what terms this particular assurance was given?

The Honourable Sir Joseph Shore: That no doubt refers to the passage in the letter which I addressed to Sir William Clare-Lees, the head of the Manchester Delegation, a copy of which is being placed in the Library of the House as I promised my Honourable friend that it would be placed.

Mr. B. Das: Will the Honourable Member kindly tell me whether it is not a fact that the Bombay Millowners' Association consists of more than 60 per cent. of European members; whether it is not a fact that the Bombay Millowners' Association only represent a moiety of the textile industries of India; and whether it is not a fact that the gentlemen, whose names I have mentioned here, represent very large portions of the textile industry in India?

The Honourable Sir Joseph Shore: My Honourable friend has put so many questions in one that I am afraid I cannot carry them all in my head.

Mr. President (The Honourable Sir Shanmukham Chetty): Only the first question need be answered, namely, whether it is not a fact that the Bombay Millowners' Association contains more than 60 per cent. of European interests. The second and the third do not require an answer.

The Honourable Sir Joseph Shore: I have no definite information on that point, but I should think that it was unlikely.

Mr. Gaya Prasad Singh: In view of the fact that the Honourable the Commerce Member seems to keep a close touch with the Bombay Millowners' Association, may I know if the Government of India gave their moral support to Mr. Mody's Association in arriving at an agreement with the Lancashire delegates?

The Honourable Sir Joseph Shore: What does my Honourable friend mean by "moral support"?

Mr. B. Das: With reference to part (a) of my question as to the convening of the tripartite conference by the President of the Bombay Millowners' Association, will the Honourable the Commerce Member kindly tell me what happened about the non-official negotiations of the Bombay Millowners with the Japanese non-official Commercial Delegation?

The Honourable Sir Joseph Shore: I do not exactly know what my Honourable friend means by the phrase "Bombay Millowners". Does he mean the workers in the Bombay Mills?

Mr. B. Das: I mean the Bombay Millowners. That is the usual phrase that is used in the Bombay Presidency.

The Honourable Sir Joseph Shore: I am afraid I cannot give my Honourable friend any information as to what resulted from the conversations between the Millowners of India and the Japanese representatives. That is an unofficial matter in which these two Delegations alone were concerned.

Mr. B. Das: Was not the Honourable Member's Department inquisitive in any way to know what happened in the negotiations of the Indian Millowners with the Japanese Commercial Millowners in the same way as the Honourable Member took notice of what happened in their negotiations with the Lancashire Millowners.

The Honourable Sir Joseph Bhore: So far as the Lancashire conversations were concerned, Government were informed definitely of the results that had been achieved. But so far as other conversations are concerned, Government have no information.

Mr. B. Das: Is there any truth in the news that I read somewhere that the Japanese Millowners were insulted by the way they were handled by the President of the Bombay Millowners' Association and that, therefore, they did not negotiate with them in any way?

Mr. President (The Honourable Sir Shanmukham Chetty): That is not the concern of the Government.

Dr. Ziauddin Ahmad: In view of the fact that the cottage industry plays a very important part in the textile industry of this country, may I know whether the interests of the cottage industries have also been kept in view in these negotiations with Japan and the Millowners of Bombay? That is a point which we will have to discuss on the floor of the House.

The Honourable Sir Joseph Bhore: My Honourable friend put that question to me a few days ago and I gave him a very categorical reply that they most certainly have been kept in the forefront during our consultations with our non-official advisers, representatives of the cottage industry were invited by us to give us their views before we took any action.

Mr. S. G. Jog: Have you arrived at the final stage?

The Honourable Sir Joseph Bhore: My Honourable friend must wait and see.

Mr. Gaya Prasad Singh: May I take it that this House and the country outside will be given an opportunity to discuss this question before the agreement arrived at with the Lancashire delegates is given effect to by Government?

The Honourable Sir Joseph Bhore: My Honourable friend, being an old Member of the House, must surely realise that so far as any agreement with the Lancashire delegates means legislation, it must come before this House before it is given effect to.

Mr. Gaya Prasad Singh: Do I understand that no executive action will be possible without giving this House an opportunity to discuss the agreement?

The Honourable Sir Joseph Bhore: What does my Honourable friend mean by executive action?

Mr. Gaya Prasad Singh: It is for the Honourable Member to say that no executive action will be taken with regard to the manipulation of tariffs or otherwise without the consent of this House

The Honourable Sir Joseph Shore: I am not aware of the way in which executive action might be taken to manipulate tariffs.

Mr. Gaya Prasad Singh: I am glad of this assurance.

Mr. B. Das: Why, under the Indian Tariff Act.

REPORT OF THE TARIFF BOARD ON THE COTTON TEXTILE INDUSTRIES.

1202. ***Mr. B. Das:** (a) Will Government be pleased to state when they intend to publish the Tariff Board's report on the cotton textile industries?

(b) Will Government be pleased to state if they intend to grant any further measure of protection to the cotton mill industries and if so, when they intend to legislate for it?

The Honourable Sir Joseph Shore: (a) As I explained to the Honourable Members during the discussions in this House on the Cotton Textile Industry Protection (Second Amendment) Bill, 1933, it is not the normal practice to publish the Tariff Board's reports in advance of the announcement of the considered conclusions of the Government of India.

(b) The proposals of the Government of India will be placed before the Legislature in time to permit of a final decision before the expiry of the existing period of protection.

INDO-JAPANESE TRADE AGREEMENT.

1203. ***Mr. B. Das:** Will Government be pleased to state:

(a) if they will legislate to give effect to the new Indo-Japanese Trade Agreement;

(b) if they will allot a day for discussion of the Indo-Japanese Trade Agreement during the ensuing Session?

The Honourable Sir Joseph Shore: (a) So far as may be necessary, yes.

(b) The Honourable Member is referred to my answer to part (b) of Dr. Ziauddin Ahmad's question No. 1145.

ESTABLISHMENT OF A STATUTORY FINANCE COMMITTEE IN THE EAST AFRICAN COLONIES.

1204. ***Mr. B. Das:** (a) Will Government be pleased to state the present position of the European settlers' scheme for the establishment of a Statutory Finance Committee in the East African Colonies?

(b) Will Government be pleased to lay on the table all correspondence between themselves and the British Colonial Secretary or the Secretary of State for India on the subject?

(c) What steps have Government taken so far to protect the rights of Indian settlers in this crisis?

Mr. G. S. Bapat: (a) and (c). I have nothing to add to the Press note on the subject which was issued on the 11th August.

(b) The Honourable Member's suggestion is being considered.

**SUSPENSION OF CERTAIN EMPLOYEES OF THE HORTICULTURE DIVISION,
CENTRAL PUBLIC WORKS DEPARTMENT.**

1205. *Sardar Sant Singh: (a) Is it a fact that certain employees of the Horticulture Division, Central Public Works Department were suspended in September, 1930, on the report of the Audit Department? If so, how many, and what was their position in the Department?

(b) Were any charges framed against them by the Department before they were suspended? If not, when were the charges framed? Is it not a rule that charges should be framed before suspension of Government employees?

(c) Is it a fact that subsequently the case was made over to the police and some of the employees were prosecuted? If so, who were prosecuted, and who were let out early?

(d) Is it a fact that during the examination of prosecution witnesses, officers of the Department admitted that labour was really employed at officers bungalows, Gymkhana Club, Polo Ground, etc. under the orders of the Superintendent, Horticulture Division, and was charged to Government revenues?

(e) Is it a fact that the employees under suspension only carried out the orders of their supervisors?

(f) Is it a fact that the Superintending Engineer of the Horticulture Division was also the Secretary of the Gymkhana Club? If so, do Government propose to take any action against him for employing Government labour in that Club? If not, why not?

(g) Who was the officer of the Central Public Works Department who was holding the office of the Secretary, Gymkhana Club during the period 1928—30? Is he not the same officer who started the case as Superintending Engineer and eventually decided it as Chief Engineer?

(h) Is it a fact that the Superintendent, Horticulture Division, under whose orders the labour was so employed by his subordinates, was a European? Is it also a fact that he was neither prosecuted nor punished departmentally? If so, what is the reason for this racial discrimination?

(i) Is it a fact that the Indian employees were discharged by the trying magistrate who in his judgment recommended the re-instatement of these employees in the following words?

"I find no evidence against any of the accused and I discharge them accordingly. There having been a *bona fide* mistake against the accused in this case, and the least that can be done to rectify it is to re-instate all the accused in their places and I recommend that this may be done by their masters, the Public Works Department and the Central Accounts Office authorities."

(j) Is it a fact that, in spite of the clear finding of the magistrate as to the innocence of the accused, the Department again formulated the same charges which the Court had substantially disposed of in its judgment? If so, under what rules?

(k) How much amount was spent by Government in this case?

The Honourable Sir Frank Moyes: (a) A statement giving the names and particulars of the officials suspended in connection with the case to which the Honourable Member refers is laid on the table.

(b) Charges were not framed before these officials were suspended. Charges were framed in January, 1933. It is not necessary to frame charges before orders of suspension are framed.

(c) Yes; the case was referred to the police and the persons named at Serial No. 1-8 in the list referred to in part (a) above were prosecuted. Mr. Daulat Ram was discharged at an early stage of the proceedings. The other persons accused were also discharged at the conclusion of the evidence for the prosecution.

(d) No.

(e) No.

(f) The Superintending Engineer concerned was also Secretary of the Imperial Delhi Gymkhana Club. Government see no reason to take action against him as there is no foundation whatever for the allegation

(g) Mr. F. T. Jones, C.I.E. The case was started at the instance of the Audit Department, and Mr. Jones dealt with it as Superintending Engineer and Chief Engineer.

(h) The officer who held the post of Superintendent, Horticultural Division, was a European. It is correct that he has not been prosecuted or punished departmentally. The Government of India are satisfied that he was not a party to the defalcations that took place

(i) Yes.

(j) No. Departmental charges were framed independently to cover all the allegations of departmental misconduct. Judicial proceedings are no bar to departmental proceedings.

(k) As the work connected with the police investigation and the judicial and departmental proceedings was done by permanent officials in the course of their ordinary duties, no estimate of the expenditure on the case can be given.

Statement.

Serial No.	Name.	Designation.	Date of suspension.	Remarks.
1	Mr. Des Raj	Temporary Horticultural Subordinate.	4-9-30	Horticultural Division, Public Works Department.
2	Mr. Sohan Singh	Ditto	15-10-30	
3	Mr. Gopal Kishen Mathur.	Temporary Clerk	(Afternoon) 15-10-30	
4	Mr. P. N. Kachar	Temporary Accounts Clerk.	(Afternoon) 16-10-30	
5	Mr. Daulat Ram	Temporary Accountant.	18-10-30	Central Accounts Office.
6	Mr. Manohar Lal Mittal.	Temporary Assistant Cashier.	29-9-31	
7	Mr. Shambu Dial	Ditto	29-9-31	
8	Mr. Gopal Dat	Ditto	29-9-31	
9	Mr. Mukh Raj	Temporary Accounts Clerk.	27-2-33	

Sardar Sant Singh: May I know that when the Magistrate who tried the case discharges the accused by stating that there is no evidence against the accused, is not the Department bound by the finding of the Magistrate?

The Honourable Sir Frank Noyce: No, Sir. As I have said in reply to part (j) judicial proceedings are no bar to departmental proceedings.

Mr. B. R. Puri: Was not the whole of the case placed before the Court? Why a portion of the case was withheld from the Court?

The Honourable Sir Frank Noyce: As far as I know, the whole of the case was placed before the Court as far as it then appeared possible to do so.

Mr. B. R. Puri: If the whole of the case was in fact placed before the Court, the fact that the accused had been discharged would stop the Department from proceeding departmentally against these very accused persons on same materials which had already been placed before the Court.

The Honourable Sir Frank Noyce: Departmental misconduct and conduct that brings a man within the purview of a Criminal Court are two different matters. I may explain for the information of the House that I should have failed in my duty to my Department if I had not ordered a departmental inquiry into a case of this kind which had broken down. I should also have been failing in my duty to this House as this case is bound to be mentioned in the appropriation report which is presented to the Public Accounts Committee.

Mr. Lalchand Navarai: May I know from the Honourable Member if the motive of the accused, namely, that they were being employed by the Superintendent for private work was brought to the notice of the Court and decided upon?

The Honourable Sir Frank Noyce: I cannot bear in mind all the details of this most confused and confusing case. I have gone into the papers with some care and, as far as I know, there is no ground whatever for the allegation that men were utilised illegitimately for private work.

Mr. Lalchand Navarai: Has the Honourable Member got a copy of the discharge order?

The Honourable Sir Frank Noyce: Naturally, Sir.

Mr. B. R. Puri: Will the Honourable Member place a copy of the order discharging the accused as well as a copy of the various charges which were framed from time to time?

The Honourable Sir Frank Noyce: I am not prepared to place the records of the departmental inquiry on the table of the House.

Mr. B. R. Puri: I am not asking for the proceedings of the departmental inquiry. I am only asking for the copies of the discharge order and the various charges.

The Honourable Sir Frank Noyce: No, Sir.

Sardar Sant Singh: May I know whether the Government realise this fact that in a court of law when the Government are prosecuting their servants, both the Government and the accused are on the same level and placed before an impartial tribunal?

The Honourable Sir Frank Noyce: That may be so.

Sardar Sant Singh: In that case when the Magistrate, after hearing all the evidence, comes to the conclusion that there has been a *bona fide* mistake against the accused in this case, what justification is left to the Government to use their departmental machinery when the finding of that impartial tribunal is against them?

The Honourable Sir Frank Noyce: A departmental inquiry was held into this case by two officers independently, by the Chief Engineer and by the Accountant General, Central Revenues. As I have said, this was a most confused and confusing case, but both these two officers came independently to the conclusion that a serious fraud had been committed. It seems to me that in a case of this complicated character, the opinion of officers of that standing that a serious fraud had been committed is of greater value than that of the Magistrate. I may explain for the information of the House that these men were temporary men and it was open to Government to discharge them at a month's notice. Instead of doing that, a proper inquiry was held into the allegations of departmental misconduct, the Chief Engineer inflicted certain punishments and the case came up to Government on appeal when it was examined by me personally most carefully. Ordinarily it would not have come to Government on appeal as these officers were not of the rank to which an appeal ordinarily lies to the Government of India. It came to the Government of India, because the original orders were passed by the Chief Engineer. I can assure the House that I have gone into the case most carefully myself and I can also assure the House that, to the best of my belief, justice has been done.

Mr. M. Maswood Ahmad: Is it a fact that Government were not satisfied with the judgment of the Magistrate?

The Honourable Sir Frank Noyce: Naturally, Sir. As I have explained to the House, I should have failed in my duty if I had not made further inquiries into a case which broke down as badly as this one did. It was obvious that there was something unsatisfactory somewhere and naturally I had to find out exactly what was wrong. It may be that the case was presented badly before the Magistrate and it was for that reason that it broke down.

Mr. M. Maswood Ahmad: If Government were not satisfied with the judgment of the Magistrate, was it not open to them to move the High Court against the acquittal or the discharge?

The Honourable Sir Frank Noyce: That may be so, but as I have pointed out, the punishment meted out to these officials was for departmental irregularities and not for criminal irregularities.

