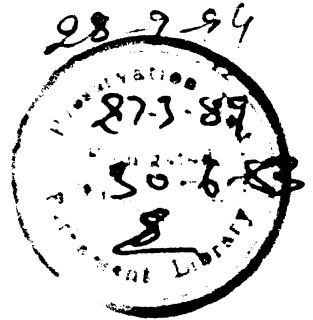


THE
LEGISLATIVE ASSEMBLY DEBATES
(OFFICIAL REPORT)

Vol. VIII, 1933

(20th November to 9th December, 1933)

SIXTH SESSION
OF THE
FOURTH LEGISLATIVE ASSEMBLY
1933.



Legislative Assembly.

President :

THE HONOURABLE SIR SHANMUKHAM CHETTY, K.C.I.E.

Deputy President :

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Panel of Chairmen :

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MR. K. C. NEOGY, M.L.A.

SIR LESLIE HUDSON, Kt., M.L.A.

SIR ABDULLA-AL-MAMUN SUHRAWARDY, Kt., M.L.A.

Secretary :

MIAN MUHAMMAD RAFI, BAR.-AT-LAW.

Assistant of the Secretary :

RAI BAHADUR D. DUTT.

Marshal :

CAPTAIN HAJI SARDAR NUR AHMAD KHAN, M.C., I.O.M., I.A.

Committee on Public Petitions :

MR. ABDUL MATIN CHAUDHURY, M.L.A., Chairman.

SIR LESLIE HUDSON, Kt., M.L.A.

MR. B. SITARAMARAJU, M.L.A.

MR. GAYA PRASAD SINGH, M.L.A.

KUNWAR HAJEE ISMAIL ALI KHAN, O.B.E., M.L.A.

MESSLAD

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LEGISLATIVE ASSEMBLY.

Wednesday, 29th November, 1933.

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

QUESTIONS AND ANSWERS.

STATE OF HEALTH OF MR. SUBODH CHANDRA MITRA CONFINED IN THE DEOLI DETENTION CAMP.

1207. *Mr. S. C. Mitra: (a) Will Government please state the present state of health of Mr. Subodh Chandra Mitra, B.A., now confined in the Deoli Detention Camp?

(b) For what treatment was he taken to the Ajmer Jail?

(c) Was he completely cured before he was re-transferred to Deoli?

(d) What was he suffering from and for how long?

(e) What is his present weight?

The Honourable Sir Harry Haig: (a) The detenu is at present being treated in hospital on account of a slight evening rise in temperature; but his state of health is reported to be fair.

(b), (c) and (d). He was taken to the hospital at Ajmer not for treatment but for X-Ray examination on account of abdominal pain from which he had suffered for about a week previously. He was detained in the Ajmer Jail for one night only.

(e) 86 lbs.

Mr. K. C. Neogy: What is the result of this X-Ray examination?

The Honourable Sir Harry Haig: I think the result of the X-Ray examination was to disclose that there was nothing seriously the matter with him, but actual medical details do not seem to me very appropriate to discuss on the floor of the House.

Mr. K. C. Neogy: Is this slow fever still persisting?

The Honourable Sir Harry Haig: Yes, he still has a slight evening rise.

Mr. K. C. Neogy: Is there any medical explanation as to what this may be due to?

The Honourable Sir Harry Haig: I should be very glad to give the Honourable Member any more detailed information that I may have if he or perhaps Mr. Mitra will see me.

Mr. Gaya Prasad Singh: Will the Honourable Member be glad to give the answer about the illness or will he be sorry to give it? (Laughter.)

The Honourable Sir Harry Haig: I am sorry for the illness, but I am always glad to impart information to Honourable Members.

Mr. S. C. Mitra: May I, then, take it that the pain in his stomach has ceased now to which the Honourable Member referred in his answer?

The Honourable Sir Harry Haig: As far as I know, yes; but if the Honourable Member could arrange to see me afterwards, I will give him full details.

RESPONSIBILITY OF THE GOVERNMENT OF INDIA FOR THE DETENUS DETAINED OUTSIDE THEIR PROVINCES.

1208. ***Mr. S. C. Mitra:** (a) Will Government please explain why all applications of the relatives of Mr. Subodh Chandra Mitra, a detenu, for interviewing him at Deoli have been rejected by them?

(b) Have Government any special reasons for prohibiting interviews with the said detenu?

(c) Are Government aware that the Deputy Inspector General of the Criminal Investigation Department (Intelligence Branch), Bengal does not even reply to the petitions for interview with Mr. Mitra?

(d) Will Government please state who is the proper person to grant such interviews with detenues detained outside Bengal?

(e) Have Government of India any responsibility for the detenues who are detained outside the jurisdiction of their own province?

The Honourable Sir Harry Haig: (a), (b) and (d). I would invite the Honourable Member's attention to the reply I gave on the 21st September, 1932, to parts (a) and (e) of his question No. 528.

(c) No.

(e) The Chief Commissioner, Ajmer-Merwara, is responsible for the general administration of the Deoli Camp Jail.

Mr. K. C. Neogy: Have not a set of rules been drawn up with regard to the granting of interviews with the detenues at Deoli?

The Honourable Sir Harry Haig: The rules have been framed by the Chief Commissioner, Ajmer-Merwara.

Mr. K. C. Neogy: Under the rules is the detenu entitled to have an interview with his friends at any stated intervals?

The Honourable Sir Harry Haig: Only when a detenu has received permission from the authorities appointed for that purpose by the Government of Bengal.

Mr. K. C. Neogy: Are there any conditions under which that permission is granted or is permission granted as a matter of course if the rules in the matter do not stand in the way?

The Honourable Sir Harry Haig: The permission, I think, is always granted provided the Government of Bengal have no objection. There may be certain rules about the number of interviews that may be allowed, but the question whether a particular interview should be allowed is referred to the Government of Bengal and the decision is based on their decision.

Mr. K. C. Neogy: Do I take it, then, that apart from the set of rules which have been framed for the guidance of the local authorities at Deoli, there are other rules that guide the Government of Bengal in determining as to whether an application for interview should be granted?

The Honourable Sir Harry Haig: No, Sir. I do not suppose there are any rules which guide the Government of Bengal. In these matters they have to act on their judgment on each particular case.

Mr. K. C. Neogy: Is the Honourable Member satisfied that in cases in which interviews have been disallowed, action has been taken on proper materials or on proper justification?

The Honourable Sir Harry Haig: I think this is a matter that should be left where it stands at present, namely, at the discretion and on the responsibility of the Government of Bengal who are carrying. I would like to remind the House, a very heavy responsibility in trying to deal with this formidable menace of terrorism.

Mr. Gaya Prasad Singh: May I know, Sir, if any relative of this detenu has been granted an interview with him since he has been ill?

The Honourable Sir Harry Haig: I understand that only one relative had applied for an interview.

Mr. Gaya Prasad Singh: Was his request granted?

The Honourable Sir Harry Haig: No, the request was not granted.

Sardar Sant Singh: Is it a fact that the gentleman who applied for the interview is a Member of this House?

The Honourable Sir Harry Haig: That is probably true.

Sardar Sant Singh: Is it a fact that his application was referred to the C. I. D. of Bengal?

The Honourable Sir Harry Haig: I have already informed the House that the procedure is that permission has to be obtained from the authorities appointed by the Government of Bengal, and in this case the authorities appointed by the Government of Bengal did not think it expedient to grant permission.

Sardar Sant Singh: My question is whether his application for the grant of interview was sent to the C.I.D. who reported that he was not a desirable person to interview the detenu?

The Honourable Sir Harry Haig: I do not know what the C. I. D. reported, but the position is that the Government of Bengal have appointed the Deputy Inspector General, Intelligence Branch, to carry out the duty of deciding whether permission should be given to particular individuals to interview detenues.

Sardar Sant Singh: May I know, then, whether the gentleman who is respectable enough and of a sufficient position to be a Member of this Honourable House is not desirable enough to see a detenu in the Deoli Jail?

The Honourable Sir Harry Haig: The matter is one entirely within the responsibility of the Government of Bengal.

Sardar Sant Singh: Is not the Government of India prepared to inform the Bengal Government that, in the case of the Members of this House, they should, *ipso facto*, be entitled to see the detenues?

The Honourable Sir Harry Haig: No, Sir, I am certainly not prepared to take up that position. I have already explained to the House that the Government of Bengal are carrying a very heavy responsibility, and the Government of India do not propose to interfere with them in the discharge of that responsibility.

Sardar Sant Singh: My question is that the gentleman is a Member of this Honourable House and, therefore, is a responsible gentleman and as such he should have facilities to see his relative when he is a detenu and not a convicted person?

The Honourable Sir Harry Haig: The Honourable Member's question was whether the Government of India were prepared to interfere with the decision of the Government of Bengal. My answer is in the negative.

Sardar Sant Singh: That is not my question. My question is that the gentleman, who is a Member of this House, is responsible enough to be granted permission without further inquiries from the C. I. D. That is my question.

The Honourable Sir Harry Haig: That has nothing to do with the point of principle on which I am taking my stand, which is that the decision in this case is the decision of the Government of Bengal.

Mr. S. C. Mitra: I do not claim any special privilege as a Member of this House, but I would like to know from the Honourable Member if he is aware that these interviews are granted under certain conditions. During these interviews a police officer remains present, and there is a net separating the prisoner from the interviewer, and whenever the police officer has the least objection to the conversation, he at once stops it. That being the case, will the Honourable Member tell this House what other reasons there may be for not granting interviews with relations of persons who are not convicted for any offence, but are merely detained because of the whims of the Government.

The Honourable Sir Harry Haig: These points were raised in a series of supplementary questions on this very matter in September, 1932, and

the questions and answers were all communicated to the Government of Bengal. This very point that the Honourable Member has just raised was clearly brought to the notice of the Government of Bengal, but it has not affected their decision.

Mr. S. C. Mitra: What was their reply to the points that I have raised? It is not a question of favour, but it is a question of personal right of the relatives to have interview with the detenu if there is nothing objectionable.

The Honourable Sir Harry Haig: I am afraid, I can say no more than what I have said already. The full facts are before the Government of Bengal and, with a full sense of responsibility, they have decided that it is undesirable to grant the interview.

Mr. S. C. Mitra: The facts are not correct. I have applied for a second time and the police officer came and enquired of me whether the detenu was my brother's son or my cousin's son, and I told him that he was my brother's son. Since then, for the last two months, no reply has been received from the Government of Bengal. I do not know why the question of granting interviews is left to the discretion of police officers and not to the Political Department?

The Honourable Sir Harry Haig: I understand that the last communication on this subject was made in a letter dated the 11th August, 1933.

Mr. S. C. Mitra: I have not received the letter. Do I understand that these detenus are under the police officials of Bengal and not under the Political Department of the Government of Bengal?

The Honourable Sir Harry Haig: That is the rule that has been framed by the Government of Bengal and it is in force in Bengal as well as at Deoli.

Mr. S. C. Mitra: Is the Honourable Member not willing to enquire from the Government of Bengal as to what objection they may have in permitting near relatives to see the detenu under all restrictions and precautions that Government may be pleased to inflict upon the relatives?

The Honourable Sir Harry Haig: The Government of Bengal are well aware of the conditions and, as I have said before, I am not prepared to question their discretion.

Mr. S. C. Mitra: The Honourable Member is further aware that the detenu is having slow fever for a considerable time past and, according to the Honourable Member's own admission, he was brought to the X-Ray Hospital for further examination for his pains, and the Honourable Member is further aware that in several other cases the detenus died without proper treatment. Does the Honourable Member still think that it is not necessary even to refer to the Government of Bengal to grant a man interviews under any conditions that they like to prescribe for his near relatives?

The Honourable Sir Harry Haig: I must deny the allegation of the Honourable Member that detenus are dying for want of proper medical treatment. With regard to the particular case of this detenu, who has admittedly been suffering from slow fever for some considerable period, though I recognise the natural anxiety of the Honourable Member as a relative of the detenu, and I should be glad to supply him with any medical details that are in my possession, I very much doubt whether a visit by the Honourable Member would result in any improvement in the condition of the health of the detenu.

Sir Cowasji Jehangir: Will the Honourable Member consider the question of allowing very near relatives to have an interview with the detenus if these detenus are ill or have been ill? I would appeal to the Honourable Member to consider that question. He need not give a reply straightaway, but he can consider that question in consultation with the Local Governments, not only with the Local Government of Bengal, but with all Local Governments, whether some concession might not be made in the case of detenus who are really ill and who desire personally to have an interview with near relations. I think that is a point worthy of the consideration of the Honourable Member and perhaps the Honourable Member might give that point of view a little more consideration with Local Governments and if what we are told about restrictions placed upon the interviews is correct, it appears to us at any rate that such interviews can do no harm. The conditions laid down seem to be fairly strict, and when the detenu is ill and the interviewer is a near relative, I think mere humanity would demand a reconsideration of the question.