Mr. B. B. Puri: May I know definitely whether the Department is not bound by the verdict which has been given by the Magistrate who has judicially tried this case?

The Honourable Sir Frank Noyce: No, Sir.

Mr. B. B. Puri: If Government were not satisfied with the order of the Magistrate, did they put in any revision against that order of discharge?

The Honourable Sir Frank Noyce: I have explained more than once that we dealt with this case from the point of view of departmental irregularities, negligence and the rest, which enabled frauds to be committed. We have not dealt with it from the point of view of criminal intention. Certain frauds were committed and the officials, through whose negligence, criminal or otherwise, these frauds were allowed to be committed, were suitably dealt with. The question of criminal intention does not, therefore, arise.

Mr. S. C. Mitra: Will the Honourable Member tell this House whether, in the departmental inquiry, facilities were afforded to these accused persons to personally represent their case and, if any evidence was produced against them, to test that evidence by cross-examination?

The Honourable Sir Frank Noyce: The departmental inquiry was held in the usual regular manner.

Mr. S. C. Mitra: Do Government realise that they only got a one-sided version of the case, and when it was held by a Magistrate in a regular Court of law that there was a *bona fide* mistake against the accused, was it not unfair and unjust for the executive to go behind the judgment of a competent Court of law and punish these poor people?

The Honourable Sir Frank Noyce: I do not think, Sir, that I can usefully add anything to the reply that I have already given.

Mr. Amar Nath Dutt: May I know if Government took any steps to have those remarks expunged by way of appeal or revision before taking any further action according to their own views?

The Honourable Sir Frank Noyce: I have already answered that question, Sir.

Sir Gowsaji Jehangir: If it was evident that a fraud had been committed and the prosecution failed, who was responsible for the failure of that prosecution? If it was a good case, the prosecution should not have failed, and steps should have been taken against those who were responsible for this failure.

The Honourable Sir Frank Noyce: That may be so, but it hardly falls within my province.

Mr. B. Das: In view of the fact that the departmental inquiry came after the judgment of a competent Court, is it not fair that these unfortunate persons should get their salaries and emoluments till the day the Court delivered the judgment?

The Honourable Sir Frank Noyce: They were on subsistence allowance.

Mr. R. S. Sarma: May I know whether in such cases the departmental inquiry precedes the judicial inquiry by a Magistrate or follows it?

The Honourable Sir Frank Noyce: A preliminary departmental inquiry is made up to the point at which it appears desirable that the case should be handed over to the police.

Sardar Sant Singh: In view of the fact that an impartial tribunal has given judgment in unmistakable terms that there was no fault for which these men should have been prosecuted and, as a matter of fact recommended their reinstatement, does it not seem vindictive on the part of the Department which is, after all, a party to the case, that they should proceed further and persist

Mr. President (The Honourable Sir Shanmukham Chetty): Order, order, that is not a question. To ask whether it is not vindictive is simply asking for an opinion. Next question.

APPROVAL OF THE INDIAN MEDICAL COUNCIL ACT BY THE BRITISH MEDICAL COUNCIL.

1206. ***Mr. Lalchand Nayalrai:** (a) Will Government be pleased to make a full statement whether the British Medical Council has approved of the Indian Medical Council Act? If not, what objections have they and what is the effect thereof?

(b) What is the view of the Secretary of State for India on this measure?

(c) Is there any move to interfere with or whittle down the Act by amending the White Paper or making a provision in the Constitution Act, guaranteeing permanent right of practice to British qualified doctors in India? If so, what action do Government propose to take to avert such a move?

Mr. G. S. Bajpai: (a) Government have no information. They did not ask for the views of the British Medical Council on the Act.

(b) There has been no correspondence between Government and the India Office on this subject.

(c) I have nothing to add to the statement made by me in this House on the 20th September, 1933, that the Joint Select Committee which has to consider the position of British professional men will be free to consider the subject in all its bearings.

Mr. K. O. Neogy: Has the Honourable Member's attention been drawn to the evidence given by the Secretary of State before the Joint Parliamentary Committee in course of which, while dealing with the question of commercial discrimination, he said that he will have something to say on the question of the rights of the British medical practitioners in India?

Mr. G. S. Bajpai: Yes, Sir, my attention has been drawn to that, but, in the subsequent reports of the evidence, it appears that the Secretary of State did not follow up what he said.

Mr. K. C. Neogy: Was there any correspondence at all on this question between the Government of India and the Secretary of State after the passing of the Act?

Mr. G. S. Bajpai: I have already answered this question that there has been no correspondence between Government and the India Office on this subject.

Mr. Lalchand Navarai: Has the Honourable Member read reports in the newspapers that the British Medical Council are not satisfied and, on that account, there is something going to be done in the new Constitution? If the Honourable Member has read that, should he not have got the information and given it to the House?

Mr. G. S. Bajpai: My Honourable friend seems to have a most touching faith in the veracity of everything that appears in the newspapers. I cannot really take action upon all that appears in the newspapers as to whether A is satisfied and B is dissatisfied. I can only take action on official material and, on the basis of such official material as I have, I have already answered this question.

Mr. Lalchand Navarai: My Honourable friend is more wide awake about papers than I am, but my question is that, having got certain allegations made in the papers, when the Honourable Member saw that questions were put about getting certain information, was it not the Honourable Member's duty to make some inquiry and give information on this point?

Mr. G. S. Bajpai: My Honourable friend's question was, firstly, whether Government obtained the views of the British Medical Council, and my answer is, no, because it is not our business to obtain the views of the British Medical Council as to what they think about an Act of this Legislature. His second question was, whether there has been any correspondence with the India Office, and my answer is in the negative. His third question was, what does the Secretary of State think about it, and I have said that, what I had to say on the subject, was stated in the course of the debate on the second reading of the Bill. There has been nothing subsequent to that.

Mr. Lalchand Navarai: Then are we to understand from the Honourable Member that if an Act is passed here which affects not only India but also the institutions in England and if there is anything with regard to that, the Honourable Member is not to inquire into that and give us the information?

Mr. G. S. Bajpai: I do not really know what there is to inquire about.

Mr. Lalchand Navarai: I do not quite follow the Honourable Member.

Mr. G. S. Bajpai: My difficulty, Sir, is greater than his. (Loud Laughter.)

THE RESERVE BANK OF INDIA BILL.

Mr. President (The Honourable Sir Shanmukham Chetty): The House will now resume discussion of the Reserve Bank of India Bill.
12 Noon.

Mr. B. Das (Orissa Division: Non-Muhammadan): Sir, on behalf of the minority signatories I was yesterday laying stress on the major points that the minority wanted this House to accept. I gave in detail the reasons why a Shareholders' Bank would not be acceptable to the nation and why a State Bank was the only acceptable proposition to the country. Thereafter I was dealing with the reserves that the Reserve Bank should command and there I mentioned that the Government of India should not sell away their silver reserves, the rupee coins, but should rather conserve them for the nation.

In this connection I wish to draw the attention of the House to clause 37 of the Bill where the Bank has been authorised to part with the reserves, whether gold or sterling securities. I could be a party to the temporary transfer or sale of sterling securities that are lying in the reserve of the Government of India with the Reserve Bank. But I can never be a party to the proposition that the Reserve Bank, through the connivance of the Finance Member and the Governor General in Council, should part with the minimum gold which this Bill fixes at Rs. 40 crores. The Honourable the Finance Member is very strong on that point. At times he uses strong expressions. I have quoted it in the minutes of dissent and I will just refer to it again. My Honourable friend may say that these were not his exact words—but he meant to say that he would rather see the gold reserves of India at the bottom of the sea if the Reserve Bank could not handle or part with them in the cause of national credit. I will come to it later when I deal with clauses 40 and 41; but our suspicion is that Government, constituted as they are today, faced as they are with their exchange position, if they are to continue pegging up the rupee to maintain it at 18d., the Reserve Bank, which will be the hand-maiden of the Governor General and the Financial Adviser—not the Finance Member—would have to part with this gold; and, therefore, we insist that this Rs. 40 crores of gold should never be parted with. Of course I must concede in this matter one point to the Honourable the Finance Member: he says, of course, that nobody would want that gold to be parted with, but he would insist here that provision should be made enabling this to be done.

Then the third vital point that is agitating the whole of India throughout the length and breadth of the country is the ratio question. The Honourable the Finance Member, while he was making his speech, was very firm on that point. I rather saw a note of irony in his voice when he said "Dabble not with this ratio question: press me not over this: the country wants a Reserve Bank: you are having it. Dabble not with exchange problems". As I have mentioned in the minute of dissent, which I and Mr. Vidya Sagar Pandya have signed, the London Committee and our Indian friends on that Committee threw no light as to how at present immediately we could fix the rate of exchange. In a passage which my Honourable friend, the Finance Member, omitted yesterday in quoting from para. 19 of the London report, where he was saying that the ratio

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should be fixed when the Bill was introduced on the floor of this House. It is stated:

"A considerable majority of the Indian Delegates feel it their duty to record their view that a suitable exchange ratio is one of the essential factors for the successful working of the Reserve Bank. They point out that considerable changes have occurred in the currency bases and policies of almost all the countries of the world in the last few years. In their view it is for the Government of India and the Legislature to examine these and all other relevant considerations with a view to ensuring that the minimum possible strain is placed on the currency system of India."

Sir, I would have thought that those Indian gentlemen who served as ornaments and adorned the Reserve Bank Committee in Whitehall had access to more materials than we in the Indian Legislature here. We wanted to go into it, but the House noted the firmness of tone of the Honourable the Finance Member and, in the Committee, no materials were available to us for fixing the ratio at 10d., 12d., 14d., or 16d. Therefore, we took the only course left to us. We left it to the Central Board of the Reserve Bank. The Central Board sooner or later will be an elected body: they will be nationals of India: at least three-fourths of them, as the Honourable the Finance Member assures us, will be nationals of India: they would be as good patriots as we are here or outside; so it will be their bounden duty in controlling the currency and credit of India to look into the problem; and if, in their survey of the whole monetary field, they find that they must recommend to the Governor General that the ratio must be revised immediately, because the international monetary position has become stable, then we have provided in old clause 49(a)(2)—new clause 54—that such a Central Board should take steps to recommend to the Governor General.

I wish to make here one personal explanation. It has been given out in the press that I did not vote for the 16d. ratio when it came to the vote. If I did not vote, let the country read my speech and the few statements that I have made just now. There were no materials placed before us. If men like Sir Purushotamdas Thakurdas, Mr. A. Rangaswami Iyengar, Sir Phiroze Sethna, Sir Cowasji Jehangir and Diwan Bahadur Bamsawami Mudaliar, who had the opportunity of hearing the experts of the India Office, including my Honourable friend, Sir George Schuster, in the camera committee of the India Office, if they could not decide on the spot, I, without any material available to me, could not decide in this Committee on a snatch vote whether the ratio should be fixed at 16d. I remained neutral. I have heard remarks from very personal friends in business circles who have come and told me that I had changed my mind and that I supported 18d.

Sir Cowasji Jehangir (Bombay City: Non-Muhammadan Urban): You are a capitalist now, a business man, are you?

Mr. B. Das: . . . and that I supported the 18d. ratio: certainly not. I moved the amendment on the first day of our meeting. In the Committee I stated that I stood by the Resolution of the Federation of the Indian Chambers

Mr. S. C. Mitra (Chittagong and Rajshahi Divisions: Non-Muhammadan Rural): You are a member of the Executive Committee.

Mr. B. Das: Yes, my friend reminds me of that.

The Federation of the Indian Chambers met at Calcutta on the 11th and 12th September, and this is what they said:

"In any event the exchange obligations of the Reserve Bank should not be fixed at the ratio of 1s. 6d. for a rupee, but that the rupee should be immediately delinked from sterling and be stabilised after wholesale prices in India have attained approximately the level of the year 1925-26, which means an increase over the present price level by about fifty per cent."

Sir, I moved an amendment that the rupee should be delinked and that six months' time be taken before the Reserve Bank Act is promulgated in order to include the ratio in this Bill. Sir, if I have gone a little into details, it is with a view to explaining my point, because I do not want to be misunderstood either on the floor of this House or outside in the country that I did not support the 16d. ratio. No materials were placed before me to enable me to give my verdict. Sir, it is high time that my Honourable friend, the Finance Member, without taking shelter under the apron strings of the *Hindu* of Madras, should come out and admit that the position has changed, that the country demands that the ratio problem should be revised,—I do not say revise it under the garb of the Reserve Bank Bill, but it should be revised. My Honourable friend, the Finance Member, while I quoted in the September session, the *Statesman* and the *Capital*, quoted the *Hindu*. When I read some of the editorials of the *Hindu* of Madras, I sometimes cannot understand whether they are written by my old friend, Mr. A. Rangaswami Iyengar, or by my Honourable friend, Sir George Schuster, because the language is so common. But, Sir, I do feel that my friend's adviser sitting behind him, Mr. Aravamudha Ayyangar, is still supplying him with editorials from the *Hindu*. I still hope that my Honourable friend has read that editorial which Mr. Rangaswami Iyengar,—dis-illusioned after his return from London after a certain statement that appeared in the press that the Secretary of State said in the House, in giving evidence before the Joint Parliamentary Committee, that the Parliament would ultimately exercise its control through the Secretary of State and the British Chancellor of the Exchequer to give permission to this Legislature, and then alone this Legislature can examine the position of the ratio and revise,—wrote recently. As the Finance Member took great pains in the last September Session to read one column and a half from the *Hindu* of Madras, I will just read one sentence, and I do hope that next time he meets Mr. Rangaswami Iyengar, they will still remain friends. It is in the Currency League literature, but it was published in the *Hindu* of the 16th of October, 1933. When Mr. Rangaswami Iyengar woke up from his sleep, and after reading certain statements from his London correspondent, this is what Mr. Rangaswami Iyengar said:

"It would be a most ridiculous financial condition that when such a contingency arises the Indian Government and the Indian Legislature should be disabled from going promptly to the Central Reserve Bank's reserve for the maintenance of the integrity of its note issue and stability of India's credit and finance without obtaining the approval of the two Houses of the British Parliament, thousands of miles away."

Sir, my friend, the Finance Member, may still say that nothing has altered since what has been provided in the proposals of the White Paper: but the Secretary of State, if he is an elected Member of the House of Commons, must carry out the behests of the Houses of Parliament. It

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is no use telling us that the provisions of the White Paper are not subjected to the control of Whitehall. Well, Sir, I leave that political issue there.

Now, I come to the issue proper. Sir, it was stated the other day that when the other day the Honourable the Finance Member's predecessor, Sir Basil Blackett, flew over India, he did not like to stop here and have even a lunch with the Finance Member,—and he is reported to have written in his book "Planned Money" that there is no need of fixing the rate of exchange. Sir, I would like to quote here a passage from the *Times of India's* "Our Own Correspondent in London",—and the House knows who that correspondent can be,—he is Sir Stanley Reed,—and I do hope that my friend, the Finance Member, will not say that Sir Stanley Reed has joined the Currency League or the Indian National Congress. The article was written from London, dated October the 7th. . . .

An Honourable Member: It is not Sir Stanley Reed, but it is Mr. F. H. Brown.

Mr. B. Das: The language is that of Sir Stanley Reed.

Talking about the recovery of Australia, he says:

"In this connection, the recovery of Australia is almost a dream. Only two years ago, I voyaged with a well-known business man returning from an examination of his commitments in Australia. He was in the most pessimistic mood, convinced that Langiam had come to stay and that his investments were in grave danger. Few people have ever made more drastic sacrifices than the Australians to re-establish their credit. They are rewarded by a surplus which permits of a reduction in taxation of no less than seven millions, and a partial restoration of severe cuts in pay and allowances which will further mitigate the situation. Here is an object lesson in sound finance; but, I do hope, authorities in Delhi will mark an essential feature; the restoration of cuts was simultaneous with the reduction of taxation. It did not precede it. The recovery of Australia is likely to be quickened by the revival of commodity prices, which is specially affecting the great wool interest."

I hope the Finance Member will take note of that. Sir, I need not quote further. If you want to raise the commodity prices, if you want to raise the price level, if you want to get more taxation and have a surplus Budget and not a deficit Budget, if you want to have sufficient funds in your hands, then allow the rupee to be delinked, and then the Finance Member's next Budget will show a surplus of not £ seven millions, but of £17 millions; price levels will rise, internal commodity prices will rise, and the Finance Member will then be able to say—at present he is overshadowed by the dark shadow—"how could I remit my 40 crores of rupees which is my Home Charge, I am only for five months more in this country, let me keep pace, let me go smoothly, let my successor, whether he is taken from the Indian Civil Service or the British Civil Service, it does not matter. Let him stew in his own juice: the members of the Currency League will go for him. I will leave the whole thing to him: and if he has to change the ratio, he will come under the heavy wrath of Sir Henry Strakosch or Sir Samuel Hoare. not to speak of Mr. Montagu Norman and Mr. Neville Chamberlain. Why should I take all this trouble? Let me follow the line of least resistance. Even in spite of all my mistakes, in the matter of ratio policy, I have given India a Reserve Bank Act for which they will cherish my name for a long time". Incidentally, my Honourable friend nowadays has become so strong a nationalist that he does not read the Anglo-Indian papers, he does not read the *Statesman* or the

Times of India, he reads only the *Hindu*. The *Statesman*, only the other day, that is, on the 22nd October, gave a bit of advice to the Chancellor of the Exchequer of India. The *Statesman* gave him the advice, why does he not buy up the gold and keep it by? The *Statesman* does not follow the same economic theories as the Chancellor of the Exchequer follows. Let me quote a line or two, under the heading "Gold Rush":

"Cannot the Government of India profit by the occasion which is still with it. Gold may have another phase in the nearer future at which it will reach heights as yet untouched. Government, by taxing the export, can create a partial embargo and could itself buy freely at favourable rates. Gold is still a backing for currency, and by its use Government has the power to put much more sound money into circulation in this country and thereby to give a much-needed impetus to internal trade."

Pandit Jawahar Lal Nehru did not write this; it is the editor of the *Statesman*. Sir, on that memorable day, when you moved that Resolution from the floor of this House at Simla in September, 1931, you tendered that advice; we all tendered that advice. But the Finance Member says: "Where will I find the 25 per cent. money if gold comes back to parity?" But the Finance Member must have read the praise which he indirectly got in the columns of the *Morning Post*, when it said that India, by the export of 110 crores worth of gold, saved the credit of England. If the Bank of England today goes on purchasing gold, it is not possible for the Government of India to purchase gold and it will not be possible for the Reserve Bank also, because it will be managed by the financial plutocrats in the pure commercial standard and they would not buy gold, because there would be a liability of losing 25 per cent. or 33 per cent. later on if they buy gold at a high price and gold goes down to the old level. I do hope that the Finance Member will bear in mind the warnings not only from us which he may ignore, but he ought to bear in mind the warnings of his own nationals, nationals who have greater British interests in India than temporary sojourners like the Finance Member who, by the oath of allegiance that he has taken, tries to do good to the Indian people. The *Times of India*, and the *Statesman* advised him as to the correct course and here he is not willing to take it. I do urge on the Finance Member to give us an assurance when he replies, that he will do his utmost to put it before the authorities in England that the time has come for a revision of the ratio. If he gives that assurance, he will have a very smooth sailing in the passage of this Bill. Above all, we are very willing to work in a spirit of conciliation and co-operation, but we are not given the chance always to exercise that spirit of conciliation and co-operation with the Honourable Members on the Treasury Benches.

I have spoken on the three major points in which the dissentients differ from the Majority Report. The Finance Member may vote me down on the floor of this House, but he knows that the majority of the country, the millions, are behind the opinions which I have advocated on the floor of this House.

Now, Sir, I will come to a few minor points before I close my speech. Once again I acknowledge my gratitude to the Government Members for coming into agreement with us in excluding the Dominion countries from being shareholders of the Reserve Bank and formulating a clause by which we can discriminate, not only discriminate, but retaliate against countries that are always discriminating against India. But I demur to the way in which the proviso has been drafted. I should

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like that to be put strongly. I would like the Government of India to be bold enough, to be courageous enough to say that South Africa is unfit to be associated with the Government of India, that South Africa should be black-marked. I do not want to see that the Government of India should notify that Australia and New Zealand are the only Dominions who can be treated as equals by the people of India. Why this fear of these Dominions people? Why this fear of South Africa and Canada? I leave the point at that.

I come to the next point. My colleagues in the Joint Committee wanted that there should be two Deputy Governors in the Reserve Bank. Sir, you, who had been a participant in the discussions on the Bill of 1927, know, and the older Members of this House know, that at that time there was no conception of two Deputy Governors. If a majority of my colleagues have agreed on it, they have made a mistake. The Imperial Bank is still there with its two Managing Governors and one Deputy Governor to work as agents of the Reserve Bank. Much of the work of the Reserve Bank will be transferred to the Imperial Bank. But the main suspicion which the Opposition and the country have against this provision is that if there are two Deputy Governors, an Indian, one superannuated in his 66th year, may be taken as the first Indian Deputy Governor. By the time he is 71, his eyes may become too dim to become the Managing Governor of the Reserve Bank. And it may be that that Indian will be allowed to look after correspondence and files in the office while the currency will be handed over, as some of us suspect, to an I. C. S. officer. Therefore, in my minute of dissent, I have made it clear that no I. C. S. officer should be appointed either as a Governor or as a Deputy Governor, and I want the House to accept the position that was proposed in 1927. There was an understanding and lobby talk that there should be one Deputy Governor who should be an Indian, and there was a talk also that there should be one Assistant Deputy Governor who should be an Indian. What is wrong in having an Indian Assistant Deputy Governor? My Honourable friend agreed with us in substance, but he did not like to provide in the Statute that at least one of them should be an Indian. Why should not both be Indians? We have provided that the Managing Governor should have at least five years' tested banking experience. I am quite willing to join hands with the Honourable the Finance Member and to get an European, be he a Canadian or an Australian, provided he is not a South African. I should see that he is kicked out from this country and not allowed to manage the credit policy of India.

Mr. Amar Nath Dutt (Burdwan Division: Non-Muhammadan Rural): What about Japanese?

Mr. B. Das: I am not talking of the Japanese at present. The Deputy Governor should be an Indian and he should be a comparatively young man. There should not be two Deputy Governors. Why should we not adopt the same course today as was suggested in 1927 when the financial credit of India was high? Why should we not have an Assistant Deputy Governor who should be an Indian too and whereby we will ensure that after five years an Indian will be the Managing Governor of the Reserve Bank.

With the most of what fell from the Honourable the Finance Member about the business clauses, the operating clauses like 17, 30, 33, 37 and other clauses, I agree with him except in regard to what I said about clause 33 and clause 37, that the gold should not be frittered away.

I now come to one point in clause 17 (3) (a), and here I entirely disagree with the Honourable the Finance Member and my colleagues signing the majority report. In the second draft, the name "of persons" from whom Government can buy or sell sterling was included. Suddenly I find that in the third draft it was taken away and it was a big surprise to me. The first draft contained the names "of persons approved by the Central Board". Let me explain to the House what happens. The Government remit large sums of money to England. There also the business operations are run by the mercantile public. The exchange banks have probably won over the heart of the Honourable the Finance Member, because they are coming into the pool of the Reserve Bank as scheduled banks and everybody knows that these exchange banks are mostly British banks. There are big firms like Rallis, Volkarts, etc., and also Indian firms like Kilachands and Birlas who are large exporters of Indian produce. These people want to remit money and they want to bring back money. Some of them are today on the list of the Government of India. There are four or five such firms on the approved list. I was not asleep at the time and I find that this suddenly vanished from the third draft. The exchange banks charge their discount rates at 1/32nd. If they combine, they have set the wholesome pressure of these business firms and they will bring a loss of nearly 60 lakhs of rupees.

Diwan Bahadur A. Ramaswami Mudaliar (Madras City: Non-Muham-madan Urban): Is there not a special provision in the case of such a combination?

Mr. B. Das: I think you are referring to clause 18. That is only for special occasions. Here the Government have gone to pamper the exchange banks who are foreigners.

The Honourable Sir George Schuster (Finance Member): I really must intervene, because, I think, my Honourable friend is definitely misleading the House. My Honourable friend suggested that this change was made suddenly. It was very fully discussed, and the object is to open the door to Indian banks to come into this exchange business. It is not a clause designed to favour the exchange banks in any way at all.

Mr. B. Das: That is a very pious idea on the part of my Honourable friend, the Finance Member, and those of my other colleagues who joined with him in that sentiment, that the Indian banks should come in and do exchange business. I cannot dream of it in my lifetime. I want to have a wholesome influence exercised on these banks who handle large resources. As I was pointing out, by raising 1/32. Rs. 60 lakhs will be lost, and what will be the effect then? There will be a loss of Rupees two to three crores in the internal commodity prices. When money is remitted from England at a very high discount rate, the effect will be felt in the financing of the small agriculturist. Nobody pays from his pocket. It is the poor man whom my Honourable friend, the Finance Member, fleeces at every stage, and who pays at every stage. It is the man at the bottom, the agriculturist, who suffers. His produce will not go out and there

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will be loss on the internal commodity prices at least to the extent of Rupees two to three crores. There are amendments on that point. I am glad to find amendments in the names of Mr. Sarma and Mr. George Morgan. I have also given an amendment. I hope the House will not be misled by the statement which the Finance Member just made. The octopus of the Imperial Bank has been on these petty Indian bankers so tight, that they have never been allowed to rise high, and this provision will immediately bring in large sums of money into the pockets of the exchange banks.

Now, there is another point. My friends in the Committee wanted that the Bank should be a Shareholders' Bank and that voting power would come to a person who has 500 shares of Rs. 100 each. Why not one share, one vote? The capitalist section of the Committee felt shy. They said that the power of voting will then be abused, because the small man with Rs. 100 share is more liable to corruption than the man who invests Rs. 500. I demurred there and I strongly demur here that such statements should be made, that if I buy a share of Rs. 100 I should be liable to be corrupted, and if my friend, Sir Cowasji Jehangir, buys Rs. 20,000 shares, he cannot be corrupted. Yet we hear that he holds large shares in the Imperial Bank of India and he transfers his proxy, transfers it to certain European friends of his, particularly the Secretary of the Imperial Bank of India, without caring to know which way his votes go. So, Sir, if I fail in my contention and if we cannot have a State Bank, if really the House comes to the decision that it should be a Shareholders' Bank, then let us have a real democratic Bank—"one share, one vote; one shareholder, one vote". What is the use of providing that a rich fellow can purchase Rs. 20,000 worth of shares and who can also have ten votes? Because shareholders are investing in these gilt-edged securities for the reason that it is a national investment, and because everybody is actuated by one noble feeling that the national credit of India should be maintained throughout the world. Does the Honourable the Finance Member maintain that each of these men, with his ten votes, will be better able to maintain the national credit of India? Never. Therefore, I do hope that my democratic friends here, including my Honourable friend, Mr. Mody, who, I am so glad to notice is one of them and who nodded to me meaning that he is a democrat, will subscribe to the principle of one share, one vote, and one shareholder, one vote.

Dr. Husein Ahmad: One man, one vote.

Mr. B. Das: Yes, that is what I mean.

Sir, the only important point from the Reserve Bank point of view is clause 43 which deals with the agreement with the Imperial Bank. I do appeal to the Honourable the Finance Member that he will circulate to the Members of this House the memoranda which Government placed before the Joint Committee about the agreement with the Imperial Bank and its operations so that Members should know the work and the activities of the Imperial Bank, as that will much clarify the discussion when we come to clause 48. Sir, I mentioned it yesterday that it was at one time thought that the Imperial Bank should be a national Bank. I find that the octopus tentacles of the Imperial Bank are such that it is no use for me to maintain the attitude towards the Imperial Bank that I maintained so long and that I am willing to accept that it is functioning as a national concern. I was assured by Sir Purshotamdas Thakurdas and

others who represented the Imperial Bank before the Joint Committee that the Bank was trying to do its part as an Indian Bank. Sir, I did examine in detail the Managing Governors of the Imperial Bank and I felt satisfied that they were functioning as an Indian Bank. As the Reserve Bank will only be a bankers' Bank and it must have agencies, I have supported the scheme subject to slight modifications here and there, and I believe that, in spite of all the acts of commission and omission of the Imperial Bank, during the time when the Chancellor of the Indian Exchequer did not exercise proper control from the national viewpoint of India over the Imperial Bank, the latter will in future justify its existence and really serve the interests of the millions in the country and not cater mainly to the few directors whether they come from Bombay or Calcutta or Madras.

Sir, to conclude, I appeal to my friends to read over and over again the small luscious fruits that we have provided in our minutes of dissent and to see for themselves whether they do not voice the national feeling of India. If we have done that, let them not be misled by the soft persuasive tone of the Honourable the Finance Member. Let them not be carried away by the size of the stone which the Honourable the Finance Member and his majority colleagues have dangled before them. Let them feel in terms of the national interest of India. Let me assure my friends including those who do not see eye to eye with me that I am not here to obstruct; I am not in the mood in which I was in 1927 when, on one memorable day, I came back after lunch with Mr. Jamnadas Mehta, and when I challenged the division and threw out clause (a). Sir, it is a great loss to India that the Reserve Bank Bill was then thrown away. Had we had that Reserve Bank, my Honourable friend would not have had the latitude that he now has had for the last five years to play ducks and drakes with India's financial credit. I do admit that there is economic depression all over the world, that India would have felt the shock, but we would have recovered. Sir, if I were the Chancellor of the Exchequer, I would not have allowed the flight of gold to the tune of 150 crores (Hear, hear) to maintain the credit of the Bank of England. Sir, I confess I made a mistake, a very serious mistake, a great national blunder in helping to throw out the previous Reserve Bank Bill. Today I am the last man to advise here that there should not be a Reserve Bank. I will not do that, but I will be the last man to accept the big stone which the Honourable the Finance Member has offered me and which, I am afraid, is going to blow up my brains. (Laughter.) Sir, I do hope my colleagues will take note of the national sentiment and feel the nation's pulse and will register their votes on the sides of those who are registering here the voice of the nation. It may be that this Bank will prove a real national Bank and will be able to revive the credit of India provided that the ratio policy is properly settled, and to which I hope the Honourable the Finance Member will make a real financial reply and not a reply given at the dictation of the Chancellor of the Exchequer of England. (Applause.)