The Honourable Sir Harry Haig: In the first place, fortunately this problem of detenus is at present confined to Bengal and I do not think the system exists in any other province. As to the question of normally allowing relatives to interview detenus who are ill, I have no doubt that that point is taken into consideration and all reasonable facilities are normally given. This is a special case in which the Government of Bengal for special reasons are unwilling that a particular relative should interview this particular detenu. I am perfectly prepared, as I did last time, to forward a copy of these questions and answers to the Government of Bengal, but I am afraid I cannot go beyond that.

Diwan Bahadur A. Ramaswami Mudaliar: Is it a fact that the father of the detenu also applied for an interview and that it was also refused?

The Honourable Sir Harry Haig: I have no information to that effect.

Diwan Bahadur A. Ramaswami Mudaliar: I understand that the petition asking for interview was signed both by Mr. Mitra and the father of the detenu.

The Honourable Sir Harry Haig: I am told only one person applied for an interview.

Mr. S. C. Mitra: That information is not correct.

Sir Cowasji Jehangir: Would the Honourable Member consider the question whether in case one relative is objectionable for any reason that Government may not be pleased to state, some other relative may be permitted.

Surely it is not possible that every relative of a detenu, who is ill, is objectionable. A child may be sent to interview the detenu and see whether the detenu is really in the condition in which he is believed to be. Surely, if a child is sent, it won't be objectionable to Government. I would appeal to the Honourable Member that in cases of this sort a little concession goes a long way to appease the apprehensions and feelings of the relatives without any harm to Government and with, I may venture to suggest, a great deal of advantage to Government.

The Honourable Sir Harry Haig: I am not suggesting for a moment that the Government of Bengal desire to stop all interviews with this particular detenu or that they would be likely to refuse applications from all relatives. I have no information whatever to suggest that, and here again I am perfectly prepared to forward this suggestion to the Government of Bengal.

DEATHS OF DETENUS IN THE DEOLI DETENTION CAMP.

1209. ***Mr. S. O. Mitra:** (a) Is it not the duty of Government to inform the relatives of the detenus about their illness?

(b) Is it not a fact that during the year 1933 in more than one case detenus died in the Deoli Detention Camp before their relatives received any intimation of their serious illness?

The Honourable Sir Harry Haig: (a) The practice is to inform relatives in the case of dangerous illness when there is time to do so.

(b) Only one detenu has died before his relatives were informed of his illness and in that case there was no reason to anticipate that the illness would end fatally.

Mr. S. O. Mitra: Arising out of part (a) of the reply, if the relatives are only informed in case of serious illness, does it not often happen that the information reaches the relatives after the death of the detenu?

The Honourable Sir Harry Haig: My answer was that this only happened in one case.

DETENUS IN THE DIFFERENT CAMPS AT DEOLI.

1210. ***Mr. S. O. Mitra:** (a) Will Government please state the number of detenus in the different camps at Deoli?

(b) How many detenus have been brought to Deoli during the last four months?

(c) How many, if any, detenus have been released from Deoli since the starting of this Detention Camp?

The Honourable Sir Harry Haig: (a) There are at present 388 detenus in the Deoli Detention Jail.

(b) 225.

(c) No detenus have been released from the Jail, but three have been transferred back to Bengal.

SELECTION OF THE INDIAN DELEGATION TO THE WORLD ECONOMIC CONFERENCE.

1211. ***Lala Rameshwar Prasad Bagla:** (a) Will Government please state if responsible commercial associations were consulted while appointing the Indian Delegation to attend the World Economic Conference?

(b) If the reply to part (a) be in the negative, will Government state how the nominations were effected?

(c) Is it a fact that the Secretary of State for India took a prominent part in the matter?

(d) Are Government prepared to assure this House that in future while appointing Indian Delegations for such important conferences, particular care would be taken to invite nominations from all the responsible commercial associations as is done at present in the case of the International Labour Conference? If not, why not?

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

(b) Nominations were made after full consideration of the necessities of the situation.

(c) I regret I am unable to give the Honourable Member any information on this point.

(d) No, Sir. The manner in which nominations are made in such cases is indicated in the reply to part (b) above.

Mr. B. Das: May I inquire whether the Indian Delegation to the World Economic Conference has submitted its report to the Government of India and whether the Honourable Member will place that report on the table of the House and allow the House to discuss it?

The Honourable Sir Joseph Shore: I shall certainly place such reports, as we have received, in the Library of the House.

Mr. B. Das: Has the Honourable Member received any specific report from the Indian Delegation that was chosen to the World Economic Conference?

The Honourable Sir Joseph Shore: What does the Honourable Member mean by Indian Delegation?

Mr. B. Das: Delegates who represented India.

The Honourable Sir Joseph Shore: We have received some report, and I shall place the report in the Library of the House.

Mr. B. S. Sarma: Is it a fact that this Delegation contained an Indian paid servant of an Indian State?

The Honourable Sir Joseph Shore: I am not aware of the terms upon which the member, referred to by my Honourable friend, is entertained by the State in question.

Diwan Bahadur A. Ramaswami Mudaliar: May I take it that the Delegation represented both British India and Indian States?

The Honourable Sir Joseph Bhow: It certainly did, Sir.

RICE SOLD TO INDIA BY JAPAN.

1212. ***Lala Rameshwar Prasad Bagla:** (a) Will Government please state if they are aware of a consignment of rice of 7,000 tons sold to India by Japan at a rate much lower than the present market rate?

(b) Are Government aware of the effect of the above transaction on the prices of food grains in India and consequently on the local trade and agriculture?

(c) Will Government please state what action, if any, they have taken to counter-act the effect of the above transaction on India?

(d) Is it a fact that the Government of Japan have placed a ban on the import of Indian rice?

(e) Will Government please state if they propose to take any action against the said ban placed by Japanese Government on the import of Indian rice to Japan?

The Honourable Sir Joseph Bhow: (a) Government have received representations containing statements to this effect, but imports from Japan during the past five months have amounted to 70 tons only.

(b) and (c). Do not arise.

(d) and (e). In 1928 an ordinance was issued by the Japanese Government prohibiting the import of rice into Japan except under license. This ordinance did not apply exclusively to Indian rice and the Government of India made strong representations in the matter at the time.

Diwan Bahadur A. Ramaswami Mudaliar: May I know if the Honourable Member has any information regarding the import of rice from Siam?

The Honourable Sir Joseph Bhow: I promise my Honourable friend that I will get that information. I have just received some telegraphic information, and I shall be happy to communicate it to the House in tabulated form so that it may be more easily digested by Honourable Members. I shall do so at the earliest opportunity.

Mr. R. S. Sarma: Has the attention of Government been drawn to an official interview given by the Japanese Consul General to the *Statesman* last week after the questions in the Assembly that a big consignment of Japanese rice, the export of which was imminent, was stopped as a sort of gesture at the intervention of Sir Joseph Bhow?

The Honourable Sir Joseph Bhow: I have seen that interview in the *Statesman*.

Mr. B. Das: Will the Honourable Member kindly explain how it is that the other day he said there were 66 tons of rice imported from Japan and today he says it was 70 tons? Do the Japanese send rice in dribbles?

The Honourable Sir Joseph Bhow: What I said was that until the 31st October the import of Japanese rice amounted to 66 tons. In the interval that import has been increased by four tons.

Mr. S. C. Mitra: Have the Government of India received any representation from any of the Local Governments about this import of rice, as the Finance Member received a report from the Burma Government on behalf of the petroleum interest?

The Honourable Sir Joseph Shore: I do not know what representation my Honourable colleague has received from any Government, but I have certainly received a representation from, I think, two Governments, Madras and Burma.

Mr. B. Das: May I inquire if those four tons of rice were specially sent to feed the Japanese Delegation at the tripartite conference?

Mr. President (The Honourable Sir Shanmukham Chetty): Order, order.

COMMUNALISM IN THE SUPERIOR SERVICES.

1213. ***Sardar Sant Singh:** Has the attention of Government been drawn to the article published in the issue of the *Hindustan Times* of the 4th November, 1933, regarding communalism in the superior services, a cutting of which has been sent by me to the Department concerned? If so, is the information given in it and the facts stated therein correct?

The Honourable Sir Harry Haig: I have seen the article. I am not at present in a position to make any statement in regard to the proposals that are under consideration.

DISTINCTION BETWEEN FIRST AND SECOND CLASS PRIVILEGED TICKET ORDER HOLDERS ON THE NORTH WESTERN RAILWAY.

1214. ***Sardar Sant Singh:** (a) Is it a fact that persons holding Second Class Privileged Travelling Orders are not allowed to travel by mail trains on the North Western Railway? If so, why not?

(b) Is it a fact that holders of First Class Privileged Travelling Orders are allowed to travel by mail trains on the same Railway? If so, why?

(c) Do Government propose to issue instructions that there should be no distinction between the two classes of Privileged Travelling Order holders? If not, why not?

Mr. P. E. Rau: (a) No such restriction appears in the North Western Railway pass rules.

(b) Yes.

(c) Does not arise.

GRANT OF THIRD CLASS PASSES TO RELIEVING ASSISTANT STATION MASTERS AND OTHERS ON THE NORTH WESTERN RAILWAY.

1215. ***Sardar Sant Singh:** (a) Is it a fact that the relieving staff on the East Indian Railway are given intermediate class passes, irrespective of their pay?

(b) Is it a fact that on the North Western Railway there are some relieving Assistant Station Masters and others who are given third class passes? If so, why?

Mr. P. B. Rau: (a) I am informed that it is only the relieving clerical staff who, in accordance with the pass rules of the East Indian Railway, are given Intermediate Class passes irrespective of pay.

(b) Under the pass rules of the North Western Railway, all railway staff drawing less than Rs. 50 per mensem are eligible for third class passes.

Mr. Lalchand Navarai: May I know when these rules about passes were made?

Mr. P. B. Rau: I am afraid, Sir, I do not know.

RULES ABOUT TRANSFERS OF STATION MASTERS, GOODS CLERKS, ETC., ON THE NORTH WESTERN RAILWAY.

1216. *Sardar Sant Singh: (a) Will Government please inform this House whether there are any hard and fast rules about transfers of Station Masters, Assistant Station Masters, Goods Clerks or Booking Clerks?

(b) Is it a fact that on the North Western Railway these men are transferred simply on the reports of Traffic Inspectors, Police or dissatisfied junior officers?

(c) Is it a fact that Divisional Superintendents of Divisions rarely make enquiries into allegations made by officers mentioned in part (b)? If so, why?

Mr. P. B. Rau: Government have no information but I have sent a copy of the Honourable Member's question to the Agent, North Western Railway, for any action that may be considered desirable.

POSTAL WORK DONE BY THE RAILWAY STAFF ON THE KALKA SIMLA RAILWAY.

1217. *Sardar Sant Singh: (a) Is it a fact that Government servants are not permitted to do any private business or to serve anywhere else than in their own Department?

(b) If so, does the North Western Railway force its employees to do Postal work? If so, why?

(c) Is it a fact that on the Kalka Simla Railway, Station Masters are compelled to work under two masters—the Railway and the Postal? Under what Act or Government Rules are Government servants forced to work under two different Departments at one and the same time?

Mr. P. B. Rau: (a) The Government Servants' Conduct Rules provide that "A Government servant may not, without the previous sanction of the Local Government, engage in any trade or undertake any employment, other than his public duties".

(b) and (c). The Agent, North Western Railway, reports that the Administration does not force any of its employees to do postal work. Station Masters of certain stations, including some stations on the Kalka-Simla Railway, are permitted to do postal work in addition to their own duties for a small remuneration which is fixed in each case by the Postal Department, on the understanding that it does not interfere with their legitimate duties. This arrangement has been in force for very many years.

Mr. Lalchand Navalrai: May I know if the rules prohibit even the giving of private tuition to certain students at home?

Mr. P. B. Rau: As I understand it, this is a general question relating to all Government servants, and I suggest to my Honourable friend to put it to the Home Department.

Mr. Lalchand Navalrai: May I know it from the Home Department now?

The Honourable Sir Harry Haig: Will the Honourable Member kindly repeat the question?