Mr. B. S. Sarma (Nominated Non-Official): Mr. President, I am not a student of finance like my friend, Mr. Das, nor a Jack of all trades like my friend, Mr. Lalchand Navalrai, who jumps upon his feet on every conceivable subject

Mr. B. Das: Sir, is that a parliamentary expression—"a Jack of all trades"?

Mr. B. S. Sarma: and if I venture to make a few remarks, they are only of a general character and are in the nature of a contribution from

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a layman to this debate. Sir, I have often found that the contribution from a layman on so technical a subject is sometimes as helpful as that of an expert. Before I define what attitude some of us belonging to the Central Party will take on the two motions now before this House—one for consideration, and the other for re-committal to the Joint Select Committee, by Mr. Sitaramaraju—I crave your indulgence to make one or two brief remarks of a personal character. Sir, when this Bill was introduced by the Finance Member in the Simla Session, heaps of abuses were showered upon the devoted heads of the Managing Governors of the Imperial Bank—Sir Osborne Smith and Sir Kenneth Macdonald—and their administration was very severely criticised, and when I in my speech took exception to the unfair attack on Sir Kenneth Macdonald and Sir Osborne Smith without people realising what they have done to this institution, my friend, Mr. Das, who has just concluded his speech, asked me whether I had had any favours from the Imperial Bank which led me to sing their praises; and it was an agreeable surprise to me, Sir, that my friend began his speech yesterday with a fulsome praise almost amounting to flattery of Sir Osborne Smith and Sir Kenneth Macdonald; and, if rumour is correct, he has been the recipient of a handsome letter from Sir Osborne Smith,—but I shall not emulate his example and I shall not be ungenerous enough to insinuate anything. I shall admit that he has not had a letter of credit, but only a letter of appreciation. (Laughter.)

Sir, my friend, Mr. Das, yesterday again began his speech by a reference to the thinness of the House so far as the official Benches are concerned. I do not think anybody need worry about the thinness of the official Benches, because everybody knows that, within a minute of the division bell going, the thin Benches will be converted into crowded ones, and all of them will rush as one man to the Division Lobby. But what pains us most is that in a debate, which everyone says is of such a great and momentous character on a measure on the establishment of which even Central Responsibility depends, we in this House, at any rate people like us, who do not know much about finance, should be deprived of the benefit of the mature advice and fiscal wisdom of leaders whose help we are entitled to get on an occasion like this. Sir, how much the debate in this House should have been enlivened and enriched if we had had the benefit of the mature wisdom of the late President of the Fiscal Commission, Sir Ibrahim Rahimtoola, or of the Leader of the Nationalist Party, Diwan Bahadur T. Rangachariar! Sir, it is sad to contemplate that in this unfortunate country, during discussions of so momentous a character, our leaders are either so sick as not to be able to come or so selfish as not to leave room for others to come or that some of our leaders should think that it is more important to be entertaining future Viceroy in London or treading the pleasant paths of dalliance on the southern coast of France, than return to their posts of duty in the House to lead its deliberations on an occasion like this.

Mr. B. Das: Is that a reflection on the Leader of the Nationalist Party?

Mr. R. S. Sarma: Whatever it is, I have said it. Having said this, let me at once say exactly what our position is. When Sir George Schuster asked Mr. B. Das yesterday whether he was supporting the consideration motion or he was supporting Mr. Sitaramaraju's motion, he counselled patience to him and said that, if he would wait, he would know. Sir, we have waited the whole of yesterday and the whole of this morning without—

knowing exactly what he has been talking about. Lest the same impression be created with regard to myself, let me at once say quite frankly that we shall support the consideration motion and not the re-committal motion, not because we are not in sympathy with the object that Mr. Raju wants to achieve. Sir, let me take this opportunity of paying a tribute to the patriotism which actuated Mr. Sitaramaraju in the fine speech that he delivered yesterday and a tribute has been paid even by the *Statesman* this morning to his deep scholarship and the masterly presentation of the subject that he undertook to present before the House. At the same time, I think it was a most impracticable suggestion that he put before this House. Does he seriously think that this House should now finish with the whole discussion and re-commit the Bill to the Select Committee for the consideration of that one subject only? I understand that the Honourable Member himself has an amendment of this very question, and when that amendment comes and when it is moved as an amendment, he will find a large measure of support for so reasonable a measure from every section of the House. Sir, when this matter was referred to the Select Committee in the Simla Session, it was opposed by a large number of people and, speaking on behalf of the Centre Party in supporting the reference of the measure to the Select Committee, I said that our object in sending it to the Select Committee was to see that the measure came out of the Select Committee a better measure than it was, and it is agreed on all hands that it has come out of the Select Committee a better one than it was when it entered the Select Committee. It shall be the endeavour of all of us to see that, when this measure goes out of this House, it will be a much better Bill than what is presented to us by the Select Committee. In that sense we shall give this consideration a support and, whenever any reasonable amendments are moved, everyone of us will support them.

There are one or two important questions which are linked up with this question, more linked up by some of the Members than the rupee is to the sterling. The first is the shareholders portion of it. There are points of view totally different from each other. There are those who are in favour of the Shareholders Bank from the fiscal and financial point of view. There are others who are in favour of the State Bank. All the arguments that we have so far heard on behalf of the State Bank are based more on sentiment than on anything else, and sentiment does play a great part. I am not here to suggest that we should not take sentiment into account, but, as I said in my speech on the last occasion, if we look at the constitution of the Centre Banks all over the world wherever they are we find practically all of them are more or less Shareholders Banks. Wherever there are State Banks, the inclination today is more towards converting them as Shareholders Banks.

Mr. B. Das: It is rather the other way about.

Mr. E. S. Sarma: I do not think so, but I have not yet studied the subject as fully as Mr. Das has done. But judging from the newspaper reports and the memoranda submitted by experts in France, Denmark and other places, I do find that the tendency is towards Shareholders Banks. I may say that I have got this information not from anybody else, but from a financial weekly newspaper from which Mr. Das often gets his inspiration.

Mr. B. Das: My Honourable friend seems to know too much.

Mr. R. S. Sarma: I know too much, because my source of information is the original source. (Laughter.) Sir, sentiment does play a great part, and I have often wondered why the Government should not even meet that. But I have often wondered why it should be for these Benches to go and prove why it should not be a Shareholders Bank. The onus of the proof lies with the Government who wish that it should be a Shareholders Bank. The tendency everywhere, as I said just now, is to have a Shareholders Bank, and why should we launch at such a momentous occasion upon a new and novel experiment. If we find that the Shareholders Bank has not functioned properly or, abuses that are apprehended creep in, why should we not provide something in this Bill which will placate public opinion in this matter and, at the same time, meet the viewpoint of Government. We should have a clause just as we have in the case of State Railways by means of which when we find that the Shareholders Bank has ceased to be a confidence-inspiring institution, the State should have the right to buy it. If there is an amendment of that character, I think it will meet both the point of view of Government who are committed to the Shareholders scheme, and the sentimental character of the viewpoint of the Opposition and a common ground can be achieved.

Then there is the question of the ratio. Anybody, who has read the debates of this House or has even listened to the speeches of yesterday, of Mr. Raju, and today of Mr. Das, would have been under the impression that this ratio question has achieved a racial aspect, as if the 18 pence ratio is all good for the British people and the Europeans, and the 16 pence ratio is all good for the Indians.

Mr. B. Das: Mr. Ramsay Scott is for 16 pence.

Mr. R. S. Sarma: I am coming to that. Mr. Ramsay Scott is not for 16 pence by himself. I think it is a mandate from the Upper India Chamber of Commerce that he should take this attitude. At the same time, Acharya Sir P. C. Ray, who is a leader of the Bengalees, has been a firm supporter of the 18 pence ratio. Mr. Binoy Kumar Sarkar and lots of others, who will be acknowledged by the Bengal representatives in this House to be the authorities on this subject, have been asking for 18 pence.

Mr. B. R. Puri (West Punjab: Non-Muhammadan): Why not add your name also?

Mr. R. S. Sarma: I am a humble man.

Mr. Amar Nath Dutt: He is a great chemist.

Mr. R. S. Sarma: I am glad to have the assurance that he is only a chemist and that his opinion upon economics and upon financial matters will not be quoted in future in this House as an expert opinion, but there are Indians who are very much in favour of 18 pence and there are Europeans who are in favour of 16 pence, and he will be a bold man who will suggest that at this juncture we should fix the ratio either at 16 pence or 9 pence or 24 pence in this Bill.

Mr. K. C. Neogy (Dacca Division: Non-Muhammadian Rural): That bold man is sitting there.

Mr. E. S. Sarma: Therefore, I am saying that both the points of view are wrong either to fix it at 16 pence or 18 pence. I would be inclined to support the suggestion that was made in the Select Committee, namely, that the ratio should not be fixed before the Act comes into operation.

Then there are some small things in the Bill, namely, the Directorate, the Indian personnel, some provision for the purpose of making it impossible for non-Indians to get the majority. I find that most of these things have been met in the Select Committee. If still legislative sanction is to be obtained and clauses are to be inserted in the actual Bill instead of pious assurance on these matters on the floor of this House, we shall certainly support them with all our strength. Therefore, our position is very clear, namely, not to commit the grave mistake which some patriotic leaders did when the Blackett scheme came before us which everybody now admits was a better scheme than this and which even provided for a State Bank and whose praises even Mr. Das was singing just now. We should not commit the same mistake, but should put our heads together and evolve a scheme which will go out of this House as a better measure and a measure which will satisfy not only the requirements of the official Benches, but also satisfy the demands, sentimental and otherwise, of non-official Benches.

In favour of such amendments, in favour of a constructive scheme of establishing this Reserve Bank as soon as possible in a manner that will satisfy all the interests, in favour of such constructive efforts will be directed all the energy and all the voting strength of the best organised and most disciplined single Party in this House to which I have the honour to belong.

Rai Bahadur Kunwar Raghubir Singh (Agra Division: Non-Muhammadian Rural): At the outset I must congratulate the Honourable the Finance Member for the care and thought he has bestowed on the subject soon after his return from Home. I must also thank the Select Committee for making the Bill better in many respects.

The most important question in connection with the establishment of a Reserve Bank is whether it should be a Shareholders Bank or a State Bank. We know that most of the countries have Shareholders Banks, but the experts in this country want a State Bank, because the conditions prevailing in this country are peculiar and the objections of those who want a State Bank can be met by providing the safeguards, because this is the time when safeguards are so much talked of in the framing of the Constitution. There are safeguards given by an expert, Mr. A. D. Shroff. The most important safeguard in this connection is that 75 per cent. of the paid up capital at any time should be held by the nationals of India. There is another opinion of a newspaper in Urdu which gives out that 80 per cent. of the paid up capital should be held by the nationals of India instead of 75 per cent. proposed by Mr. Shroff. The second condition, according to Mr. Shroff, is as to the restriction of voting rights as proposed in section 14 of the Bill. The third is the limitation on distribution of profits by way of dividend on the paid up capital as proposed in clause 44. The fourth is that Government should reserve

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the right to acquire at any time the entire capital of the Bank at a valuation to be determined by the Auditor and Comptroller General. This Urdu paper, I mean *al-Bashir*, gives out another safeguard that the Reserve Bank should not help foreign banks as it is feared that it might do so. It should be the primary concern of the Reserve Bank to help the indigenous banks in India and not foreign banks. In this connection a memorandum by the Karachi Indian Merchants' Association on page 2 says:

"It is not only necessary, but expedient, that the scheme of distributing shares should be such as would debar non-nationals from holding shares exceeding 1/5th of the paid up capital of the Bank at any time, and it should be further provided that the control of the general policy of the Bank should be in the hands of the Indian nationals."

So, if these safeguards are provided, then there can be no quarrel left as regards a State Bank or a Shareholders Bank. I, therefore, wish to propose the following improvements in the Bill so that it may be acceptable to Indian nationals. First of all, the point which was stressed by my Honourable friend, Mr. Raju, is exceedingly important that some machinery should be devised in the Bill to provide for rural credit on the model of Australia. The second improvement suggested is that at least two men should be Indians among the Governor and Deputy Governors proposed. In this connection a member of the Select Committee from my province, the Honourable Rai Bahadur Lala Mathura Prasad Mehrotra, has made very good suggestions. There ought to be a limit of 25 thousand maximum holding of shares by a single shareholder. The second point of his is that, instead of five centres, there ought to be seven centres as places where Currency Offices are located at present, namely, Bombay, Calcutta, Madras, Rangoon, Lahore, Cawnpore and Karachi. The list of centres given in the Bill gives five and my province, the United Provinces, has been left out altogether. Cawnpore has a Currency Office now and there is no reason why Cawnpore should not be one of the centres as it is one of the big business places in the province.

I am glad that the Government lay emphasis on the fact that there should be no political influence in the discharge of the function of the Reserve Bank. Everybody agrees to this proposition. But a fear has been expressed that though there may not be any political influence in India, yet influence from Home may be exercised. This fear should also be removed. Mr. Shroff has also said that it is very necessary to define "political influence". He says that "finance, as one of the transferred subjects, will obviously be in charge of the responsible Minister. Will the Governor General in Council then mean the Governor General acting on the advice of the Federal Government or is it intended that in making these appointments the Governor General will act on his own discretion in the exercise of his special responsibility of safeguarding the credit and financial stability of India?" These considerations should be borne in mind.

Then, another question arises on page 32. A sum of forty crores will be given to the Reserve Bank and the balance will be 9½ crores of gold in the reserves, and what will happen to this? That is an important question to which the Honourable the Finance Member will, I hope, reply. There is no doubt that the Reserve Bank is very necessary, because they have made it a condition precedent to the establishment of Federation in

India, and it is necessary that it should be established. But it should be such that it may be acceptable to the experts and to the men of business in India. I have gone through the Bill carefully, and I find that sub-clause (12) of clause 17 says about "the purchase and sale of gold coin and bullion". I do not think the power to sell bullion should be given without any restriction to the new Bank.

Then there is a proviso to clause 40 which should go:

"Provided that no person shall be entitled to demand to buy an amount of sterling less than ten thousand pounds."

Then the third change needed is an increase in the areas as fixed in Schedule 5. I have already said about this and I wish to press it further by pointing out that India is a very vast country and its interests will not be served by the few centres proposed in the Bill.

Then, Sir, the nominations by the Governor General should be as in the Bombay Shareholders' memorandum. On page 5 they say:

"The London Committee observe: 'In view, however, of the fact that in the particular circumstances of India election may fail to secure the representation of some important elements in the economic life of the country, such as agricultural interests, we recommend that a minority of the Board should be nominated by the Governor General in Council under the present Constitution and by the Governor General at his discretion under the new Constitution, it being understood that this power would be exercised to redress any such deficiencies.' It will thus be seen that nomination of certain Directors by the Governor General in Council has been recommended by the London Committee only in the event of it becoming necessary to redress any deficiency in election."

This means, of course, that those interests like agriculture and co-operative concerns which are not directly represented will be represented by the nomination to be made by the Governor General.

Then, there is another change required about the Directors that those who are Directors of more than 20 companies, not being private limited companies, should not be allowed to sit on the directorate of the Reserve Bank. This fact has also been impressed in the Bombay Shareholders' memorandum. The seventh change required is about the penalties provided for the delinquencies of the functionaries, and the eighth change required is that the period of office of the Directors should be uniform. Page 2 of the Karachi memorandum says:

"My Committee fail to realise why the period of office of the shareholders' Directors nominated by the Governor General in Council is fixed at two years in case of Bombay and Calcutta Directors, and four years in case of Delhi, Madras and Rangoon Directors."

So this should be uniform, and I do not see why there should be any difference in this.

Then, lastly, there is the all-important question of the linking of the rupee with sterling which has been harmful to agriculture as well as to industries. Although they say that the question of ratio is not directly connected with this Bill, yet, in view of the harm that has been done to the country, it is very necessary that it should be changed. I hope the House will be able to so improve the Bill that it may be acceptable to the whole country.

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

The Assembly re-assembled after Lunch at Half Past Two of the Clock, Mr. President (The Honourable Sir Shanmukham Chetty) in the Chair.

Mr. Bhuput Sing (Bihar and Orissa: Landholders): Sir, I would like to say a few words on this important motion. During the period when the Bill was being discussed in the Committee, it was made clear to us that the Governor General in Council in the Bill meant Governor General at his discretion, if and when, there will be responsible government established in this country. This interpretation was too wide and too absolute to be swallowed by some of us, who took the opportunity of representing to the Government to have a clear definition of the term "Governor General in Council", which, according to our conception, should be made to convey the meaning of Governor General in consultation with the Member in charge of Finance. Our main object was that by this definition, even if there be a responsible government established in India in the near future, the Member in charge of Finance, if he happens to be an Indian, will have some voice in the control, management and business of the Bank in the best interests of India. Sir, it is rather surprising that the Government have neither replied to the representation nor given any explanation in this House on the question. It clearly shows, that, what the Government intend to do is to retain the fullest measure of control over the Bank by the Secretary of State through the Governor General, who is at present, and will in future, be nothing but a tool in the hands of the British Cabinet which will run the Bank to the advantage of the City of London. The very basic principle of doing away with political influence over the Bank through politicians is being retained in so far as British politicians are concerned, whereas the same privilege is being denied to India and to this House. We being the representatives of the people of India must have the fullest right of criticising the administration of the Bank as we have the right to criticise the administration of the country including certain reserved subjects like the Army under the present Constitution. So long as the Governor General is given autocratic and absolute power at his discretion, I cannot see eye to eye with Government on this Bill. I would even at this stage request the Government to accede to our request to remove one of the greatest objections to the Bill.

Sir, the main argument against a State Bank is to establish a Bank free from all political influence. But what has been done here is to free the Bank from all political influences in India, without curbing the British political influence over it. The final control over every matter has been vested in the Governor General in Council; and if the Governor General in Council should mean the Governor General at his discretion, there would be no safeguard from the influence of the City of London. Further, the whole trouble and all the criticisms against the Bill may be removed if we make it a State Bank. The Indian State coffers come from all sections of Indian and European subjects and, as such, the capital of the Bank, if subscribed wholly by Government, may very well be said to have come from the pockets of the Indian subjects of His Majesty irrespective of caste or creed. The creation of a State Bank is not a new principle that we are pressing for. It is as much an accepted principle in the history of the world's Central Banks, as the other principle of Shareholders' Banks. I do not like to go into the list of countries which have State Banks, but it is enough if I say, that even within the British Empire, there is a dominion

where there is a State Bank. Not only that; even in England today, there is a strong feeling amongst a section of the British public and there is a move and a very strong move indeed to make the Bank of England a State Bank. So far as other foreign countries are concerned, it will suffice, if I say that almost all the succession States which are the creation of the Treaty of Versailles have assimilated the principle of State Banks and not Shareholders' Banks, and they have withstood even the present financial crisis which is upsetting the money markets of some of the most powerful European nations. Even the present Indian Constitution is such that a State Bank seems to be the fittest. The irresponsible bureaucracy dare not try to run with impunity the Bank to the fullest advantage of themselves and the British capitalists, as that will evoke criticism not only in India but in the international world, whereas, on the contrary, the Legislatures, under the present Constitution, have not the power to bring party influences to bear upon the administration of the Bank.

Last but not the least important consideration that the House will have to take cognisance of is that this very principle of State Bank was accepted on the floor of this House by the predecessor of Sir George. That being so, I do not understand, why the Government should be so much opposed to the establishment of a State Bank. Sir, distrust begets distrust; if the Government distrust the people of this country, it is no wonder when the people of India in their turn see everything with distrust that is suggested by the present administration run by the steel frame of notoriety. Whether the Bank is a Shareholders' Bank or a State Bank, the Government of the country would be forced to intervene at some stage or other. If at any time the Central Bank cannot meet its obligations, the Government cannot stand aloof on the plea that the Bank is a Shareholders' Bank: no Government can allow the Central Bank to default. In this connection Mr. Kisch, a financial expert, states as follows:

"The repercussions on the Government's own credit would be too great. The event may be improbable; but the possibility, however remote, is sufficient to demonstrate that the Government has a vital concern in the efficiency of the Central Bank and cannot be indifferent to its policy."

That being the case, even if the Bank be a Shareholders' Bank, as proposed in the Bill, the Government will have to watch its policy very minutely, and step in to intervene as soon as the Government find its policy to be detrimental to the credit of the country. In this connection, it will not be out of place to mention what another financial expert, Mr. Keynes, stated in giving evidence before the Royal Commission. On being asked by the Chairman of the Commission whether it was a fact that in many important countries the Central Bank was more or less independent of the Government, Mr. Keynes stated as follows:

"It all depends whether you mean formally or informally."

Then, later on, he stated again:

"You could not have a more extreme case than the Bank of England, which formally is a private company; but that does not represent the real facts."

Further on, in the course of his reply, he added:

"The Bank Directors have the power of resigning and making a great scandal about it in the last resort, but, in practice, short of a great public scandal I should say that it is the Government of the day, which has the last word."

[Mr. Bhuput Sing.]

In coming to the question of the limitation in the number of shares to be held by an individual, I am not convinced by the argument of free marketing of shares. The Reserve Bank shares cannot be compared with the shares of ordinary limited companies. Had it been an ordinary limited company, there was no need of a special legislation. The shares and the Shareholder's Bank stand altogether on a different footing and must be treated with a special consideration. To my mind, there is a very great objection against the holding of unlimited shares of the Bank by individuals. The basic principle in making the shares available to the largest number of men at the time of the first allotment is, that the shareholders and the electors will be multifarious so that the Central Bank will represent all shades of opinion in the country. But, if, after the allotment, no limitation in the holding of shares is enforced, a coterie of capitalists may purchase an unlimited number of shares in the name of a free marketing, and ultimately the country may find to its bitter cost that the Bank is being run to the advantage of that coterie and not to the advantage of the people of India. After all, as I have already said, it is not like other private Shareholders' Banks. It will deal with State money, and, if a group of capitalists control the largest number of shares, *they will utilise the State money only to their advantage.* I agree that *such prospects might be remote, but I ask with all seriousness whether in such an important legislation the door for such a prospect should be kept open.* It is an every day occurrence in the share market, that with a little rise of price in the share value, a large number of shares come to the market. It is no wonder that such a thing will not happen in the present case. The Honourable the Finance Member hopes that people will cling to their shares. But I believe that it is a pious hope, which will never come into fruition.

Sir, as regards the opening of a branch of the Reserve Bank in London I cannot see eye to eye with the Government who outvoted the minority by a majority of votes in the Committee. London being one of the best international money markets, I think Indians in charge of the London branch will have the best opportunity of coming into contact with and knowing about international money markets. The Central Banks are the banks, where the nationals of a country get the best training of being financial experts. Unfortunately, at the present moment, we have got very few financial experts who could be compared with those available in other dominions and independent countries. The only reason for this state of miserable affairs in this line is that Indians have not been given an opportunity of coming into direct contact with the Central Banks of other nations, and, in my opinion it is the only opportunity of training Indians in the London branch of the Reserve Bank as future experts in international finance. Considering these aspects, the question of economy must not be made a fetish for carrying out our London business through the agencies of the Bank of England. Further, Sir, the amount of profit that will accrue to the Bank of England, by handling the business of the Indian Reserve Bank in London, will be huge in comparison with the profit that may accrue to the Reserve Bank in India as their agent.

Now, Sir, as to the ratio question, much has already been said by speakers who have preceded me, and so I do not want to say much about it now. I have expressed my opinion on that point in my minute of dissent, and I am of the opinion that the whole question should be investigated by an expert body before fixing it in this Bill.

As regards the rural credit system, it has been abundantly made clear by my Honourable friend, Mr. Raju, and I agree with his proposals. Considering all these factors, I would suggest to this House to proceed with the Bill with the utmost cautiousness. Keeping these factors in view, this House should try to amend the Bill in such a way as to make provision for a State Bank, failing which we must amend the Bill in such a way as to remove the powers of the Governor General at his absolute discretion either under the present Constitution or the future. Sir, there are certain other points, which I do not like to deal on the present motion but I shall discuss them when the clauses will be taken up.

Lala Rameshwar Prasad Bagla (Cities of the United Provinces Non-Muhammadan Urban): Sir, at the very outset, I admit that the Bill marks an improvement on existing conditions as, at present, the currency and exchange policy is managed by the Finance Department, while the control of credit is almost entirely vested in the Imperial Bank. With a separate and properly constituted authority with definite functions, duties and responsibilities, matters might improve to some extent. But there are certain misapprehensions in the public which, I feel, should be removed by clearly providing in the Statute.

I am unable to understand the Finance Member when he says that he desires and practically assures that not only 75 per cent. of the shares will be in the hands of Indians, but even more, why he cannot have it mentioned in the Bill. Sir, the same thing applies to the control. It is imperative that we should have clear safeguards against non-national interference as France, Germany, Italy, Norway, Denmark, Greece and Hungary, having share capital banks, have by some means or other provided. The Reserve Bank Bill will be the foundation of the financial edifice or, more correctly, the centre of the financial nervous system. Its conduct on the basis of a national economic policy is vital to the economic development of the country. Therefore, our anxiety to safeguard against non-national interference is most reasonable, and legitimate and should not be misconstrued as discrimination.

Sir, I would like to say a few words about our reserves. For some years now the countries have not only been conserving their gold resources, but have been straining every nerve to draw more and more gold to themselves which policy, being stretched beyond limit, has resulted in upsetting international equilibrium. Even after those countries have renounced their responsibility for maintaining convertibility, the scramble for gold has not a whit abated. I do not suggest to follow that policy of unbridled economic nationalism; but certainly I am anxious to save the country from being exposed to the dangers of an ill backed paper currency. I, therefore, suggest in this connection that an embargo should be put on the gold and the price be fixed by the Government at which they should buy gold in the market and thus add to our gold reserves and not be contented with only 40 crores of rupees worth gold. The Government should even now, although it is very late, be awakened lest the stream of gold may dry up.

Sir, now I propose to examine the question of exchange ratio as I do neither understand nor believe that this question does not come within the province of the Reserve Bank Bill. In fact, this is the foundation on which the proposed edifice of the Reserve Bank will stand. If we are not wise enough to strengthen the foundation, the whole structure is sure

[Lala Rameshwar Prasad Bagla.]

to fall down at no distant date. I hope the Honourable the Finance Member, who is in a way our guide in planning the structure, does not desire along with us the mason to be condemned even by a layman for raising the gigantic building knowing the foundation to be absolutely unreliable and worthless. To my mind, the only course, if the Reserve Bank is to be saved from imminent jeopardy, is to devalue the rupee and stabilize it at the lower ratio. My reasons for doing the same are raising the price of commodities which is the crying need of the country. Most of the countries are doing it and India, an agricultural country, needs it much more than any other. With the present exchange ratio, India can get the benefit of depreciation at the most to the extent England does, but the rise in prices is needed much more here than in England. Actually our prices are lower. According to Mr. Scott's calculations, the sterling has depreciated by 33½ per cent. while here by only 210 per cent. From 1931 to 1933, the wholesale prices in England have increased by about three points, while in India they have recorded a fall by about 3 points in the same period. Sir, the exchange ratio so far could be maintained owing to the export of gold, but now when it has almost all drained, the fictitious ratio cannot be maintained by the Art Masters unless, of course, they decide to suck all the little blood of the public which has been left now. Our balance of trade has fallen considerably and a rise in prices would raise the buying power. Now, when most of the countries are off the gold standard and most currencies are depreciating, is the time for reconsidering the ratio question and putting it at 1s. 4d. instead of 1s. 6d.

Mr. President, coming from Cawnpore and belonging to the business community, I will be failing in my duty if I do not point out a flaw. I am at a loss to understand what procedure has been followed in fixing the centres for keeping the registers. If it was the commercial position of the cities, I cannot understand why Cawnpore should have been omitted. May I inform the Honourable the Finance Member that Cawnpore even now is proud of having a Currency Office, and, if a register is kept there, it will mean practically no extra expenditure or inconvenience. It was Cawnpore in North India at least which had its first claim. I, therefore, appeal to my Honourable friend, Sir George Schuster, that if he wants to see his desire fructified to which he gave expression in the last sentence of his speech, "a body which would remain in touch with the main business centres and command the confidence of the business community of India", he will agree to adjust it and fix Cawnpore, the Manchester of Northern India, also as one of the centres.

With these few words, I support the Honourable the Finance Member's motion for consideration of the Bill before the House.

Mr. S. C. Mitra: Sir, in our minute of dissent we have made our points clear. We have said that the whole country is for a State Bank, and, on the last occasion, in 1928, the then Select Committee, after much consideration, accepted such a scheme. So, it now lies heavily on the Government to prove that the scheme of a Shareholders' Bank should be preferred to that of a State Bank. I for one cannot understand why the bureaucracy in India, representing an alien Government, should be anxious for a Shareholders' Bank in preference to a State Bank.

Going through the old papers, I find that the only reason that they could put forward against a State Bank was the difficulty of securing a proper Board of Directors. No other solid ground, so far as I can see, has been put forward against the scheme of a State Bank. It is admitted that the Bank will be discharging public functions and that the principal object of this Bank will be to control the currency and credit system of India. If that be so, will the Bank function merely on behalf of shareholders, or it will discharge public functions? The purchasing power of the rupee will be more or less determined by the future policy of this Reserve Bank. I do not think that anybody can claim that the future Reserve Bank should be for any individual or shareholders' interest. When this Bank will be discharging merely public functions dealing with the interests of the rich and the poor alike, why should it not be a State Bank unless it is proved that it is not possible to get a proper Board of Directors?