Mr. Lalchand Navalrai: There are certain rules which prohibit public servants of the Railway Department from taking any service other than the one to which they are attached. I am asking whether a public servant is also prohibited from taking up private tuition and teaching some students privately on some remuneration.

The Honourable Sir Harry Haig: The question seems to be one of a little complexity and I would ask the Honourable Member to be kind enough to put it down.

Mr. Gaya Prasad Singh: Is it not a wholesome rule that Government servants should be prohibited from taking up private work except under certain conditions and with the permission of the superior officers?

The Honourable Sir Harry Haig: If the Honourable Member wants me to explain the existing rules on the subject, I shall be happy to do so if he will put down a question and give me an opportunity of looking up the rules.

GRANT OF PASSES TO THE NORTH WESTERN RAILWAY STAFF OVER FOREIGN RAILWAYS.

1218. ***Sardar Sant Singh:** (a) Is it a fact that on the North Western Railway officers are allowed twelve passes over foreign railways, whereas subordinate get only one return journey pass? Why is there such a great difference between the two?

(b) Is it a fact that employees who are permanent residents of foreign lines are not given any concessions in connection with foreign line passes? Is it a fact that many of these men do not use their local line passes even?

(c) Do the Railway Board propose to do something to redress the discriminations?

Mr. P. B. Rau: (a) and (c). The issue of foreign line passes is regulated by the Indian Railway Conference Association's Rules for the interchange of free passes which impose no restriction in the number of foreign line passes for officers. The Railway Board, however, have restricted the total number of home and foreign line passes for State Railway officers to 12, and to subordinates—8 for second class passes and 6 for intermediate and third class passes.

I may add that the whole question of passes to railway servants is at present under consideration.

(b) Employees of a railway are granted passes in accordance with the rules of the Railway on which they are employed, and their residence of origin is not taken into account.

REFUSAL OF LEAVE TO THE CONTROLLERS ON THE NORTH WESTERN RAILWAY, DELHI DIVISION.

1219. *Sardar Sant Singh: (a) Is it a fact that Controllers in the North Western Railway, Delhi Division, do not get leave when applied for?

(b) Is it a fact that the amount of leave applied for is never granted, even though due?

(c) Is it a fact that these men are recalled from leave invariably?

(d) Is it a fact that there is no trouble about leave on other Divisions?

(e) Will Government kindly state whether the Divisional Superintendent, Delhi, has considered the introduction of a system like that in force in the Multan Division? If not, why not?

Mr. P. R. Rau: With your permission, Sir, I propose to reply to questions Nos. 1219 and 1220 together.

Government have no information, but I have sent a copy of the Honourable Member's question to the Agent, North Western Railway, for any action that he may consider necessary.

REFUSAL OF CASUAL LEAVE TO THE ASSISTANT CONTROLLERS STATIONED AT SIMLA.

†1220. *Sardar Sant Singh: (a) Is it a fact that Assistant Controllers stationed at Simla cannot get casual leave?

(b) Is it a fact that there is no one at hand to take their place?

(c) Is it a fact that relieving men must come from the Control Office at Delhi?

(d) Is it a fact that very often men at Delhi are not available to reach Simla in time to relieve the Controller there in cases of urgency?

(e) Are Government prepared to consider the question of posting a Guard or an Assistant Station Master passed in Control work so as to utilise his services at short notice?

QUARTERS ALLOTTED TO THE STAFF OF THE DIVISIONAL SUPERINTENDENT'S OFFICE AT DELHI.

1221. *Sardar Sant Singh: (a) Is it a fact that the Divisional Superintendent's office staff at Delhi are given quarters some four to five miles away from the office?

(b) Will Government please state whether they are given any travelling or conveyance allowance to minimise their difficulties? If not, why not?

(c) Do Government propose to help their Railway servants by special conveyance allowances?

Mr. P. R. Rau: (a) A few clerks have been permitted to occupy railway quarters in Paharganj and on the Hamilton Road.

†For answer to this question, see answer to question No. 1219.

(b) and (c). No. Government do not consider that there is any reason for the grant of travelling, or conveyance allowance, as the clerks occupy these quarters at their own option.

RE-EMPLOYMENT OF TWO BENGAL ARTISTS IN THE INDIA HOUSE, LONDON.

1222. ***Sir Cowasji Jehangir:** (a) Will Government be pleased to state whether two Bengal artists have been re-employed for further work at the India House?

(b) Will Government be pleased to state what further work is contemplated at the India House and the number of new mural decorations that have still to be painted?

(c) For what period are the above-mentioned two artists going to be employed?

(d) Has Government's attention been drawn to the dissatisfaction expressed in Bombay, both in the press and on the platform, at the continued refusal to give Bombay artists a chance to participate in the scheme of decoration at the India House?

(e) Do Government now propose to take steps to employ immediately some Bombay artists for the decoration of the India House?

The Honourable Sir Frank Noyce: (a) Yes.

(b) The work contemplated is the decoration of 837 square feet in the octagonal entrance hall.

(c) The artists were employed in May last, and are to complete the work during the current financial year.

(d) Yes.

(e) No. The two artists returned to England at their own expense, and offered to complete the original self-contained scheme of mural decoration which was left unfinished in 1931-32 for financial reasons. The arrangement was sanctioned as it offered a specially favourable opportunity of getting the work completed at a minimum of cost. There is no question at present of employing more artists.

Sir Cowasji Jehangir: May I know from the Honourable Member who chose these artists to do this work in the first instance?

The Honourable Sir Frank Noyce: They were chosen after public competition.

Mr. K. C. Neogy: Is it not a fact that they were chosen by a representative Committee which sat at Delhi and that it was quite an accident that all the artists chosen were Bengalis and that on the Committee Bengal was not over-represented?

The Honourable Sir Frank Noyce: I know nothing about the composition of the Committee, but the facts stated in the first part of my Honourable friend's question are entirely correct.

Mr. H. P. Mody: What steps do Government propose to take to prevent such accidents in future?

Mr. K. C. Neogy: I suppose Bombay has to come up to the same level as Bengal in this matter.

Sir Cowasji Jehangir: Will the Honourable Member state whether he or his Department will give this matter serious consideration when another opportunity arises?

The Honourable Sir Frank Noyce: Sir, I should like to reassure my Honourable friend by reading to him the views expressed by the late High Commissioner for India on this subject in 1931. Sir Atul Chatterjee, who himself comes from the east of India, then said:

"I would desire to express the personal hope that when the existing financial stringency has been alleviated, the Government of India may find it possible to cause other parts of the India House to be decorated by other Indian artists. The artists at present employed, although selected by public competition in India—(a point to which I would draw the special attention of my Honourable friend)—all come from the east of India; and it appears but seemly that a building which serves India as a whole should be adorned by artists from all parts of India. Fortunately there is no lack of surfaces in India House which call, and have been suitably prepared, for mural decoration."

I need hardly assure my Honourable friend that when the happy time comes that financial considerations permit of our proceeding with this scheme of decoration, these views of the High Commissioner will be most carefully considered.

Sir Cowasji Jehangir: How often have artists been sent for this decoration work?

The Honourable Sir Frank Noyce: I am afraid I am not very conversant with the details of this case as nothing has happened since I took over charge of the Department; but the reply which I have given to the Honourable Member would seem to show that they have been sent to finish one self-contained scheme of mural decoration, presumably that of the octagonal entrance hall.

Sir Cowasji Jehangir: Am I to understand from the answer given by the Honourable Member that when these artists went back, they went back at their own cost without any further burden on the taxpayer?

The Honourable Sir Frank Noyce: I have said so: I should imagine that they went to England in search of work and the High Commissioner found them there and took advantage of the opportunity to get this scheme completed at the minimum cost to Government. No expenditure on their passages either to England or back has been incurred by the Government.

Diwan Bahadur A. Ramaswami Mudaliar: Is the Honourable Member aware that there are artists in Madras also, the Ravi Varma School of Art, and that the artistic world is not divided between Bengal in the east and Bombay in the west?

The Honourable Sir Frank Noyce: The Honourable Member has no need to remind me of the versatility of the provinces from which both he and I come.

Mr. K. O. Neogy: But does the Honourable Member know that the Principal of the Andhra School of Painting is a Bengali and belongs to the Bengal School of Art?

The Honourable Sir Frank Noyce: I cannot but think that the rivalry between the provinces which has been expressed this morning bodes well for the artistic future of India.

Mr. K. O. Neogy: May I further know whether it is not a fact that the Bombay artists had a sufficient opportunity for the purpose of displaying their skill in this particular line of art in the domes of the Secretariat Buildings here?

The Honourable Sir Frank Noyce: It is a fact that Bombay artists have decorated parts of the Secretariat.

Mr. K. O. Neogy: And was any objection raised on the floor of the House by any Bengali Member to that?

Mr. G. S. Ranga Iyer: Will Government be pleased to communicate to the High Commissioner in London the questions and answers on this question?

The Honourable Sir Frank Noyce: I shall be very pleased to do so.

Dr. Ziauddin Ahmad: May I also remind the Honourable Member that there are good artists in Upper India; and in order to have a good impression about Indian art on the British mind, it is desirable that art not only of the east, the west and the south should be represented, but that the north should not be omitted?

The Honourable Sir Frank Noyce: It is becoming increasingly evident that when we are able to go forward with this scheme of decoration, we shall have plenty of talent from which to choose.

Mr. K. O. Neogy: May I also remind the Government that both the Principal of the Lahore School of Art and the Principal of the Lucknow School of Art are Bengalis and belong to the Bengal School of Art?

Mr. B. Das: How does the Honourable Member account for the fact that while Bengal produces artists for mural painting and fresco painting, Bengal has no archaeological remains containing fresco paintings, while the Bombay artists derive their inspiration from the Ajanta and Ellora caves?

Mr. President (The Honourable Sir Shanmukham Chetty): Order, order.

THE INDIAN "KHADDAR" (NAME PROTECTION) BILL.

PRESENTATION OF THE REPORT OF THE SELECT COMMITTEE.

Mr. Gays Prasad Singh (Muzaffarpur cum Champaran: Non-Muham-madan): Sir, I beg to present the Report of the Select Committee on the Bill to provide for the protection of the names "Khaddar" and "Khadi" used as trade descriptions of cloth spun and woven by hand in India. (Cheers.)

THE RESERVE BANK OF INDIA BILL.

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

Dr. Ziauddin Ahmad (United Provinces Southern Divisions: Muham-madan Rural): Sir, I will first, in one or two minutes, remind the House of the conclusions which I arrived at yesterday, and I will be very quick about it as I wish to finish by 12 o'clock today. I said that the Opposition was suffering under three disadvantages: the dead weight of the Council of State, the attitude of our leaders, and Sir, your absence from the Opposition. I also said that those persons who believed that this Reserve Bank ought to be free from political influence—it was their duty to put down a very strong note of dissent against any interference either on behalf of the Governor General in Council or on behalf of the Secretary of State, because both of them were politics personified; and I hope that on this occasion they will lose no opportunity in raising their voice and protesting against any interference from any politician, either here or abroad. I said also that this country did not want a *nimboo-nichors* bank, but it really wanted a State Bank; and I gave five arguments in favour of a State Bank which I only partially developed yesterday and which I leave to be developed on some other occasion.

My first argument in favour of a State Bank was that I believed that the entire profit of the Bank must go to the taxpayers, and there should be relief in the taxes on account of this profit. My second argument was that we must have Indianisation of the service, and it was our experience that Indianisation became more rapid in the case of State administration than it could be in the state of Company administration, and, in proof of that, I gave the case of the Indian railways; the Indianisation became more rapid since 1924 as more companies were taken over by the State. My third argument was that the Company, managed by these *nimboo-nichors* was not likely to help very freely the land mortgage banks and the co-operative banks. I do not want to develop this argument, but the gentlemen from my party will realise the attitude of the millionaires and the attitude of the would-be Directors, that they are always very backward in promising any help to the poorer people on one ground or another. My fourth argument was that the taxpayers would have greater confidence in the Legislature than in the Directors whom really they do not elect. And the last argument which I did not develop and which I say now is that, in times of crisis, these Directors are not required. We all know that whenever a financial crisis comes, the Government in every

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country have to intervene, and, in normal times, these Directors do nothing: the work goes on smoothly managed by the Governor and his deputies, and, therefore, these Directors are either superfluous or useless.

Mr. B. V. Jadhav (Bombay Central Division : Non-Muhammadan Rural) : They pocket the fees!

Dr. Ziauddin Ahmad : As my Honourable friend reminds me, the one practical thing that the Directors always do is that they pocket the fees and rob the poor taxpayers. This really reminds me that these Directors are not only *nimboo-nichors*, but they are also *kafan khasots*

An Honourable Member : What is that?