You will remember, Sir, that in the 1928 scheme there was a suggestion for a Board of Directors who were expected to be free from the day-to-day political influence of the country. As we have said in our Report, in the judiciary of this country we find that it is possible to secure personnel for the highest posts who are not interfered with by the executive, who hold their own and who continue their service during good behaviour, and no body here in this House or outside in India has ever said that they are influenced by political motives. If that is possible for the judiciary, a very important function of the State, why should it be impossible in the case of the Reserve Bank? Again, so far as State Railways in India are concerned, there was a committee which claim to have succeeded in providing for a scheme in which the members of the Board of Directors are expected not to be influenced by political considerations, but who would be able and efficient Directors. So, when in the scheme of 1928 it was suggested that the Board should consist of members representing the Associated Chambers of Commerce and the Federation of Indian Chambers, that there should be three representatives from the non-official Members of this Honourable Legislature, three to be elected by the non-official Members of Local Legislatures, and one to represent the co-operative banks in India, that was a scheme which had the wholehearted support of the people of this country. So it cannot be said that it is impossible to work out a scheme for a Board of Directors of the Reserve Bank who will be beyond the pale of day-to-day political influence.

It has been well argued by my friends on this side of the House that with the Bill as it is, the political influence of the Secretary of State will be very great, and that the Secretary of State, being one of the Members of the British Cabinet, his responsibility will be to his constituency and his Government, and, as my Honourable friend, Mr. Bhuput Singh, has just now said, the influence of the City of London will directly be on him in any consideration of the interests of India. Under these circumstances, we feel that there is no way by which this Bank could be kept absolutely out of the influence of politicians. Further, why should there be all this anxiety? Even under the present scheme, the Directors will be elected by the shareholders, and so are they expected to be non-political persons? We certainly expect that big financiers or persons, having experience in the industrial or commercial field, will be elected. Take a man, for instance, like Sir Purshotamdas Thakurdas, or my Leader, Sir Cowasji Jehangir. Can we expect that when they leave Bombay, they will leave their politics in Bombay and be merely commercial or industrial men? Man is a political animal, and as such he will

[Mr. S. C. Mitra.]

ever be influenced by political motives. And what are politics after all? If we try to understand it, it means that a man is to be dictated not by his own individual interest, but by the interest of the community and the people at large. Why should people in the Bank be bereft of all political considerations? Certainly it is agreed by all people that

3 P. M. politicians should not interfere with the day-to-day working of the Bank, but that is no reason why our Statute should debar all political influence from this Directorate while making it fully liable to be dictated to by the Secretary of State from England. All attempts to make the Viceroy a constitutional Governor General have failed. I know His Excellency is very much anxious to be one. Can Government even now give us the assurance that the Governor General in Council should not in any way be influenced by the Secretary of State? Will he not be responsible to the Secretary of State and his constituency in England? Will it be admitted in the future Constitution that the Governor General, as in the dominions, should be free from all influences from England? If that is conceded, there is some meaning in it, but by all kinds of safeguards and through the Instrument of Instructions the Viceroy remains merely the agent of the Secretary of State and, as I have said, the Secretary of State must be responsible to his own people. Under these circumstances, it is preposterous for the Government to expect that this Bank will be working free from all political influences. That is one of the reasons why we in India are for a State Bank.

Certainly it is anomalous that, as Mr. Sarma once said, we the people of India should ask for a State Bank when that also will be dictated by the Secretary of State. When we want a State Bank, we feel that the politicians in India and the Legislatures will also have a voice to counteract the influence that may be exercised by the British commercial people. That is the reason why, though unnatural it may seem, we on the popular side also wish to have a State Bank.

I have sought to modify the scheme of Shareholders' Bank, if this scheme is accepted, by an amendment, so that there may not be any influence from the British commercial people, defining the Governor General in Council to mean as advised by his responsible Finance Minister. It is well known that though orders are issued in the name of the Governor General in Council, it is always the Honourable Member in charge of the particular Department who issues the orders. If Government's intention is *bona fide*, I think they will see their way to accept that suggestion.

An Honourable Member: There would be a Financial Adviser according to the White Paper scheme.

Mr. S. C. Mitra: We cannot anticipate. We must only legislate for the present. What I mean is that in future Finance will be a transferred subject and there will be a Minister in charge of Finance. There may be financial experts who will advise the Governor General as well as the Finance Member of the future. I mean the Finance Minister and not the Financial expert.

The other point on which popular feeling is very strong is about the shares being more than 75 per cent. confined to the natural born Indians. I agree with that principle, but I also agree with what the Honourable the Finance Member said that in the scheme that has been proposed in

the Bill, there will be no difficulty to secure the proportion or even more. So unless there is very much pressure on this side of the House, I think we can give up the point realising that our purpose has been attained even under the present scheme. I am not one of those who will unnecessarily try to antagonise any people when it is not absolutely necessary and I think the same question applies more or less to the Directorate in the Board. There also, if the scheme is proceeded with, on the fourth year we shall have eight elected Directors. There is no apprehension about Indians getting their share of 75 per cent. of Directorate and we know that Government gave us the assurance that during this period of nomination they will see that the Indian proportion does not suffer.

I feel very strongly about the question of the limitation of holding shares. That has been put very forcibly by Mr. Bhuput Sing. We could not carry it in the Select Committee, but we agree that there should be a maximum limit of holding of shares by individuals.

As regards the question of having more branches from the very beginning at Lahore, Karachi and Cawnpore, I am personally inclined to think that these three places should be included. My argument is this. Even at present Government have got their Currency Offices in all these places which involves a very large expenditure on the part of the Government and it will not require very much more additional expenditure, but it will satisfy the sentiment of my friends from the United Provinces, the Punjab and Sind to have a branch of the Reserve Bank from the very beginning.

An Honourable Member: What about Orissa?

Mr. S. C. Mitra: I do not anticipate events. We are only legislating for the present.

As regards the question of ratio, it has been made clear that Government do not want us to support the present ratio from this Legislature, but yet we cannot get away from the fact that a feeling exists in the country that the Legislature shall have to give its vote on the ratio which is already prevailing. It was made clear why Government should think that for a year or more—that is, until the time when the Reserve Bank Act will come into force in this country—Government themselves may not have occasion to change this ratio. So it was suggested, and there are amendments to that effect, that instead of putting in any fixed ratio in the Bill itself, we should say that the legal ratio that will be existing at the time of the enforcement of this Act should be accepted. We made it clear from thousands of platforms all over the country that the present ratio is not acceptable to the country. At the same time we also feel that we cannot go to the extreme of suggesting that the rupee should be delinked from sterling. Sir, it is no use denying the fact that we have very large obligations to meet in England in the shape of home charges and if we delink the rupee from sterling or if we allow the rupee to find its own level, it may mean our incurring Rs. 12 crores or 15 crores of additional money in the uncertain expectation that the price level may rise. It is no use criticizing men like Sir Prafulla Chandra Ray that he is not an expert. I know he spent all his life in industrial and other pursuits as well as in scientific research. It is true that Bengal is not unanimous as regards the ratio question as the other provinces, and it is certain that as soon as we delink the rupee, we shall have to pay a few crores more, but the other factor of a rise in the level of prices is not so certain, though

[Mr. S. C. Mitra.]

it is naturally expected. In the case of other countries like Japan, America or England herself, it is expected that there will be a rise in the price levels, but, in the case of India, though the rupee has in relation to sterling undergone devaluation down to a certain percentage, there has not been any appreciable rise in prices. The difficulty is that the purchasing power of people throughout the world has suffered. It is not necessarily the case that if we can sell our things at a lower price, there will necessarily be a greater demand. Of course it is natural that with lower prices there are expectations of a greater demand, but what I say is that it is not a certainty like the external obligations where we shall have to pay a few crores more at once to meet our home charges. So, in this matter, I think the suggestion, made by my leader Sir Cowasji Jehangir, that the *de jure* rate that will be obtaining at the time the Act will come into operation should be adopted. There is no point in Government advising us now that for the next year and a half, before the Reserve Bank Act comes into force, there is not the least likelihood of their reducing the present ratio.

There is one further minor point about the agreement with the Imperial Bank. I see in this House there is no dearth of friends for the Imperial Bank and I wish them all success, but yet we should not forget that even the London Committee suggested that the agreement should be for ten years certain, with an additional period of notice

The Honourable Sir George Schuster: I think my Honourable friend is not quite correct in saying that the London Committee have made any definite suggestions on that point. All that the London Committee said was that they thought that the period of 25 years was too long.

Mr. S. C. Mitra: There is nothing definite in the London decision, but they expected it should be a shorter period. Under the present Bill, it has been made 20 years certain. The agreement with the Imperial Bank is to be for 15 years to be followed by a notice at least for five years which means 20 years certain, but in reality it would be much more than that, because just after the fifteenth year, to consider the pros and cons of this agreement, it will take another two or three years. It will mean 22 or 23 years. I think the Imperial Bank also had accepted during their last contract with the Government a period of ten years. The future being so uncertain, it is better that we should accept the shorter period of ten years and a notice for another three, four or five years. That will make the period really almost fifteen years certain, and I think this House should not go further than that.

With these few words, I support the motion for this Bill being taken into consideration, because I understand that my friend Mr. Sitaramaraju will be agreeable not to press his motion for re-committing the Bill to the Joint Select Committee if he gets some understanding that, in the provisions of this Statute itself there will be something definite with regard to the creation of a rural credit department.

Dr. Ziauddin Ahmad (United Provinces Southern Divisions: Muhammadan Rural): Sir, circumstances have placed me in a position that I can review the whole situation with an impartial and neutral mind. (Hear, hear.) I am neither a signatory to the London Committee Report nor to the report of the Joint Committee. So I represent those Members who

examine the reports of these two Committees with an impartial mind. Sir, as far as this House is concerned, the minority report of the Joint Committee is really the report of the majority committee . . .

[At this stage, Mr. President (The Honourable Sir Shanmukham Chetty) vacated the Chair which was then occupied by Mr. Deputy President (Mr. Abdul Matin Chaudhury).]

. . . . And I shall tell you why. But, before I give my reasons, I would just like to remind you of the story given by the Honourable the Finance Member that the minority report really represented the stones of a fruit and that Honourable Members would see what they were like, but he did not complete the whole story. Sir, here the fruits are really the almonds, where the stones really form the essential part of the fruit; and whatever is left is not fit to be swallowed, but will give you a stomach if you begin to chew it. Sir, out of 18 non-official Members of this House, as many as seven wrote minutes of dissent and only six sided with the Government. Therefore, had it been a Committee of this House alone, then the majority report would have been the minority report and the minority report would have been the majority report. When, out of thirteen members, seven

The Honourable Sir George Schuster: Does my Honourable friend suggest that I am not a Member of this House?

Dr. Ziauddin Ahmad: I clearly said "non-official Members" and my friend did not follow me. Sir, all the amendments that have now been tabled from this side of the House would have been tabled from the side opposite. Sir, though I very much appreciate the great contribution made by some Members of the Council of State and it was more valuable than our contribution, but it cannot be denied that we were let down by the dead weight of their majority. The second disadvantage is that our leaders are not with us. Out of the members representing the three big groups of the Opposition, the Leader of the Opposition was the only one who sided with the Government and did not side with the Opposition. Sir, the third difficulty under which we are labouring is that our distinguished President, who took such a great lead on the last occasion, when we discussed the Reserve Bank and the Gold Standard Bill, is no longer available to the Opposition. With these three disadvantages, as compared with the circumstances that were prevalent in 1927-28, we have now to proceed. I frankly acknowledge that we are the unworthy successors of our worthy predecessors. Our predecessors did not accept the Bill which was far better than the Bill which is now before us, and there was great consolation in this House as can be seen from the speeches delivered on that occasion and there was a great consolation in the country when the Bill was withdrawn. Sir, the country undoubtedly wants a Central Bank, but it does not want a bank of the type which is being forced upon us. Government appointed a Banking Inquiry Committee, and a great portion of the tax-payers money was spent on it. The best brains of the country were engaged for several years. They produced a report and their unanimous finding was that the Reserve Bank should be a State Bank, and not a Shareholders Bank. Sir, the discussion of the Reserve Bank Bill is a disease very similar to chronic dysentery and the method of curing it which the Government have adopted is very much like that of a patient

[Dr. Ziauddin Ahmad.]

whose story I will just narrate. A man was suffering from chronic dysentery and he went to a doctor. The doctor advised him to give up women, wine and singing, and he would be all right. Several years went by and the patient was still suffering from the chronic dysentery. So he again went to the same doctor. The doctor asked him how he was. The patient said that he was following his advice and he gave up singing and yet he was suffering from the chronic dysentery. The doctor asked him whether he had given up the other two things also. He said: "No, but I have carried out an essential part of your instructions". He went to the doctor again after a few years and said: "I have acted further on your instructions by giving up wine. Now, I take beer". The same is the case with our Government as regards the Central Bank. We have been discussing the Reserve Bank for a long time. There have been the recommendations of the Fowler Committee, the Chamberlain Committee, the Hilton-Young Committee, the findings of the Banking Inquiry Committee and, above all, the decision of our own Legislative Assembly, and still we find that the Government have come up with their own proposals and did not care to accept the advice of the doctors.

The Honourable Sir George Schuster: Is my Honourable friend suggesting that the Hilton-Young Committee recommended a State Bank?

Dr. Ziauddin Ahmad: No, I do not mean to say that. I refer to the finding of our Legislative Assembly and also of the Banking Inquiry Committee, which are the latest. Sir, I would like to draw your attention to the fact that our Assembly unanimously recommended that it should be a State Bank, and the Banking Inquiry Committee also made a similar suggestion; and yet we find that the Government have quietly put in a scheme of a Shareholders Bank. Now, in the course of the rest of my speech I will not call it a Shareholders Bank, but will call it a *nimboo-nichors* Bank. I will give you the story about these *nimboo-nichors*. In the olden days, in Delhi, there used to be a special class of professionals who kept a certain number of lemons in their pockets. They went to rich people and to inns and just squeezed some lemons in their meals and naturally they were invited to share in the meal. In fact, they commenced regulating dishes. Therefore, by giving a small quantity of the juice of lemon they became masters of the whole dinner. The same is the case with this Reserve Bank. The shareholders, by paying five crores to this Bank, are taking possession not only of 300 crores of rupees belonging to tax-payers, but begin to levy taxes on member banks and control the entire monetary policy of our country. Therefore, the position of these shareholders is no better than that of the professionals who used to be called in Delhi as *nimboo-nichors*. Literally, it means "lemon squeezers", but that expression does not convey the idea which I have mentioned.

First of all, I will take up the question of the State Bank *versus* the Shareholders Bank. On the last occasion, when we had a discussion on the floor of the House, very important speeches were delivered by Sir Purshotamdas Thakurdas and Mr. Rangaswami Iyengar. Now, these two gentlemen were the pillars on the side of the Opposition. They led the Opposition and I cannot understand what actually happened that "over one night in London", using the popular phraseology of my leader, Sir Cowasji

Jehangir, they changed their mind. I will just quote a portion from their speeches which they delivered in 1927. Sir Purushotamdas Thakurdas said:

"Sir, I am not at all surprised at the great earnestness and the anxiety of leaders in this House like Pandit Madan Mohan Malaviya and others that this measure shall not pass on any such consideration as this. Sir, the idea of private capital bank for this purpose is an idea which is only to be mentioned in order to reject it. (Hear, hear.) I will not use any stronger word, I am reminded of the word monstrosity, but I do not think it is necessary."