Dr. Ziauddin Ahmad : I will come to that later on. We are living in abnormal times. The Honourable the Finance Member will bear me out that every country in the world is passing through a financial crisis. May I ask if this is the right time to launch this scheme of a Reserve Bank for this country? The Government of most countries are now making an attempt to interfere in the operation of their own central banks. We have got the example of Germany, America and of other countries in this matter, and, therefore, I ask, whether it is right for us to entrust this scheme in the hands of private bodies in such abnormal times.

Sir, I mentioned on the last occasion that there was a large fluid capital at present in the world, and it has been estimated at about ten million dollars. This fluid capital, which is called ready money, broke down the currency of England, it broke down the currency of America, and I fear, if you carry on the open market operations, our currency will also break down, and all the gold we possess will disappear from our country. These are very important considerations, and it is very desirable that, when we launch this Reserve Bank, we should put it on a sound and safe footing so that we may not lose through it the little amount of gold that we have already got. I am afraid that, at the present moment, if we begin to start a Company-managed Central Bank, we will be in very great danger of losing money by these open market transactions; our exchange will suffer enormously, it will be a great burden on the stability of exchange, and it is quite likely that the whole system may break down. Therefore, Sir, I consider that it is highly important that we should take very great precautions on this particular point.

Sir, our position here is a very difficult one. I have drawn up a cartoon in my note book, which, I am quite sure, Mr. Shankar will reproduce, not in the year 1933, but probably at some later date

An Honourable Member : Why not place it on the table?

Dr. Ziauddin Ahmad : I have represented the taxpayers in the shape of a bear, and it is tied by two ropes. One rope in the neck is held by the Secretary of State and the other rope in him is held by *nimboo-nichors*. Both these people are pulling the poor bear who represents the taxpayers of this country. Close by it is the Central Legislature which is watching the whole thing with great excitement and trying in a great hurry

to cut off the two ropes and save this bear from this double pull, but unfortunately there is the very strong cage of the Governor General and his discretion about it, and this Legislature cannot possibly move in spite of all its efforts to help the poor taxpayers. Then, Sir, at a very long distance there are two persons, Sir George Schuster and Sir Samuel Hoare, who are watching the whole situation by means of binoculars and shouting with acclamation "Well played". This is really the cartoon I have drawn up of the whole situation, which, I hope, as I said before, will be depicted by Mr. Shankar in one of the Indian papers at a later date, and that will be the position of our taxpayers under the present Bill.

Sir, I do not propose to dwell at great length on the question of the ratio, but I shall only briefly refer to it and say that the de-valuation of it is absolutely essential for three reasons. In the first place, we want to have a favourable balance of trade, secondly, we want to have the movement of our wholesale prices in India quite in sympathy with the movement of the wholesale price in England, and, thirdly, which is the most important of all, we want to raise the price levels of our agricultural produce. For all these three things, I say that the lowering of the exchange value is essential, it is a necessary condition, though I admit it is not sufficient and there are several other things also to be taken into account, but without the de-valuation of the ratio, I challenge the Finance Member to get up in his reply and tell me how he is going to achieve them.

Sir, the next point I would like to take up and on which we on the Opposition side feel strongly is the question of the help to be given to land mortgage banks as well as to co-operative banks. Now, Sir, 85 per cent. of the population of India lives on land, and any bank, however it may be constituted and in whatever way it may be managed, which fails to give assistance to landed interests, I say, will not be fulfilling its duty for the benefit of the country, but it will be functioning for the benefit of a few capitalists. Therefore, we lay very considerable stress that, from the very outset, a special department ought to be provided for giving assistance to land mortgage banks and to co-operative banks, and if I have to choose between a Reserve Bank without a special department for rural services and no reserve Bank, I would say without hesitation that a Reserve Bank without a special department to help landed interests is not required in this country. The Honourable the Finance Member himself saw only two years ago that the abnormal fall in price level broke down the moral finances and the whole financial position of India became very shaky. So much so, they had to appoint Retrenchment Committees which are still ringing in our ears and which Government are still using for their own benefit. They are making it an excuse to turn out people whom they could not turn out under service regulations.

Then, Sir, I shall come to a fresh point, and that is the gold and sterling reserves. We do not want very high reserve for internal credit if the Bank is to be managed by the State; if the bank is to be handed to a few persons who will have confidence on those *nimboo-nichors*. It will be very important to realise that these *nimboo-nichors* should have sufficient money at that credit. Suppose I issue a pro-note for a crore of rupees, it will be immediately dishonoured, because I have got no gold behind me. Therefore, Sir, it is very desirable that in the case

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of the Reserve Bank, if it is to be a Shareholders' Bank at all, the reserves must be substantially larger than they would be in the case of a State Bank, otherwise the people of this country will not have much confidence in the Bank. Sir, I believe that the confidence of the people of the country is much more important than the confidence of people outside, however much the importance of the latter may be: so, in the case of a private bank, reserves must be very much larger.

Then, Sir, the next point which I would like to emphasise is that even in the case of a State Bank, we should have our reserves on a very much higher level than in other countries of the world, and this for three reasons. In the first place, no country has got silver rupees in circulation in such large quantities, and we all know that the rupee is nothing but a note printed on silver, it is not worth sixteen annas, but it is hardly worth 6½ or seven annas, and, therefore, we want certain amount of gold reserves for the large quantity of rupees which we have in circulation.

Then, Sir, the second abnormal thing is, we have to remit about 70 million and odd sterling every year to England, and it is not desirable that we should continue to pay them by raising special loans in England. We ought to have sufficient sterling security at our command so that we may be able to meet our external obligations for one year if other things fail, and I think it would be a sound policy to have sterling securities to the extent of our commitments of one year. Now, in order to determine the exact ratio of our reserve, I would like to give the ratio in other countries. The ratio of gold to the paper currency in other countries is as follows:—

England	. . . . .	44.4
France	. . . . .	59.9
Belgium	. . . . .	41.3
Japan	. . . . .	73.4
South Africa	. . . . .	81.7

Therefore, for the reasons I have given, our ratio of gold to the paper currency must be at a higher proportion than the average in the countries I have mentioned. I have calculated these figures very carefully, which for want of time I do not want to go into now—probably an occasion will come when I shall have to describe them in detail—and I have come to the conclusion that we ought to have at least 50 crores gold reserve at old parity. This is to my mind the very minimum that we ought to have if we want to retain the confidence not only of people abroad, but of the people of this country, and to be able to meet any emergency that may arise. Then we should have sterling securities, and we will be on the safe side if we have sterling securities worth £70 millions so that we may be able to pay up our obligations under any unfavourable circumstances. Our reserves in rupees are very unhealthy and the amount should be diminished.

The next thing is the Imperial Bank. My Honourable friend, Mr. B. Das, described the Imperial Bank as a human being and, on looking into the dictionary, I find that human beings are defined as rational animals. My friend calls them rational animals, but from my own experience I would like to call them howling animals. But, apart from the

personal question, I take my stand on the proposition that there should be no discrimination. This is the principle which we have accepted everywhere, and I expect that this principle should be adopted in this case also, so that there may be no discrimination between the Imperial Bank and any other bank, and I shall give my reasons when we come to this particular clause.

The next point that I would emphasise is the period of this measure. I think that 25 years is rather too long a period. We do not know how the world would move and we cannot give a trial for such a long period. We have got our own experience of the last 25 years—what was the position of the currency about 25 years ago, what was the financial condition of the whole world then—and we cannot foresee what will be the condition after 25 years. Things are changing so rapidly now-a-days that even ten years is too long a period. Who can say that the position in 1960 would be the same as in 1933? Therefore, the maximum period that we can allow for this Bill is about 10 years on account of the abnormal fluctuations in the monetary position of the whole world.

The next point I would like to emphasise is the question of free transmission of money from one place to another. We have been emphasising it from this side of the House, and I think also the Finance Member has been very loud in his speeches in saying that they are providing banking facilities in this country. I welcome such a statement, but, may I just ask, whether the discount on every cheque is provision of banking facilities, or is it just the reverse? If I have got money in one bank, and I write out a cheque for Rs. 10 to be cashed at another bank, I pay eight annas. The Imperial Bank charges on its own cheque belonging to a different branch four annas per cent, with a minimum of eight annas. This is the practice in the Imperial Bank which we are going to patronise and which we are going to support at the cost of the poor taxpayers! Is it a banking facility? Several Honourable Members have banking experience of Europe. If I cash a cheque of the Imperial Bank in England or on the continent, I get the full value of the cheque at par or whatever it may be at the current rate of exchange; but here in India I have to pay an abnormal discount which is really very high for a country like India. Therefore, I think the time has come, if you really want to popularise banking facilities in this country, when these transmissions should be free, and the Reserve Bank should take this opportunity and give the lead. That is, they should remit money to their branches and scheduled banks free of cost, and other banks will be tempted to do these things likewise free of cost. And this is absolutely necessary.

The next point is also a point which probably will be raised in greater detail later on, and that is the power to amend this Act. This power is one which we ought to keep in our own hands. We here may pass any law on our own responsibility, but it is very unfair to bind our successors to a particular course of action and tell them that they cannot change this Act without special restrictions. Whatever general restrictions may exist for the changing of any law, they may be applicable also to this particular measure, but it would be really wrong to impose special restrictions in respect of the Reserve Bank Act only. Then we would be placing our successors in a position of handicap. I say, whatever rules and regulations exist in general for the amendment of any Act, the same rules and regulations should apply in the case of the amendment of this

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Act also, and we should be unfair to our successors if we say that special restrictions ought to be placed for its amendment.

Before I sit down, I just want to remind Honourable Members that the battle cry which they have now raised for the Reserve Bank is wrong. Their cry is business bank free from political control. I appeal to them that this battle cry should cease to exist, and that they should have a new battle cry, and that should be a national bank free from political control. And this is the principle which we on the Opposition stand for. (Applause.)

Mr. F. E. James (Madras: European): Sir, I find some difficulty in succeeding so eloquent and expansive a speaker as my Honourable friend, Dr. Ziauddin Ahmad, on whose speech I should like to congratulate him. I think also we may congratulate the Members of the Select Committee, both the majority and minority Members, on having produced an extremely comprehensive and valuable report.

I do not stand here in any sense as an expert such as has been described in Dr. Ziauddin Ahmad's speech; perhaps I might describe myself as the average man, and in that sense I should like to make a few observations of a very general nature on the proposals which are now before us.

I would, of course, make it perfectly clear from the outset that we on these Benches, belonging, if not to the largest, at least to by far the best organised Party in the House,—we on these Benches do not propose to support the amendment of my Honourable friend, Mr. Sitaramaraju. We are very anxious that the House should proceed at once with the discussion of the clauses of the Bill and with the amendments which have been tabled to them.

There have been in the minds of many members of my community doubts as to the advisability of attempting at a time of such uncertainty as the present to establish such an important organism in a nation's finance as a Reserve Bank. This difficulty is recognised in the Preamble to the Bill. The expediency of this measure is pointed out, but it is qualified by a clause which says:

"And whereas, in the present disorganisation of the monetary systems of the world, it is not possible to determine what will be suitable as a permanent basis for the Indian monetary system."

I would emphasise that qualification, because that is really vital to a consideration of this Bill. Yet we recognise the validity of the arguments used by those who sponsor this Bill that the establishment of such an organisation in this country has been made a necessary prelude to further political advance in the direction of Federation. We accept that. We

12 Noon. believe that the Bank can be established. We believe that it can set in motion within a fairly reasonable time. We believe that, perhaps, even in spite of the difficulties that at present exist, it is good that such an establishment should be made now, so that when the time does come to consider a permanent monetary standard for India in consonance with a revised and reformed world standard, the Bank will have had experience in many directions, not the least of which will, I hope, be the smooth working of the personnel. I am not here going to touch upon the difficult question of the ratio. Sufficient unto the day is the evil thereof and I understand that we shall be arriving at somewhat heated discussions on that subject in the course of the next few days. There is

only one observation that I should like to make in this connection and that is that it is our general opinion and I believe that opinion is shared throughout that the one thing that every country in the world is looking to today is stability. We are not prepared to suggest any action which will in any sense affect whatever stability there is at present in the world either in India or in those countries with which she is linked.