This was the opinion expressed by Sir Purushotamdas Thakurdas about a Shareholders Bank. Coming to the position of Mr. S. Srinivasa Iyengar, he also said on the floor of the House on the 31st August, 1927:

"We think that so far as any bank can function as a bankers' bank, it ought not to be a Shareholders Bank. It ought to be a bank which is subject to the legislative control of this Assembly. It should be a bank wholly Indian, acting wholly in the interests of India, and it should be able to help bankers in the difficult times ahead of us."

These are the opinions expressed by two of our greatest leaders, Sir Purushotamdas Thakurdas and Mr. S. Srinivasa Iyengar. I am surprised that over one night they changed their opinion and signed this report of the London Committee.

Mr. C. S. Ranga Iyer (Rohilkund and Kumaon Divisions: Non-Muhammadan Rural): I rise to a point of correction. Mr. S. Srinivasa Iyengar did not sign this report for he expressed any opinion contrary to the one which he expressed while he was a Member of this House. He was the leader of the Party to which I had the honour to belong, namely, the Swaraj Party, and as I believe he is going to occupy a very big position in the public life of India, as big as the one which he occupied formerly, I do not think he should be misrepresented in this House.

Dr. Ziauddin Ahmad: I think probably I did not mention the name properly. I mean the editor of the *Hindu*.

Mr. C. S. Ranga Iyer: The quotation, though very helpful to him, no doubt, was probably not a quotation from Mr. Rangaswami Iyengar. He mentioned the name of Mr. S. Srinivasa Iyengar.

Dr. Ziauddin Ahmad: It is the slip of tongue. I quote from Mr. Rangaswami Iyengar's speech on page 3752 of the Assembly Debates of the 31st August, 1927, and here it is and my Honourable friend can read it.

Mr. C. S. Ranga Iyer: I see just now that it was a quotation from Mr. Rangaswami Iyengar and that the name of Mr. S. Srinivasa Iyengar was mentioned by mistake.

Dr. Ziauddin Ahmad: I meant Mr. Rangaswami Iyengar who was a member of the London Committee. On account of his changed attitude, he has placed himself and his paper in such an illogical position that both the Honourable the Finance Member and the Honourable Members on this side of the House quoted from the *Hindu* for the support of their diverse and conflicting claims. Sir, every one can change his opinion under new circumstances, but it is fair for the followers that those who change their opinion should make a clear statement and should give their reasons. I took very great pains to find out the arguments in favour of the Shareholders

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Bank in the reports and I dare say that I tried to convince myself even while I was in London, but not a single convincing argument was related to me except the rhetorical expression, which is given in the note of dissent, and I call it rhetorical, because it is merely a catch word, that the Bank should be "free from political influence"; and that this Bank should be like other banks in European countries. These are the only two arguments that were given to me, and I should like to examine them in detail. Before I go further, I should like to establish a Lemma. Lemma is a side proposition, which is required for the proof of a main proposition. Assuming that the Members of the Legislative Assembly are politicians, that they represent politics, is it or is it not a fact that the Members of Parliament are also politicians and that they also represent politics? If it is so, then is it or is it not a fact that the Secretary of State for India is as much a politician and the Governor General is as much a politician as the Members of this House or their future Ministers? In fact, as was put down by one of the speakers in 1927, the Secretary of State for India and the Governor General are politicians, they are in fact politics personified. May I ask whether the Governor General is the head of an academic institution, is he the Vice-Chancellor of a University or is the ruler of a country and governing India? Therefore, if there is any politician in India, there cannot be a greater politician than the Governor General himself. If there is any politician in England for purposes of India, there cannot be a greater politician than the Secretary of State himself. Therefore, if you consider the Members of the Legislature and if you consider the Ministers of this country to be politicians, then you are bound to admit that the Secretary of State and the Governor General are both arch politicians. I very much appreciate honest difference of views if persons, who believe that the Bank should be free from political influence, remain consistent. If they press that the Bank should be free from political influence of this Legislature, is it or is it not their duty that they should press with greater force that the Bank should be free from the political influence of the Governor General and the Secretary of State? Is it fair that they should apply this principle only in the case of Indian politicians shut up their mouths that they should remain silent and say nothing when they apply it to the case of British politicians? Those persons who have supported the elimination of influence of Indian politicians and allowed the continuation of the powers of British politicians exercised through Governor General and the Secretary of State, I think they are neither true to themselves nor to their country, and all the adjectives that I can find from the Webster's Dictionary can be applied to them. It was their honest duty to put down their minute of dissent that, if they wanted the Bank to be free from political influence, then they should have removed altogether all the powers of the Governor General and the Secretary of State. Then, I say, their opinion would have been honest. It would be an honest difference of opinion. There may be two sides to the question, you may accept this or you may accept that. If you say on the one side that you want the Bank to be free from political influence and, at the same time, swallow the big pill of the Secretary of State and the Governor General, it is a position that cannot be substantiated. I want some person from the other side to get up and explain how they can consciously and logically explain that particular position. Coming now to the main question, the arguments in favour of a Shareholders Bank, I refer you to the minority report. It examines the arguments in favour of the Shareholders Bank. The arguments are, (1) It is the only form of a bank which will provide Directors

free from political influence, (2) in most countries of the world the Central Banks are Shareholders Banks. I now take up the second point that most of the banks in other countries should be Shareholders Banks and, in this, I cannot do better than really quote from the speech of Sir Basil Blackett and the reply given by Sir Purushotamdas Thakurdas. Sir Basil Blackett, speaking in the Legislative Assembly, on the Reserve Bank Bill, in August, 1927, says:

"The Government believe that the shareholders plan is far more satisfactory than any which has yet been before them and they have other reasons for preferring it, namely, that the plan is one which would be understood in the rest of the world, and the rest of the world will feel that, in dealing with the Reserve Bank of India, it is dealing with something which it can understand and whose constitution it can appreciate."

This particular point was put in these forcible words by Sir Basil Blackett, and I do not think any exponent can put it in better language. Now, I will read the reply of Sir Purushotamdas Thakurdas and I think nobody can put it in better language than he did. He gave the most effective reply, and he said:

"What does it matter whether the Reserve Bank in India is applauded by the rest of the world forthwith or not? The question is, whether the institution is suitable to India or not. Is the institution going to be an institution which is to be devised and carried on, in the interests of India, which is to serve the needs of India? And if the rest of the world, owing to their ignorance of the problem of India, do not understand the *raison d'être* of the institution which is to serve Indian purposes and Indian needs, is Sir Basil Blackett going to sacrifice that part of our necessity to the attraction that the rest of the world will at least applaud his ideal? We, at any rate, Sir, cannot be a party to what may be approved of in England, America, Germany, France or Russia. What we want is what will suit us, what we can approve of and what we can see clearly, will serve our best interests and the best of our needs."

The argument of following other countries has really no force. Circumstances differ in different countries. We have our own troubles, and the position which exists in this country does not exist in any other country. Is there any other country in which the foreign banks predominate the national banks there? Is there any other country where the money is lent at 75, 100 or even 200 per cent. to the ignorant peasants and still the Government of the day allow it, and take no action in the matter? Can this exist in any civilised country outside India, and will any other Government sleep over the matter when such a state of affairs exists? So this is really a very peculiar position which we cannot pass over. Therefore, every country has got its own needs and its own requirements and it is for us to say what form of central bank will suit us best, and should not servilely follow the examples of other countries.

Now, I come to another point which is very often argued that the Reserve Bank should be managed by businessmen, and politicians should not come near it. This point also was taken up in the 1927 debate, and here also I cannot do better than quote Mr. Jayakar's speech while discussing that Bill. This is what he said about businessmen alone being the best managers:

"I am very sorry, Sir, that I have to differ from the expert opinion of my Honourable and esteemed friend, Sir Victor Sassoon, when he laid down this dictum which I have very carefully noted and he says that these business undertakings can be best managed by business men. I ask him, how does it happen that Sir Ferozshah Mehta was the first Chairman of the Central Bank? He was not a business man, yet he made a most successful administrator and provided a salutary check and curb upon all the expert business talent which sat round him. I believe, Sir, that Sir Victor Sassoon's dictum is an old superstition. It may no doubt appear to be a truism that business men can manage business much better than anybody else can, but it is only a half-truth. Business men, after all, are experts and all experts are tyrants in their own manner."

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And I said once on the floor of this House that all experts are eccentrics, and it would be rather a pity to hand over the administration of our currency policy to a body of eccentrics. Mr. Jayakar continues:

"If we put all experts together, it will be a combination of narrow visioned, self-opinionated men who will listen to nothing that is outside the limited ken of their own knowledge and experience."

This is the opinion expressed by Mr. Jayakar about business men. Sir, no doubt in certain matters we do require experts, but, in the administration of business and the administration of big concerns, it is very often the lack of expert knowledge that is more useful than detailed knowledge of that business. May I ask, Sir, when Lord Hardinge was put in charge of the War Office, was he an expert on war? When Mr. Borel, Professor of Mathematics, was appointed Minister of War in France, was he an expert in military affairs? Mussolini was only a schoolmaster, and was not an expert. Examples of this kind can be quoted, and I say that, if the business men can be politicians, why cannot politicians be business men? No business man ever acknowledged frankly that he is not a politician. Every business man poses himself to be a politician, but, at the same time, when politicians come and say that they can also understand a little business, they are not acknowledged as such. If a Civilian, by virtue of his passing certain examinations, is qualified to undertake any business, even the Governorship of a bank or anything else, then why should the Members of this Assembly, who may have passed even stiffer examinations, be excluded from this? So this particular thing is not really within the province of one man. Every person who has got common sense and understanding can appreciate and understand it; and very often we find that persons, who have not taken any degree and have got no experience, but who have got strong common sense, can understand a business proposition much better than all your business men, all your politicians, all your lawyers and all your Civil Servants put together.

Sir, I now desire to explode the theory that these shareholders whom I call *nimboo-nichors* in any bank or in a company represent the shareholders' opinion. Even in the case of the Bank of England, the Board of Directors are called the Bank Court. Mr. Hartley Withers says in his book "On the Meaning of Money":

"The Bank Court is a Committee recruited chiefly from the ranks of the accepting houses and merchant firms, and its members are nominated by itself subject to the purely formal confirmation by the shareholders."

In the Minute of Dissent the same idea is expressed and supported by Sir Osborne Smith: the Minute says:

"The Directors practically exercise the right of appointing other Directors and they get their action confirmed or passed by the annual General meeting." This was verified by Sir Osborne Smith in the following questions and answers with regard to the Imperial Bank:

Q. Do you know of any occasion on which anybody has been elected in a general meeting of a Director without the back door influence of nomination first by the Directors?

A. I have no recollection of it."

So this confirms the view that the election of Directors in any Shareholders' Bank or any Shareholders' concern is really a farce. There are a few persons who really get the proxies and who get themselves elected. A person who has got a small share will not take the trouble to make the journey and attend the meeting. He will not even take the trouble of spending a few annas in sending his proxy. So, really speaking, the shareholder is only interested in getting his dividend regularly; and so long as his pockets are filled up and dividend is paid punctually, he does not mind in the least. Therefore, the shareholders exercise very little influence in the election of the Directors. The position is summed up in the minority note in a beautiful form which I should like to read. The passage reads:

"The Secretary of State represents politics just as much as the future Indian Minister; and hence the substitution of one for the other does not secure the freedom from political influence, which is claimed by the Government. In either case, the Secretary of State will have determining voice, but in case of Shareholders Bank he will be immune from the criticisms of the Indian public and of Legislature."

Therefore, my assertion is that whether you have a Shareholders Bank or whether you have a State Bank, the policy will always be regulated by the Managing Director. The Managing Director, in either case, will be appointed by persons who are called "politics personified". The only difference will be that, in the case of the Shareholders Bank, he will fire the guns by putting it on the shoulders of the *nimboo-nichors*: in the other case, his actions can be criticised on the floor of this House. Sir, I ask the House to consider at this moment that we desire the Government to have the power, and the Government refuse. Is there any one under the sun who will say: "No, I do not want power: please give the power to others"? Can you expect a thing of that kind from the present Government? If they have got such generosity, then why should they not show this generosity in other spheres—why not give a Constitution to India on the lines that India wants? Why all this fuss of a first Round Table Conference, a second Round Table Conference, a Third Round Table Conference and, after that, perhaps a Committee next year will come from England to India to see whether the provinces are prepared for Provincial Autonomy and use it correctly. If generosity is to be shown, then why do you not show it in other matters, but only in this? The real fact is that there is something behind the scenes. Had it been really for the benefit of India and in the direction of giving greater power to Indians, then probably the Government would not have been so keen: pressure would have come from the Opposite Benches and there would have been opposition from the Treasury Benches. But the facts are the other way round. It is clear that in either case the Secretary of State will wield all the powers and be above all public criticisms. Let us see what we are doing. We have got the credit of our country; we have got the control of our currency policy; we have got control of all the banks in this land; we have got the control of all these agricultural and co-operative banks; we are going to put them all in the hands of a few persons: for what? Simply because they bring Rs. 5 crores—not because the Government want Rs. 5 crores—we can really provide many times the Rs. 5 crores—but because Government want certain persons on whose shoulders they will put guns and fire.

I have so far dealt with the question of Shareholders' Bank *versus* State Bank; but I do not like to go into details now as we are likely to deal with the issue, later on, on this particular subject when we come to the detailed provisions and we can then go into detailed arguments. I have only just mentioned in a general manner that, looking at it from the point of view of Muhammadans, from the point of view of the Hindus, from the

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point of view of any community in India and from the point of view of the country as a whole, there cannot be any question that the State Bank is the Bank which suits Indian conditions. I said before that persons who honestly believe that a Shareholders Bank is necessary to eliminate political influence it is also their duty to oppose the influence of British politicians. There are only two classes of persons who may be opposed to a State Bank, but agree to the retention of British political influence. The first class I will describe by a story. (Hear, hear and Laughter.) Perhaps those of us, who have read the "Arabian Nights" and the stories of demons and fairies, will remember that the lives of these demons and fairies very often were not in their own bodies but located in a bird or animal, thousands of miles away from the place where they resided—birds or animals kept in cages in a distant land. The first class of persons I was referring to are those whose conscience is not in their bodies but in Whitehall. These are really in favour of a Shareholders' Bank. The second class who are in favour of removing Indian political influence and retaining British political influence, as embodied in the present Bill, can be divided into two categories, (a) and (b): (a) comprises those who sell the country for their personal profit, and (b) are those who present the country for no profit

The Honourable Sir George Schuster: On a point of information, will my Honourable friend inform me to what class or category I belong?

Dr. Ziauddin Ahmad: I do not want to enter into personalities: I wish that every one may put his hand on his heart and decide for himself.

[At this stage, Mr. President (The Honourable Sir Shanmukham Chetty) resumed the Chair.]

Mr. Muhammad Yamin Khan (Agra Division: Muhammadan Rural): Which category does your leader belong to?

Dr. Ziauddin Ahmad: Barring these two categories, you will find that the whole country is unanimous in demanding a State Bank as they find that the influence of the Governor General and the Secretary of State cannot be eliminated and I think if my Honourable friend withdraws this Bill at this stage or at a later stage, his withdrawal will be received with great consolation throughout the length and breadth of India. Sir, as I said

4 P. M. just now, I do not want to go into greater details, because we are going to have a separate debate on this particular question, that is the relative importance of the Shareholders' *versus* State Bank, but I say it is almost the unanimous desire of the people of this country that they should have a Reserve Bank, but not of the type which is contemplated in this Bill.

I shall leave this question of the State *versus* Shareholders Bank for the moment, and I shall take up one or two other issues. The next important issue is the question of ratio. I do not agree with my distinguished friend, the Finance Member, that this ratio question is outside the scope of the present Reserve Bank Bill. We have really to legislate on this particular point, we have to give our benediction on two particular clauses, clauses 40 and 41, which are provided in this Bill. What are we to do? Are we to leave out these two clauses altogether? If we do so, what would be the effect? If we leave out these two clauses, it will really mean that the rupee will no longer be linked to sterling and it will be

allowed to find its own level. I know that there is some weighty opinion in favour of this, but I am personally opposed to it, and I think, Sir, it is for the benefit of India that rupee should continue to be linked with sterling. My reason for holding this view is that this rupee is a managed currency. The value of the rupee is not equivalent to sixteen annas worth of silver; it is equivalent to $6\frac{1}{2}$ or seven annas. Therefore it is a managed currency. Therefore, it will be to our advantage to have it linked with sterling, which is also a managed currency. Therefore, I strongly urge that these two clauses, clauses 40 and 41, should not be deleted from this Bill. As I said, I strongly believe that the rupee should continue to be linked with sterling, but at what value? That is really the question, and I say that the present value of 1s. 6d. is rather too high, and it is impossible for us to maintain this particular level. There may be two opinions on that point; one will say that it should be reduced to 1s. 4d., while the other will say it should be reduced to 1s. 2d. or even less, and we do not know how far it will go down. But I think there is practical unanimity in the country that the present ratio is too high, and I have three arguments in favour of that view. My first argument is that India has to remit to the United Kingdom money equivalent to about 70 million sterling. This includes the commitments of the Government of India and also the remissions which private individuals make from time to time. 70 million sterling must be found every year which India has to pay to the United Kingdom. Now, how is this money to be found? Where is it to come from? We have been paying this amount, and that is the only natural way, in the shape of goods. We export our goods, and from that export we first pay the price of the goods which we purchase from outside, and then about 70 or 80 millions are left over, out of which we meet our external obligations and remittances, and still a small amount is left over out of which we purchase gold and silver; or, speaking in technical language, our export trade was always a favourable one, and it amounted to something in the neighbourhood of 75 crores. But unfortunately the whole position is changed, and I do not think that this year or, even for many years to come, we can have a balance of trade amounting to about 75 crores, and if the balance of trade is not favourable and we could not meet these external obligations by means of our goods, then how can we do? The only other alternative will be for us to pay from our gold reserves, that is to say, the little gold ornaments which the people of this country possess, will have to be sold out in order to meet our external obligations, and if the sale of gold goes on, a situation will be so created that all available gold ornaments in the country will have to come out, and it will be sold as distress gold and, out of the proceeds of the sale of this gold these 70 crores will have to be paid out every year. We know very well that we cannot go on exporting gold for an indefinite period, we cannot go on paying our external obligations to the extent of 70 millions every year by exporting our gold. The moment the supply of gold ceases, our currency will break down. Therefore, we have to find out methods to increase our exports, and by that means alone we shall be able to pay our external obligations. Now, this question is really far more important than anything else, that is to say, how can we increase the volume of our export trade in order to meet our external obligations to the extent of 70 millions every year? This particular question has been taken up by several countries and, I think, my learned friend, the Finance Member, will agree that the example of Sweden, New Zealand, Australia and other countries is in favour of this, that is, by depreciating currency, we can increase our export trade. It is a simple thing which anyone can easily understand. If you make your money very cheap and keep it at a very low level, it will be very difficult for you to purchase things from outside; it will be easy for the outsiders

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to purchase things from you; your imports will be diminished, and your exports will be increased and, therefore, the balance of trade will always be in our favour. Therefore, the only way by which the balance of trade can be secured is by lowering the exchange ratio, and if I am wrong in my supposition I would like to be corrected by the Honourable the Finance Member in his reply; but if he does not give me a reply to this particular question, we shall have no other alternative but to draw the inference that my statement is quite correct, my proposition is correct, but the Government, for some reasons, best known to themselves, are not willing to do what is really good for the interests of India.

Khan Bahadur Mian Abdul Aziz (Punjab: Nominated Official): Will the other country, to whom you propose to sell your things, take no measure whatsoever to protect itself against your dumping? Have they not powers to manage their own currency?

Dr. Ziauddin Ahmad: This question of dumping does not really come in here at all; that depends upon entirely other factors. We are not manipulating the currency in a manner as to allow the rupee to find its own level; it will continue to be connected with paper sterling, but at a price at which it is most economic. The other argument which is really a reply to the objection raised by my Honourable friend, Mian Abdul Aziz, is this. If you link rupee with sterling, you must link it at a level which is economic to both countries, and see what is the true ratio at which you can link the two countries together by an artificial law, and that can be determined by means of the price level. We find that the price level in England has risen by 8½ points, and the price level in India has gone down by 3 points during the same interval, that is, one has gone up and the other has gone down. The difference between the price levels of the two countries has been 6½ points during the same interval. This is a clear proof that the rupee has not been linked at its true economic value to the sterling; otherwise the movement of price levels would have been, either going up together, or coming down together.

The Honourable Sir George Schuster: I really must interrupt my Honourable friend here. I am sure he appreciates the fact that the index figure in England is worked out on the basis of a different set of commodities to what the index figure in India is worked out. In India the index is based primarily on the agricultural products, while in England it is based on manufactured products. The prices of agricultural products all over the world are specially low and the Indian index figures stand specially low. I am sure, my Honourable friend appreciates that point.

Dr. Ziauddin Ahmad: I very much appreciate that point of view, but we have to take the commodities in India as they are, and take the commodities in England as they are. The prices of manufactured articles and raw commodities are not moving proportionately. The disproportion should be met by the management of currency, and we must see that whatever the commodities may be, they move together, and we must link our rupee at a level so that the price level of these two things may either go up or come down. Since the War, the price level of primary articles has gone down enormously and the only way in which you can raise

the price level is to substantially lower this exchange ratio from 1s. 6d. to 1s. 4d. or even lower. That is the only way we can arrive at our desired result. We are dealing with articles quite different from those in England, and the price levels of agricultural products have gone down to a greater extent than the price levels of manufactured articles. If you find that 1s. 4d. is not high enough, you will have to lower it still further so that the price of agricultural products may rise.

The question of the rise of prices of agricultural products is one of vital importance to the people of Northern India—why, not only to the people of Northern India, but to the people of entire India, because agriculture forms the occupation of 85 per cent. of the population of this country. Therefore, it is a question of life and death to the people of this country that the price level of agricultural products should rise; otherwise, it would be impossible for them to live economic life, and the economic equilibrium of the country will be disturbed. How can this be done? I can only say, you must manage your currency in a manner that the price level may rise. In 1927, when the Currency Bill was passed, the Government gave the zamindars of Bengal and the Punjab to understand that 1s. 6d. was really very useful for them in the matter of agricultural products. The situation has now changed. Of course, it was really due to world conditions. I do not say that Government gave wrong promises, but their promises were not fulfilled on account of the change in economic conditions. When economic conditions have changed and those promises have not been realised, why should we not apply our minds afresh and find out a ratio which is really good for the people of this country?

Whatever the causes may be, we all admit that the price level has fallen enormously and that every step should be taken to raise the price level. I say and maintain that one method of doing it—I do not say that it is the only method, but this is the first necessary method—is to lower the exchange ratio to a level so that the prices may be raised to economic level, and I apply two tests by means of which we can put down the exact value of the ratio, whether it should be 1s. 4d. or still lower. We should put up a level, so that our exports may be increased, and we should fix it in a way so that the wholesale price index in India may move in sympathy with the index in the United Kingdom. Taking these two together, I am convinced in my mind that 1s. 4d. is really the very maximum that we can put it at the present moment, and I should welcome any suggestion so that the ratio may be made still lower than 1s. 4d. but I deprecate—I say that clearly—any attempt that we should be delinked from sterling and that the rupee should be left to find its own level.

Mr. K. P. Thampan (West Coast and Nilgiris: Non-Muhammadan Rural): Why not? Please develop that point.

Dr. Ziauddin Ahmad: We are in an economic storm in this world. The currency of every country is practically upset, and a large number of countries have already given up the gold standard, and the currency is always a managed currency. If every country is allowed to find its own solution and is advised to steer its own boat, it will be in a very difficult position. In a storm it is always advantageous to have many boats tied together, so that we may be able to face the storm better.

Diwan Bahadur A. Ramaswami Mudaliar: All of them will sink together.

Dr. Ziauddin Ahmad: Then we see a new world and a better world. If all the countries, who have gone off the gold standard, unite together and manage their own currencies and fix by some methods, which, I think, the time before me will not permit me to develop

An Honourable Member: Tomorrow.

Dr. Ziauddin Ahmad: their different currencies together and manage them in a manner so that they may be converted from one currency to the other at a suitable price, it will be very advantageous to the world. If more countries unite together, then ultimately the gold countries will be compelled to give up their gold standard and adopt sterling standard. After all, gold has got an artificial value in this world, and I think, the sooner we say good bye to gold, the better it will be for the world, for every country, and for the monetary policy of every country.

Mr. Muhammad Yamin Khan: What will you do with the 40 crores of gold?

Dr. Ziauddin Ahmad: Bury it or use in ornaments. Other nations have ten times the amount of that gold. Gold has only an artificial value, and if all the countries unite together and fix the value of their currencies in terms of a common currency, which at the present moment can only be sterling and nothing else, then, I am sure, that we will be able to find a solution of the present troubles as regards the monetary policy, though I do not profess that it may be the best solution. The best solution probably would be that we go back to the position which we occupied before the War, that is, gold standard in every country, the value of silver in the rupee equivalent to sixteen annas, the value of rupee always fixed in gold—that is a position which, I am afraid, will not be obtainable at least in our lifetime and for many years to come. The only way in which we can do it is to have managed currency and determine common unit, and the best unit is sterling unit, and I think it is advantageous not only to India but to every country in the world if they connect their currency in some form or other with the sterling and give up gold standard. It will be to the good of the trade, it will be to the good of the travellers, and it will be to the good of the general monetary policy of the world. So I say, I do not believe that the rupee should be delinked from sterling. It should continue to be linked with sterling. It should be linked on a level which is economical to this country and the present level is not certainly economical. Suppose, tomorrow the people may not bring out their gold from their own reserve, then the entire burden will fall on the Reserve Bank, and the amount of gold which we are now giving may probably disappear in a year or two and then your Bank will become bankrupt and the burden will fall on whom—not on those nimboo-nichors but on the tax-payers of this country.

Sir, the next question I should like to touch on is the question of the compulsory deposit of a Reserve Bank. The Honourable the Finance Member throughout his speech took very great care in calling it a Central Bank. In his speech he very seldom used the words "Reserve Bank"

The Honourable Sir George Schuster: I recognise no distinction between the two.

Dr. Ziauddin Ahmad: If the Honourable Member makes no distinction, then the only distinction that I make between the Reserve Bank and the Central Bank is that, in the case of the Reserve Bank, it is really compulsory for a Reserve Bank to receive compulsory deposits from the member banks, and, if the Honourable Member can forgo this particular compulsion, then there will not be a great disagreement between himself and myself. I believe that the question of a compulsory deposit from the member banks at this stage is a very harsh measure, which, in the present financial crisis, many of the banks will not be able to afford. I am very strongly in favour of the fact that the Central Bank should have a very strong supervision over all the banks in this country. They should have a very strong audit department and they should see that the accounts of all the banks in this country are very regularly audited. We had an example before us of the Alliance Bank in which one man, in spite of the fact that the bank had an elected Directorate, brought the bank to grief. The bank had all the provisions that we are now providing in this Bill. In spite of that, the bank failed. We have now got the example of the People's Bank. It really came to grief in 1912. The owner purchased all the shares at a nominal price and afterwards got all the shares in his own pocket, floated the capital again and again, mis-managed the bank which has again come to grief. By some legal quibble, they are still advertising for further deposits in spite of the fact that the bank has come to grief. Now, I would very much like that the Central Bank ought to be in a position to have a regular audit of all such banks in this country and assist them financially. If this is done, then the people will have greater confidence in the indigenous banks of this country and they will all flourish. I would very much like the Central Bank to come forward to give a little aid to these banks when they come to grief, of course under certain conditions, because we cannot squander the money. I would very much like a very strong and strict supervision of the Central Bank and all the banks of India, whether they are scheduled banks or unscheduled banks, but so long as they are chartered banks and so long as they have been registered under the Companies Act, then it ought to be the duty of the Central Bank to see that they closely audit their accounts. But, at the same time, I do not believe that these persons should be compelled to deposit a sum of money. Now, I do not know the figures exactly, but somebody has calculated the amount for me and I am told that the compulsory deposits at the very outset will amount to something like 10 crores. I have not calculated it myself. (An Honourable Member: "5 crores".) Whatever it is, it is an additional amount which the *nimboo-nichors* are getting. In these days, it is not desirable that we should press for compulsory deposits, and I should very much like that this provision should not find a place in the Statute. By means of convention the thing may be introduced at a later stage, when the Bank is fully established, when the people have fully realised its advantages. Then the time may come to have a compulsory deposit, but at the same time, if you ask any bank to have a compulsory deposit, there ought to be a provision there that they should be able to withdraw this money at the time of need. Perhaps I did not read this Bill very carefully, but I did not find anywhere any provision in which it is

[Dr. Ziauddin Ahmad.]

laid down that these banks which are going to have compulsory deposits can withdraw the money at the time of their necessity. I consider that this provision of compulsory deposit and the liberty to withdraw the amount at the time of necessity should not be provided in the Statute, but should be left over to future convention between the Central Bank and the member banks. This was really my second point. The third point is one in which we in upper India and all those persons who are interested in agriculture are very much interested, and that is the point raised by my friend, Mr. Raju. I maintain at the very outset that any Central Bank which omits the provision of having a separate department to give credits to rural banks and to co-operative banks is really not worth the trouble. It is really of no use to 85 per cent. of the population. It should be able to provide credit to the rural population by advancing money on immoveable property and also giving short loans and long term loans. If that is not provided, then, I say, that as far as 85 per cent. of the population is concerned, this Central Bank is of no use to us. It does not do any good. The rate of interest for the Imperial Bank has been reduced to $3\frac{1}{4}$ per cent. and one would expect that the bank rate of interest in every village and town would be reduced to five or six or seven per cent., but we actually find that the reduction of the bank rate of interest has absolutely no influence on the rate of interest prevailing in villages and towns. Their rates are determined by laws of their own, which are still outside the influence of banks. Our Central Bank should influence these laws.

Mr. President (The Honourable Sir Shanmukham Chetty): The Honourable Member can resume his speech tomorrow morning.

The Assembly then adjourned till Eleven of the Clock on Wednesday, the 29th November, 1933.