Now, Sir, one of the most controversial points in the discussion of this Bill is as to whether the Bank should be a Shareholders or a State-owned Bank, and immediately we are taken into a sphere of *quasi*-political controversy between those who regard a capitalistic but controlled form of organisation as essential and those who regard a purely State-controlled organisation as essential. I do not propose to argue either system. For the former it has been argued that a Shareholders' Bank is free from political control. It obtains a Directorate from an elected body not immediately controlled by the State, but subject always ultimately to the control of the State. For the latter, it is said that a national monetary policy which affects the very life of a country should be controlled by the State and not by a group of capitalistic shareholders. I would remind the House that one of the most successful central banking organisations in the world is the Bank of England. It is a Shareholders' Bank and, with it, we find that most of the central banking systems in the world are Shareholders' Banks. Experience appears to have proved, up to the present, that on the whole and generally speaking they have functioned in a satisfactory manner when manned by the proper personnel, and have reached a stage of development in some countries where, what one might almost call, "altruism in financial matters" has enabled them to stand up and criticise their respective Governments and has made them also entirely immune to the pleadings of the shareholders in the matter of dividends. Of course that latter consideration will not arise in the case of the organisation which we are now contemplating, but I do suggest that it is of the utmost importance to have in a State a great financial organisation of this kind which is in a position from time to time to stand up to the Government and say to the Government that it will not carry out the policy which the Government desire to carry out in certain matters. But, Sir, to my own mind the controversy as to the question of a Shareholders' Bank or a State Bank is really at this stage not a very important one, because I do not think it really affects the main issue which is before us. Every Central Bank, even if it is a Shareholders' Bank, must be subject to a certain amount of regular Government supervision and must in the last degree be capable of being entirely controlled by the State. In the event of any great national emergency, the State must step in, and any Shareholders' Bank under those conditions would *ipso facto* become a State Bank.

Now, Sir, two very important functions which are to be employed by the Reserve Bank are included in the object clauses which have been slightly amended during the course of the sittings of the Select Committee. These are open market operations and the bank rate. It has been observed in the working of many central institutions that the raising or the lowering of the bank rate in itself is not quickly enough effective in securing the desired objective as the raising or the lowering of the bank rate coupled with the intelligent use of open market operations, although it does not necessarily follow that open market operations mean an alteration in the bank rate. Open market operations in themselves are simply the power of the Reserve Bank to buy or sell securities and thus influence the money

[Mr. F. E. James:]

market towards a more stringent or more open credit policy by means of increasing or reducing the reserve of the Joint Stock Banks. One of the primary objects, therefore, of the Reserve Bank will be the encouragement of greater development in the money market and particularly the fostering of a healthy and active discount market. To achieve this purpose, it will be necessary for some time at any rate, owing to the fact that the money markets of India are not so very well developed as in the West, to give the Reserve Bank wide powers and not place too many restrictions on its activities by laying down reserves which are too rigid. The exchange standard is going to be sterling, but the reserves of the Bank must be maintained in stipulated proportions of gold coin, gold bullion, securities of sterling standard countries, rupee coin and rupee paper. But certain minima are prescribed for the holding of gold and there are certain limitations on the amount of rupee securities. I do not want to go into this matter fully at this stage, because it is a technical point; but it may be observed that possibly it is somewhat strange to stipulate a prescribed quantity of gold unless it is for sentimental reasons when "devisen" has to play a most important part in its exchange policy and this, coupled with putting limits on the holding of rupee paper, may cramp the operations of the Bank and prevent a degree of elasticity which would be desirable. My own personal opinion, I do not know if it is shared by other Members of my Group, is that the Bank should have as much liberty as possible in order that its open market policy may be really effective.

Then, Sir, there is another aspect of the Bill on which I would like to make one or two observations and that is in connection with the scheduled banks. I am glad to observe that the Select Committee has made a reduction in the amounts of the daily averages of demand and the daily average of time liabilities which scheduled banks in India are to hold with the Reserve Bank. That was a subject on which there was a very widespread feeling on the part of the scheduled banks throughout the country and I am glad that the Select Committee has yielded to the expression of that opinion. Then I notice there has been no very definite provision made, although the Finance Member has left the door open, for the inclusion of indigenous bankers as scheduled banks. They may wield a power, in so far as credit is concerned, far in excess of that of many of the banks included in the Schedule. I recognize the difficulty of including them in any particular form at the present moment. But I do hope that if, as is probable, some of these indigenous bankers, many of whom carry on a perfectly satisfactory business, so rationalize themselves, amalgamate, and take possession of such reserves as might materially disturb the operations of the Reserve Bank even if the disturbance were local, there will be some way of bringing them into the list of scheduled banks.

The Honourable Sir George Schuster (Finance Member): If they rationalize themselves in the way suggested by my Honourable friend, they will of course automatically come within the list of scheduled banks.

Mr. F. E. James: I am very glad to hear that. I understand the door is left open in that way so that these banks, if they do rationalize themselves, will come in and I hope they will take the opportunity which is now given to them.

Sir Gomasji Jehangir (Bombay City: Non-Muhammadan Urban): What do you mean by "rationalize themselves"?

Mr. F. E. James: I am afraid I am not in a position to make a lengthy explanation of what I mean by "rationalize", but surely that cannot be a strange and new word to my Honourable friend in the banking world.

The second point in regard to scheduled banks is in regard to the point which has been so ably made by my friend, Mr. Sitaramaraju, in connection with the rural credit movement, as I prefer to call it, rather than the co-operative movement, in connection with its relation to the Reserve Bank. It is quite possible, to my mind, looking to the future that a state of affairs may arise in which the Reserve Bank will have to exercise, whether it wishes to or not, some very definite and effective control over the rural credit movement, and I think that the Reserve Bank ultimately will have to have a far greater control over this movement than through the mere provision in the Bill at present for purchasing nine months' agricultural bills bearing the signature of a provincial bank. I realize that this presents very great difficulties and I am not committed to supporting the particular proposals that are down on the order paper in the name, I think, of Mr. Sitaramaraju; but I do sincerely hope that the Finance Member will be able to give us some assurance that this particular aspect will be given very great attention by the Bank in the near future.

Now, there is one thing I should like to say in reference to what I consider to be a very statesmanlike part of the speech made by my Honourable friend, Mr. Mitra. If I understood it aright, my friend, Mr. Mitra, said that he, for himself, would not support those particular amendments which are put on the order paper requesting that there should be a statutory provision for a definite percentage of shares and Directorates to be held by Indian nationals. I should like immediately to acknowledge with great pleasure that statement of Mr. Mitra, because, as long as that amendment was down on the order paper, it would be natural for us to oppose that amendment, as any such provision in the Statute would, to our mind, imply some recognition of the principle of discrimination. I want to assure my Honourable friends on the other side that, as far as I am aware, there is no single section of the European community that is anxious, even if it were possible, to make a corner in the shares of the Reserve Bank or to get any preponderant number of places on the Directorate of the Bank. All such fears as those are entirely groundless and I may point out that our representative on the Select Committee has not tabled any minute of dissent to the suggestion that has been made that all European British subjects, ordinarily resident in India, when they retire from this country should forfeit the right to hold the shares of the Reserve Bank. I hope that the gesture which is made in that connection will be equally reciprocated by other Members of the House and I do very much hope that my Honourable friend, Mr. Thampan, in whose name certain amendments appear and who comes from the same Presidency as myself where the communities have lived together in a singularly happy atmosphere, will follow the lead of Mr. Mitra and not move those particular amendments.

Mr. K. P. Thampan (West Coast and Nilgiris: Non-Muhammadan Rural): I am afraid, I cannot oblige my friend and shall have to move them.

Mr. F. E. James: Then I am sorry to say that we shall have to oppose them in the way I have just indicated.

[Mr. F. E. James.]

Now, Sir, I have nothing further to say on the Bill at its present stage. This is not the place in which detailed points should be made. They will all come later. Fundamentally, the Bank will succeed if, from its very commencement, it rises above political considerations. It has a great work to perform and there is no reason, in my opinion, why it should not be able to accomplish that task. It should before very long be in a position to assist in the expansion of a bill market in this country and the creation of a much wider and more effective discount market which will all go towards the adoption of a healthier and more widespread money market interest, which in itself will lead towards a greater appreciation of the advantages which a Reserve Bank can give to a nation.

There is only one other aspect on which I should like to close my speech and that is an aspect of the whole question which I do not think has been stressed. Naturally, Honourable Members on all sides of the House have looked upon this measure as another indication of national progress, as another step on the way to the consummation of their political hopes for a free, federated India—and I do not quarrel for one moment with that ideal. *But I look at the thing also from a wider point of view.* I believe, in spite of present tendencies, that there are signs even today—and certainly those signs will increase in future—that central banking is moving towards a greater collaboration in the field of international finance. A great financier has recently said:

“It is horrible to contemplate the waste of wealth and retardation of progress which it is fair to attribute already to the muddle and confusion and division of purpose with which the Central Banks of the world have been afflicted since the Resolution of the Geneva Conference of 1922.”

That confusion of opinion and that division of purpose is not going to be changed by changing your Central Banks from Shareholders' Banks into State Banks. In fact, in the present development of nationalism throughout the world, if those Banks had been all State Banks, I am quite sure that that division of purpose would have been even deeper and the confusion of opinion would have been greater. It is the very fact that the majority of those Banks are Shareholders' Banks that has prevented the world from going further into the morass in the realm of international finance than it has gone today. I know I am open to the charge being levelled at me by Honourable Members that the failure of the World Economic Conference cannot lead anyone to assume that there is likely to be a greater and increasing collaboration in the world of international finance in the near future. Yet I am not at all sure that even today there are not signs that countries which have taken on themselves a policy of national reorganization before everything else are beginning to realize that national reorganization and national expansion are all dependent ultimately on international relations both in the economic and financial spheres. I think there is a desire apparent today on the part of the Central Banks towards a closer co-operation in the matter of an international monetary standard and with the establishment of that condition of affairs it might even be possible to envisage an International Bank controlling whatever standard the world ultimately decides upon. My point is this. There is the tendency and here is the opportunity of building in India an organisation which, I am convinced, when those days do come, and they will come soon, will play a very worthy part in the direction of liberating international trade and stabilising international finance.

U Ba Maung (Burma: Non-European): Sir, I wish to speak a few words with regard to the amendments made by the Joint Select Committee, but, before I deal with the clauses of the Bill, I would like to say something in favour of a State Bank rather than a Shareholders' Bank. If I have to speak for my country, that is Burma, my arguments are not identical with those of the previous speakers or as contained in the note of dissent by some Joint Select Committee members. With regard to the financial condition of Burma at present, I am not ashamed to inform the House that the people of Burma, I mean the Burmese people, have become the poorest nation in the Indian Empire at the present moment on account of the unprecedented fall in the price of agricultural produce. Moreover, thousands of acres of valuable land have gone into the hands of the money-lenders, such as Chettiyars and other money-lending classes in Burma, and the cultivators are unable to raise at present any money either from Government or from money-lenders on the lands left with them. Therefore, they have no surplus money now, nor can they afford to purchase shares in the Reserve Bank. Further, I can say with certainty that, were a Reserve Bank established, as it proposed in the Bill, the shares allotted to Burma can only be bought up mostly by non-Burmans. Therefore, in my humble opinion, a State Bank is more suitable to the conditions existing in Burma, and I would ask the Government to reconsider the opening of a State Bank instead of a Shareholders' Bank.

I now come to the clauses of the Bill. Sir, the first point I wish to touch upon is the value of the shares and votes. I am grateful to the members of the Joint Select Committee for bringing down the value of each share from Rs. 500 to Rs. 100, but, in the matter of exercising the vote, I prefer that each shareholder should have only one vote irrespective of the number of shares held by him. But, as the Reserve Bank is a national institution,—though constituted on a shareholders basis— and not a commercial or profit-seeking concern, I consider that the application of these principles will be greatly appreciated in Burma and will give the institution a really democratic character.

The next point which I would like to touch upon is the question of exchange ratio. If I have to tell the House frankly, I must say that I am neither an expert nor have I studied the subject fully. But what I have learnt from various sources since I arrived here is that the people are crying for fixing the ratio at 16 pence, whereas in the newspapers, some Associations and Chambers prefer the ratio to be below 16 pence. But I do not like to suggest the fixation of any ratio, as Burma being an agricultural country and not less than 90 per cent. of the Burmese population being agriculturists, we in Burma require a rise in the prices of agricultural produce at the present moment. Sir, it is admitted on all sides that the present ratio has affected the agriculturist more than any other persons, for the price of agricultural produce, such as paddy, which is the main crop of Burma, has fallen on an average by 50 per cent. or more. Therefore, a rise in prices is the most urgently needed thing for the agriculturist and all those who are dependent on agriculture. It is no doubt true that the de-valuation of the rupee will be followed by a rise in all kinds of imported goods, thus increasing the general cost of living. A general rise in the prices would not affect the agriculturists adversely, if they could get better prices for the commodities they produce. Therefore, I would ask that the exchange ratio may be fixed in such a manner that there should be a rise in the price of agricultural produce during the depression. Sir, lastly, I wish to emphasise the importance of the establishment of a rural credit department of the Bank, at the same time as the Bank is established

[U Ba Maung.]

for the benefit of the agriculturists instead of leaving it to the Bank to report at a later date as provided elsewhere in the Bill. In my opinion, this department will be most beneficial to the agriculturist when the Reserve Bank is in existence, because no credit is available at present to the agriculturist in Burma as stated by me before. Therefore, I hope that every Member will support the proposed amendment to this effect.

Before I resume my seat, I wish to ask the Honourable the Finance Member to enlighten me at the close of the debate as to the interpretation of clause 15, sub-clause (4) where it says :

"On the expiry of each successive period of twelve months after the nomination of Directors under sub-section (3) two Directors shall be elected in the manner provided in section 9 until all the Directors so nominated have been replaced by elected Directors holding office in accordance with section 8. The registers in respect of which the election is to be held shall be selected by lot from among the registers still represented by nominated Directors, and for the purposes of such lot the Madras and Rangoon registers shall be treated as if they comprised one register only."

That is all I have to say.

* **Bhai Parma Wand** (Ambala Division: Non-Muhammadan): Sir, it is quite natural for Honourable Members on this side of the House to look upon every measure that emanates from the Government with suspicious eyes. Similarly, when I came to attend this Session of the Assembly, I also looked upon this Reserve Bank Bill with a great deal of prejudice. A few days ago, we had a Party meeting, and I was inclined just to follow the general impression which was expressed in certain quarters about this Bill. But, after going through some of the literature that has been sent to us by certain Chambers from Calcutta and Bombay and after listening to the speeches of the Honourable Members who have taken part in the debate, I feel that I am inclined to take a more impartial view.

One aspect that was considered very important and on which great stress has been laid ever since the time the Bill was introduced in Simla is the constitutional side of it. It was in Simla that we heard a lecture delivered by the editor of a paper from Calcutta on this subject. Thus, I think, the most important point of discussion or of controversy is whether the Bank should be a Shareholders' Bank or a State Bank. I am not very well acquainted with finance and I do not claim to have got any definite knowledge of banking operations, but this simple aspect of the Bill has appealed to me, because I think even as a layman I can form my opinion on this subject. As I said, it is after hearing the debate and after going through some literature about the Bill that I have come to hold the view that has been expressed by my Honourable friend, Mr. James, that this point is not at all material to the Bill and it is neither proper nor reasonable for us to lay much stress on this point, that it should be a State Bank and not a Shareholders' Bank. I can say without fear of contradiction that so far I have met with no reason except some of the arguments that have been advanced by Dr. Ziauddin Ahmad in favour of a State Bank, and I hope my Honourable friend, the Doctor Sahib, would excuse me if I have the courage to say that his arguments have not been in any way convincing. To say that the Bank, if it is a Shareholders' Bank, would fall into the hands of a few capitalists, and that the common taxpayer would suffer by it and that, if it were a State Bank, the people would be relieved of a great burden, are nothing but mere guesses. I do not think any of these things is going to happen. Let us suppose, we convert it into a State

Bank, what will happen? Does my Honourable friend, Dr. Ziauddin, believe that in that case a large majority of the people of India would have any influence or control over this Bank? Even in that case, it will be some experts and only those people who understand banking and who are well versed in that line that shall control the operations of the Bank. It is quite immaterial whether it is a State Bank or a Shareholders' Bank. Again, I cannot understand how the people are going to suffer by a Shareholders' Bank. So far as the provisions of the Bill go, it is definitely declared that the dividend cannot exceed a certain fixed percentage annually. In that case, it is quite clear that the shareholders would be taking no undue advantage from their shares and that the balance of the profits goes to the relief of the taxpayer. Supposing it is not a Shareholders' Bank, what is the alternative left to the State? The State shall have to invest all the capital, and that money must come from somewhere. The Government shall have to sell stocks and, even in that case, the Government must promise a certain amount of interest to those people who buy the stocks. Thus the position of the stockbuyers and the position of the shareholders would be very much the same. In the other case, as it has been proposed in certain amendments which I see on the order paper, Government should take all the capital from the revenue. I do not think it is a feasible and practical proposition. Government have got revenues and they are all allotted to particular purposes. Government thus cannot be expected to have any extra amount of money to invest in this Bank.

On the other hand, in case of a State Bank, the people, as represented by the shareholders, shall lose all interest even in the carrying in of the administration of the Bank. I do not believe that the charge levelled by my Honourable friend, Dr. Ziauddin Ahmad, to the shareholders' representatives, as being *nimboo-nichors* is true. If we can apply this expression for persons who really carry on the administration of this Bank, then we can apply the same epithet to all professional experts in every department, such as the Railway Board, the Engineering Department, the Finance Department, and so on. In all departments, there are only certain persons who control the administration, and because they have intelligence and the ability to control the departments we cannot say that they are *nimboo-nichors* in other words, they are gaining a whole lot while doing no work for the people. Whether it be a State Bank or a Shareholders' Bank, whether it is directly under Government control or under the control of an elected Directorate, you might equally give it a bad name and call it *nimboo-nichors*. It is a well known fact that it is only those persons who understand business can have its control in their hands. Therefore, I do not see any objection to a special class of people who understand banking controlling the banking operations of this Bank. It is impossible to make a bank democratic in the sense that every body will have control over it. Taking this view that this Legislative Assembly shall have control over the Bank, I should like to know from Dr. Ziauddin Ahmad how this Assembly can control the banking operations and how can people who vote for us have more confidence in that Bank simply because this Assembly have got power of interference in that Bank. Speaking for myself, I will not be able to take any interest in the banking affairs and what reasons have my voters to have more confidence in it if this Reserve Bank is placed under the direct control of the State? I see no difference at all between these two conditions.

Dr. Ziauddin Ahmad: May I just remind the Honourable Member that the Assembly would not control the Bank just as much as they are not

[Dr. Ziauddin Ahmad.]

governing India, but they can expose the mistakes of the Governor of the Bank, and they will see that it is properly managed.

Bhai Parma Nand: I have not quite followed my Honourable friend, because he was addressing the other side. Even if it is a Shareholders' Bank, the Members of the Assembly have got every right to criticise it.

Dr. Ziauddin Ahmad: No, no.

Bhai Parma Nand: We have the right to criticise.

Dr. Ziauddin Ahmad: No, you are signing your death warrant.

Bhai Parma Nand: No doubt our Party meeting decided that we should support the State Bank. But, then, after hearing the debate in this House, my view is changed.

I do not see how a State Bank will be better than a Shareholders' Bank. You are so fond of democracy, and if you believe that people should have power in all departments, why do you not allow this power to be handed over to the shareholders who would feel directly interested in the bank and why do you want to transfer all power to the State? Now, the point to consider is, whether this Government will go on as they are. If the Government are going on as they are, you have got no right to entrust everything to this Government; but if you believe that the Government will undergo a change and the administration of the country will come in the hands of the people, then surely the shareholders also are a part of the people and why should you object to letting this power of control come into the hands of the shareholders? Of course there can be an objection that the shareholders will be only a limited number. To meet this objection, it can be said that although you call yourselves the representatives of the people, it is only a very limited number of people who voted for you and thus you represent the votes only of a small class. Similarly, if say, only 50 thousand or a lakh have got shares and are interested in the management of this institution, I do not see why we should not call it a democratic institution, based on a democratic basis. The main point is only the nature of the electorate. In one case you have an electorate that will be controlled by the State and in the other case the shareholders form the electorate for the Directors.

It may be said that the people in general would have very little interest. But, similarly, it can be said, what interest have those people in the Assembly who have not got voting qualification and why should you deprive them of voting in your case on the ground that they have not got certain qualifications? Similarly, I think that some sort of qualification is needed for those people who take an interest in the administration of a bank. They must invest a certain amount in the purchase of shares. I do not see any good in entrusting the administration of a bank to people who are not able to invest, say, even a hundred rupees in it. As I said before, the question is simply of the electorate and I would prefer that this electorate should consist of those people who have the capacity to buy certain shares in the Bank. In that case, I think, the basis of that institution would be more democratic than it would be if the Bank is placed in the control of the State. Our position is simply this. If the Finance Member had brought forth a State Bank scheme, all of us would have shouted for a Shareholders' Bank. (Laughter.)

Now, my Honourable friend, Mr. Das, is talking very highly of the old Bill and confesses that really a great mistake was committed in those days by people who were proud to have defeated Government and got the old Bill rejected. So, I say, that we should not look upon this measure with suspicion, merely because it comes from the Government, but consider it on its merits. Dr. Ziauddin's remark was rather a hard reflection on certain classes, because they could buy shares and take an active interest in the administration of the Bank. Dr. Ziauddin's arguments had failed to convince me of the necessity or even preference of a State Bank. My friend from Burma says that it should be a State Bank, because the Burmese are poor and they cannot buy shares. The argument simply amounts to this that all poor men should advocate for a State Bank and oppose a Shareholders' Bank, because there are others who are in a position to buy shares. It would be a sentiment of jealousy for his own brothers that would prompt him to say that they should not have any control over the Bank, because he is unable to buy some shares. I do not want to discuss other technical points of this Bill and I leave them to the Honourable Members who understand them better than myself. I have expressed my view on this constitutional aspect of the Bill on which, I think, I had my right to talk.

Diwan Bahadur A. Ramaswami Mudaliar (Madras City: Non-Muham-madan Urban): Mr. President, I wish at the very outset to say that the Reserve Bank Bill which is now before the House is in my opinion the most important piece of legislation that has ever come up before this Legislative Assembly. It is important in more than one respect. It is important, because many of us have felt during the last 10 or 12 years that the functions of Government as manager of the currency have not been properly discharged and that, if they were to be discharged to the satisfaction of the country and in the interests of trade and commerce, they could only be done by a neutral institution which is not subject—may I say—to “political influences”. I remember, Sir, in one of the Budget speeches I said that I hoped that a Reserve Bank would come into existence in a very short time, because that and that alone would remove the inevitable suspicion that has attached itself to every Finance Member of Government that there was some deep-laid plot, that some machinations were going on, so that the currency was managed in a particular way to suit the budgetary requirements of Government rather than the demands of trade and commerce. There is another point of view, Mr. President, from which I should welcome the passage of this Reserve Bank Bill. Reference has already been made to the fact that the passage of the Reserve Bank Bill and the establishment of a Reserve Bank is essential to the political progress of the country. At the very first Session of the Round Table Conference, it was made clear how close a connection existed between the establishment of a proper Reserve Bank, free from all political influences, and the conferment of financial responsibility under the new Constitution on this country. There are those who criticise the new Constitution; there are those who hold up to ridicule the possibility of this country getting any political advance at all through the new Constitution; there are those who have ridiculed such of the Indians as have partaken in any of those Round Table Conferences. With that part of the controversy I am not concerned at present; but I am concerned with the fact that this measure will mark an effort on the part of this Assembly at any rate to do what it can to expedite the date when self-government

[**Diwan Bahadur A. Ramaswami Mudaliar.**]

will be an assured fact for this country. That date may be long, very long; some of us are not able to have even a glimpse sight of the date when we shall have that self-government which will satisfy Indian public opinion in this country. But we in this House, by the passage of a measure of this importance, would have done something at least as far as it lies in our power to make it possible for the establishment of full responsible government and that financial responsibility without which no self-government is possible in any country in this world. I am therefore glad that we have taken this step at the present moment, if it is not already belated, and that we have resolved on the establishment of a Reserve Bank. But partial as I may be to Round Table Conferences and their decisions, obsessed as I may be by the fact that some kind of Constitution is coming to the country which will give us far larger powers than we have at present, optimistic as I may still be in spite of all the agitation that has been carried on in England by the diehards and the diehard section of politicians against the conferment of any decent amount of responsibility on this country, I would still have no hesitation in rejecting this Bill if I were convinced that its provisions were of so onerous a kind that it would do greater harm to the country than good—I would not care for the responsibility we might get under the new Constitution if any Member of this House were to convince me that the provisions of this Bill were of so restrictive a nature, that they were of such an onerous kind that the passage of this Bill would be putting a mill-stone round the neck of the Indian agriculturist, Indian trader and the Indian banker and that, irrespective of consequences, we should be well advised in rejecting this Bill. . . .

Mr. Lalchand Navhrai (Sind: Non-Muhammadan Rural): But you have sent in many amendments here!

Diwan Bahadur A. Ramaswami Mudaliar: I should, therefore, like to examine the main and major criticisms that have been advanced against this measure and to try and satisfy myself, even if I do not have the good fortune of satisfying my colleagues on this side of the House, that there is not much in those objections. Let me take the major issue that has been raised. The one issue that has dominated the controversy with reference to the Reserve Bank, both in the year 1927 and under the present scheme is the issue whether it should be a State Bank or a Shareholders' Bank. Now, in approaching this issue, we have to clear our minds of fundamental ideas with reference to phrases. What do we mean by a Shareholders' Bank, and what even more do we mean exactly by a State Bank? If by a State Bank is meant that the entire operations of the Bank should be in the hands of the State, that the discount policy should be in the hands of the State, that the control of the reserves should be in the hands of the State, that the note issue should be in the hands of the State, that the balances of the various commercial banks should be in the hands of the State, then I can understand that as a State Bank. But, does any Honourable Member suggest that that is what is intended or meant by a State Bank? Does any Honourable Member suggest that a State Bank merely means an appendage to the State Departments, that it should be one of the Departments of the Government of India, to work this very complicated machinery by which trade and commerce is financed.

by which the note issue is regulated and by which the volume of internal and external trade is regulated? I have listened very patiently during the last two days to speeches made by every Member of this House: I have sat through all the long weary hours of the debate and I have tried to understand what is meant exactly by a State Bank. None of the Honourable Members, who are champions of the idea, have so far explained the meaning of a State Bank; and, as they used the word, various interruptions here and there gave me the cue to what was exactly working in their minds. One Honourable Member suggested that, if it was a Shareholders' Bank, this House would have no control or powers of criticism, that there would be no opportunity whereby this House could time and again interpellate or move Resolutions and take the Bank's activities into consideration, and interfere, may I say, in the day to day transactions of the Bank. I venture to think that under no constitution of any central bank in the whole world, except perhaps one, to which I shall refer later, has this idea been ever approved. What is meant by a State Bank is entirely different from the idea that is entertained in the minds of many Honourable Members. The position is simply this: in a State Bank the capital is found by the State; in a Shareholders' Bank the capital is subscribed by the shareholders; but, apart from that, both in State Banks and in Shareholders' Banks I lay it down as a proposition which is not capable of very serious dispute, that the influence of the executive and the influence of the Legislature is kept out of the compass of the activities of both kinds of these banks. If that is realised, then I think there will be very little difficulty in understanding what is meant by a State Bank and what is meant by a Shareholders' Bank; and people will be able to appreciate more clearly why some of us think that a Shareholders' Bank is better than a State Bank. I entirely agree with the statement made by my respected friend, Bhai Parma Nand, whose constructive criticism I welcome on the floor of the House and whose honest change of opinion is a subject on which we may well congratulate him: we are all subject to discipline of parties and I should deprecate any loosening of party ties, because that is the only way how an opposition could function, but I think parties must give room for honest differences of opinion

Mr. Amar Nath Dutt (Burdwan Division: Non-Muhammadan Rural): May I intervene and point out that there was no Party decision on this matter? There was only an informal meeting of four members of the Party.

Diwan Bahadur A. Ramaswami Mudaliar: I am averse to having a peep into the domestic amenities of the Nationalist Party. As I was saying, I entirely approve of what my Honourable friend, Bhai Parma Nand, has said that in a Shareholders' Bank there is a greater amount of democratic control than can possibly exist in a State Bank; and I am prepared to prove it. The minority of this report have very strongly indicated their preference for a State Bank as against a Shareholders Bank. I have already said that the question is really not whether the control will be greater by this Legislature or by the executive, because it is a State Bank. The question is really one whether the capital is provided by the State or by the Shareholders. You are aware of the controversy that raged over this question in 1927. It is perfectly true that Sir Basil Blackett was prepared to support the idea of a State Bank; but let us take the whole proposition together: the question of State Bank or Shareholders

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Bank is intimately connected, as you know, with the question of the management of the Bank, with the question of the constitution of the Directorate, and all that Sir Basil Blackett said from his place as Chancellor of the Exchequer of the Indian Government was that he was prepared to accept the position that there should be a State Bank provided a satisfactory arrangement could be arrived at regarding the board of management, regarding the method by which Directors can be chosen; if that could be assured, if Directors could be chosen who would not be subject to political influence or who would not control the Bank from political motives, then he was prepared to accept a State Bank. It is very different to take it away from the context and to suggest that Sir Basil Blackett was in favour of a State Bank and, therefore, it is ununderstandable why Sir George Schuster should be so wholeheartedly in favour of a Shareholders Bank. Now, if the question of a State Bank is irrevocably and inextricably connected with the question of how the Directorate is formed and how the board of management is formed, then the position becomes much clearer. Let me take the minority report. Reference has been made to the Central Banking Inquiry Committee's report, and it was suggested that that Committee unanimously recommended a State Bank in preference to a Shareholders' Bank. I venture to submit with great diffidence that that is misreading the report of the Central Banking Inquiry Committee. May I read a sentence from that report to convince Honourable Members that this issue was not before the Committee, that it was specifically ruled out by the President of that Committee and that, therefore, there was no discussion at all on the question whether the Bank should be a State Bank or a Shareholders Bank; and, what is more important, they recognise, as I have tried to explain, that the question of the composition of the Directorate was inextricably connected with this question, and the President again ruled out any discussion as regards the composition of the Directorate. If the members of that Committee had tackled these two questions together, if they had taken into consideration not merely the question whether the State should find the capital, but also the question as to how the Directorate should be nominated or should be formed for the functioning of this Bank, then I venture to think that members of the Committee individually would have broken against the very rock on which this issue broke when the Reserve Bank Bill of 1927 was brought before this Assembly by Sir Basil Blackett:

"In view of various considerations mentioned above",

says the Committee's report:

"it was ruled by our Chairman that it was for the framers of the constitution to decide what steps should be taken to ensure the conditions envisaged that the Bank should be on a sure foundation and free from any political influence; and he ruled out of discussion"

—and this is the passage to which I want very respectfully to draw the attention of the House—

"by our committee questions bearing on that point, namely, whether the Bank should be a State Bank or a Shareholders Bank and what should be the composition of its Directors."

Now, Sir, when these two things are ruled out of discussion, I ask any Honourable Member of this House to tell me what support he can derive from the Report of the Central Banking Inquiry Committee, unanimous though it would be on this point as regards the question now at issue whether the Bank should be a State Bank or a Shareholders' Bank and what the nature of the Directorate should be which will manage this Bank

Dr. Ziauddin Ahmad: May I ask the Honourable Member, Sir, to read the passage further from that paragraph where they say: "We unanimously agree"; will he be good enough to read it out? Because it is misleading the House if you quote only part of a passage and leave out the rest of it where it is clearly stated:

"We unanimously agree to proceed on the following assumption:—The Reserve Bank will be established by an Act of the Legislature, the Bank would be under Indian control. . . ."

Diwan Bahadur A. Ramaswami Mudaliar: Sir, it is an irony of fate that a colleague of mine and a respected member of my Party should raise this point and should be cheered by Members who are not members of my Party

An Honourable Member: Why stick to members of your Party. We are all Members of the Legislature.

The Honourable Sir George Schnitzer: May I just re-inforce what my friend, Diwan Bahadur Mudaliar, said. The Central Banking Inquiry Committee was not set up to consider this question at all as to what the form of the Central Bank or Reserve Bank should be and for my friend, Dr. Ziauddin Ahmad, to quote a passage where they agree to proceed on certain assumptions as implying that they made certain unanimous recommendations is, I must point out to the House, entirely misleading.

Diwan Bahadur A. Ramaswami Mudaliar: If my friend, Dr. Ziauddin Ahmad, had only waited for a little while with some patience, he would have seen that I would have read the following passage,—in fact I am going to rely on it; I will build up my argument on the next passage, and I was not going to rely so much on the passage I have just read. It was only to refute the claim made by certain Members of this House that the members of the Banking Inquiry Committee unanimously supported a Shareholders' Bank that I read out that passage. I am not going to leave out a single sentence or a single extract which will be of any use for the consideration of this very vital question by any Member of this House, and, if I do it, it will be by sheer inadvertence and not by design.

Now, Sir, the very next sentence that my friend read out says this. The Banking Inquiry Committee made some assumptions. That does not mean that they were the decisions of the Committee, that does not mean that they were the opinions of the Committee. But let us look into the assumptions themselves:

"The capital of the Bank would be provided by the State."

As I said, that does not make it a State Bank.

Now, read the next assumption:

"The Bank should be under Indian control."

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Nobody is going to dispute it. I am going to come to that subject a little later in my argument. Then read the next assumption, and this, my friend has not yet read to the House:

"The Bank would be free from interference from the executive or legislative, Indian or British, in its day to day administration."

My friend, in reply to Bhai Parma Nand, said that by some mysterious mystical process if it were a State Bank this House would have control over the administration of the Bank, it could ask questions, it could take the Bank's Directors to task from time to time, but that, if it were a Shareholders' Bank all these great vast powers given to the elected Members of this Legislature would disappear and the 365 millions of agriculturists and non-agriculturists would have no voice. I ask my friend to note this assumption:

"The Bank would be free from executive control or from legislative control."

Does that mean that a State Bank gives greater rights than a Shareholders' Bank? There are some fundamental assumptions which have to be made in connection with the consideration of any Statute regulating a Central Bank, and the Banking Inquiry Committee unanimously, composed as it was of business men and banking experts and others,—and you, Sir, were a very honoured member of that Committee,—and very rightly, came to the conclusion that that was the sort of political influence which was deprecated all over the world, that was the sort of political influence which could not be used in the administration of a Central Bank. The minority has not taken note of this fundamental basis for the formation of a Reserve Bank. If that assumption alone is to hold good and not the others, then. I ask, what is the foundation for the great argument that has been built up in favour of a State Bank? If the executive and the legislature cannot have any voice in this matter, if the Bank is to be free from interference in the management of its day to day affairs, whether it be from the executive or from the legislature, I ask Honourable Members, who accept that assumption, the unanimous assumption of the Central Banking Inquiry Committee, how they are going to get greater control over a State Bank than under a Shareholders' Bank? Sir, I propose to prove that they will have on the contrary less control over a State Bank than they will have under a Shareholders' Bank. I say that it is under a Shareholders' Bank that democracy will be satisfied, and that under a State Bank democracy will not be satisfied, because there you will have a certain set of Directors who will be uncontrolled from above and unhampered by criticism from below, men who will satisfy, to quote the elegant phrase of my Honourable friend,—I shall not use it myself,—men who will satisfy that description more than the Directors elected by responsible shareholders.

Now, Sir, let us see the reactions of the Minority Report with reference to the principle, I say the absolute principle, that has been laid down in the third assumption of the Central Banking Inquiry Committee, that whatever Bank is established, whether the capital is given by the State or not, the Bank should be free, in its day to day administration, from interference by the executive or the Legislature. Sir, I have very great respect for my friends of the Minority Report and particularly for my friend, Mr. Vidya Sagar Pandya, whose knowledge of the commercial and

banking world I cannot emulate even if I studied the subject for the next 20 years,—my friends of the Minority Report say that they laid down five definite arguments in favour of a State Bank. I will refer to arguments Nos. 2 and 5:

“The State Bank will always command greater confidence in a country like India than a Shareholders’ Bank.”

I suggest, Sir, that that is begging the question. Unless you are able to show what the nature of the management of that Bank is and how that will give greater confidence to the country than a Shareholders’ Bank, I suggest that it is no argument at all. Supposing you put forward the suggestion that was put forward on the last occasion that various Directors should be elected by the Central Legislature and the Provincial Legislatures from amongst their Members, that there should be a certain number elected by the Federated Chambers and the Associated Chamber of Commerce, and so on, is it suggested that the country will have greater confidence in a Bank composed as is suggested than in a Bank whose Directors are elected by the shareholders?

An Honourable Member: Why not?

Diwan Bahadur A. Ramaswami Mudaliar: Always remembering that once the Members are elected, they are like loose kites flying without any strings attached to them, uncontrolled and uncontrollable, having no responsibility to this House, not being able to be criticised for the day to day administration of their affairs by this House, by this House, by the executive, either by Resolutions or by interpellations or by any other means. Therefore, Sir, I venture to think that that does not carry us further.

Now, let us look at the fifth argument which clearly shows what was in their mind:

“In the case of a private bank, there will be no machinery to demand and enforce larger recruitment of Indians in the offices in subordinate grades; it is only in the case of a State Bank that Indianisation, as a policy, can be effectively enforced, as is evident from the experience of the railway administration.”

Now, Sir, how is this very desirable object to be achieved? *A fortiori* by hypothesis you say you shall not interfere in the administration once the Managing Directors have been elected by this House. Then what control can this House have over the question of Indianisation once these Directors are elected? What control can I have over the two representatives represented from the Associated Chambers of Commerce? What control can I have even over the Indianised Indians who will be the representatives of the Federated Chambers of Commerce of India? I ask, again, if this is the idea you have in view, do not vote for a Reserve Bank, ask the Government to carry on its operations as at present. Then you can ask, how many Indians have been employed in the currency offices, then you can ask, why a certain Indian was not appointed as a Currency Officer in a certain office, why a European officer was appointed in a certain place and not an Indian. You can in this way ask a number of questions. But if you once say that a Reserve Bank should be created, if you once concede that a Reserve Bank should come into existence, that it should be free from the control of this Legislature, then, I say, it follows as the day the night that you cannot have any control over the question of

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Indianisation or any allied subject whatsoever. Now, Sir, what is the experience of other countries? Australia and Sweden have been cited in the Minute of Dissent of my colleagues of the Joint Committee. I will come to the case of Australia and Sweden, but I venture to state with some confidence that the opinion of the majority of the national countries all over the world has been in favour of a Shareholders' Bank, that particularly after the War Reserve Banks have been established in various countries and the principle has been accepted that a Shareholders' Bank is the best in those countries.

An Honourable Member: Are the conditions the same in India?

Diwan Bahadur A. Ramaswami Mudaliar: I see some Members are inclined to doubt my statement. I would like to give them a list of the Reserve Banks in various countries and show them what are the countries that have Shareholders' Banks and what are the countries that have State Banks in the limited sense in which I have used the word, namely, State Banks whose capital is supplied by the State. In Austria, the Reserve Bank has been established, thanks largely to the intervention of the League of Nations, since the War, which is a Shareholders' Bank. The Belgium Bank is a Shareholders' Bank. The Bank of Czecho-Slovakia, a bank again which has been established since the War, is a Shareholders' Bank. Denmark, Esthonia, France, England, Germany, Greece, Hungary, Italy, Japan, Lithuania, the Netherlands, Poland, Portugal, Roumania, South Africa, Switzerland, the United States, and Peru in all these countries you will find that it is a Shareholders' Bank that has been established as a Reserve Bank. I have literally surveyed from China to Peru, and you will find that there are a number of Legislatures which have considered that the highest wisdom with reference to this particular phase of monetary policy consists in the establishment of a Reserve Bank based on a shareholders' basis.

Let me now come to those few countries where the State Bank in the loose sense in which I have used the word—State Bank where the capital is supplied by the State—is established. I have tried to do research work as much as possible in this connection, and I think every Member of this House should be thankful for at least one author who has placed us in a position to do so, I mean Sir Cecil Kisch. The name of Sir Cecil Kisch has been mentioned in many connections in the House, but I think even in 1927 when the Blackett Bill was under discussion the information at the disposal of the Members would have been much greater if only a book like Kisch and Elkin's "Central Banks" had been then in existence.

Mr. Vidya Sagar Pandya (Madras: Indian Commerce): It was. The first edition appeared in 1928.

Diwan Bahadur A. Ramaswami Mudaliar: When the Bill was under discussion? A great amount of pains had to be taken by individual Members of the House in hunting up the Reserve Bank Statutes. The Library of the House—well, I do not want to make any reflections about it, but I do not think it is all that is desired or desirable, and I remember one passage a very telling passage from the speech of Pandit Madan Mohan Malaviya where he complained of the amount of trouble that had to be taken

by himself and other Members of the House in trying to acquaint themselves with the constitution of some of these Reserve Banks. I, therefore, have great pleasure in acknowledging an indebtedness to the learned authors.

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

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.

Diwan Bahadur A. Ramaswami Mudaliar: Mr. President, when the House rose, I was trying to point out that the experience of most countries of the world has proved the desirability of establishing Reserve Banks on the basis of a Shareholders' Bank and not a Bank whose capital was found by the State. The Minority Report refers to two countries specifically and derives its argument based on the experience of those two countries. They are Australia and Sweden. One common caution which has been addressed to students of the constitution of Reserve Banks and which I should like to repeat is this, that beyond the constitution the functioning of the Reserve Bank may vary, that the constitution should not be literally interpreted and that practices grow up in the banking world which perhaps have no relation to the exact textual wording of the constitution and that Reserve Bank Statutes have to be interpreted so far as their functioning and actual day to day practice is concerned by the habits that have grown up, by the traditions that have been established, rather than by the bare letter of the Statute. With that caution, I should like to invite the attention of the House to the actual position with reference to Australia and try to see how far the Australian Bank is a State Bank. As I said, the capital of the Bank has been provided by the State. Students of the history of the development of the Commonwealth Bank of Australia know that it was established in 1911, that during the period of the War it did great service to the State in helping it to float various war loans, that it built up a large reserve, and when the question of converting it into a Reserve Bank was taken up in 1924, it was found that the reserves were so far grown up that very little more from the State was necessary to add to the capital of the Bank. Four millions of pounds were in reserve and the State contributed six millions more and established it on the basis of a capital of ten millions.

Now, as I have been repeatedly trying to urge on this House, the real issue is the question of the management of the Bank. Let us see how the management has been arranged. In Australia, the Governor, the Deputy Governor and the Directors are all appointed by the Governor General for a period of seven years and are eligible for reappointment. The Governor General there, of course, means the Governor General acting on the advice of the Ministry of the day. I do not want to make any secret of that. You cannot, therefore, infer from the phrase Governor General that it is an absolute discretion on the part of the Governor General of Australia to

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nominate any person he likes. It is the Ministry of the day that appoints the Directors and the Managing Governors and the Deputy Governors. Having appointed them, what happens? The policy of the Bank is handed over exclusively to the Board which has also complete authority over the note issue, subject only to exceptional powers being vested in the Government to intervene in cases of crisis. That is the extent to which authority has been retained by the State and, if Honourable Members will turn to the Bill and to section 30 of it, they will find a similar provision embodied in the measure now under consideration by the House:

"If, in the opinion of the Governor General in Council, the Bank fails to carry out any of the obligations imposed on it by or under this Act, he may, by notification in the Gazette of India, declare the Central Board to be superseded, and thereafter the general superintendence and direction of the affairs of the Bank shall be entrusted to such agency as the Governor General in Council may determine, and such agency may exercise the powers and do all acts and things which may be exercised or done by the Central Board under this Act."

To that extent, therefore, there does not seem to be any difference between the power of the State to intervene in the State Bank in Australia and the power of the State to intervene in a Shareholders Bank, under the proposed measure so far as India is concerned. Let us see what further relations there are between the Australian Commonwealth Bank, the Reserve Bank of Australia and the State. The inspection and audit half yearly by the Auditor General of the Commonwealth is made compulsory. Taking the analogous provision under this Act, Honourable Members will find that under section 51 there is an option on the part of the Government to have an inspection and audit by the Auditor General of India. I do not know whether my friends, who want greater State control, would propose that this optional audit of the Auditor General under section 51 should be made compulsory. If so, I shall be with them and support such a proposal, but I do not think it is absolutely necessary and the audit, provided for under this Act with the exceptional power at rare intervals to intervene on behalf of the Governor General in Council through the Auditor General, should prove sufficient for all practical purposes. The next provision that deals with the relation of the State is that the regulations made by the Board should be subject to the approval of the Treasurer, the Treasurer being one of the members nominated to the Board of the Government of Australia, a State official, probably the Financial Secretary. Now, if Honourable Members turn to section 57 of the Bill, they will find that equally rigorous provisions have been applied in this measure:

"The Central Board may, with the previous sanction of the Governor General in Council, make regulations consistent with this Act to provide for all matters for which provision is necessary or convenient for the purpose of giving effect to the provisions of this Act";

and lastly the State is authorised to give loans to the Treasury as the Reserve Bank is authorised to do under this Bill, and finally the liability of the State for all debts of the Bank is established by the Act. Therefore, with reference to the State Bank in Australia, there are no more restrictive or coercive provisions which relate the State to the Bank than there are in this Bill. The State has not got a larger amount of control over the Australian Bank even though State funds have gone to build up the capital than they are under the present Reserve Bank. I have said that the other countries which have State Banks in the restrictive term of the word are Finland, Latvia, Norway and Sweden. I shall leave the two very small States of Finland and Latvia. If Honourable Members want details,

they can have them, but I do not think it really affects the purpose of my argument. In one of the States, the Diet is given the power to elect a certain number of Directors. In the other, the State is asked to nominate the Directors, but in neither of them has the State got any more control over these banks than have been provided for in respect of the Australian Act. The Norges of Norway is a private joint stock bank. It is not a State Bank. It is really more or less akin to a Shareholders Bank, but the State has got more control in that than in any State Bank and, therefore, I should like very briefly to refer to the provisions of this Bank, the Reserve Bank of Norway. The management is in the hands of a board of representatives, the detailed day to day administration being carried on by a Board of Directors. The Board of representatives consists of 15 members and the Board of Directors consists of five members. The President and Vice-President are both appointed by the Crown apparently on the advice of the Norwegian Ministry and the 18 representatives and the three Directors are elected by the Storting, the Parliament of Norway. Now, that is one of the few banks where the Legislature has got a direct voice in choosing the Directors. It may sometimes be said that the Bank is controlled by the Government, but the only substantial power in excess of what is usually granted under the charters of the Banks to any State Bank is that the books and securities are liable to be inspected by the delegates of the Storting. I do not know whether any representatives of this House would like to have the power of inspecting the books and liabilities of the Reserve Bank of India and, if so, which of them would be willing to come forward to undertake the all too onerous duties of inspecting the books and liabilities.

Let me next deal with the Riksbank on which reliance has been placed a great deal, the Bank of Sweden. The Riksbank is a State institution, the activities of which are carried on by the Treasury, but the Bank is not administered by the executive Government. It is placed under the direct supervision of the Parliament of the State, the Riksdag. The widest power is given to Parliament with reference to this one country in its relation to the Central Bank. Executive control, again, is removed. It is provided that the executive Government shall not have any control over the Riksbank. It is further provided that the Directors of the Riksbank shall not be members of the executive Government. It is controlled purely by the Parliament of Sweden—the Riksdag—and it is controlled further by a Parliamentary Banking Committee elected by the Houses of Parliament in Sweden. It is governed by seven Directors, the Chairman being nominated by the Government, the six other Directors being elected by Parliament. The Ministers are ineligible for election. The Directors may not receive instructions—and this is a specific provision—from the administration, but can only receive instructions from the Parliament or the Parliamentary Banking Committee. It is noticeable—and I should like to emphasise it—that even in this most advanced system, most advanced from the point of view of those who press for control by the State, this feature is emphasised. How far the Parliamentary Committee is able to exercise any sort of control over the work of the Directors is a matter on which there is very little information so far as I have been able to gather, but I do not think it can be seriously suggested that this House or its successors should appoint a Committee to take up the question of controlling the management of the Reserve Bank of the future, that the executive Government should have nothing to do with it, but that the Legislature should have a Committee of its own to supervise it. That is the extent to which those, who are in favour of a State Bank, can really go with regard to the control which the State can exercise over the Reserve Bank.

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One of the countries whose example I have not cited and whose example has not been cited by the minority members—I do not know why they fought shy of it if they did fight shy of it—is that of Soviet Russia. Soviet Russia has a State Reserve Bank, it is perfectly true, but if Honourable Members will study the system of connection between the State and that Bank, and the conditions under which it functions, then they will realize that it is only in that country that the Bank can exist in such form and under such control. In understanding the functions of the Reserve Bank of Soviet Russia, one must necessarily take into consideration the entire economic structure of the Soviet Union and the policy on which the functioning of that economic structure is based. The policy of the State Bank, as the central institution of credit in that country, is determined primarily by the general principles of the Soviet Government's economic policy. The activities of the Bank are, therefore, directed to supplying mainly credit, not to commercial banks, not to indigenous institutions owned by private bodies, but mainly, I might say almost entirely, to State industries, State trade, State transport, State co-operative efforts and to other institutions of the State. The main portion of the clientele of the State Bank, therefore, consists of State concerns, Metal works, sugar and beet factories, tanneries, cotton mills, textile mills and railways, all owned by the State and not by any private individual or company or managed by managing agents. (Hear, hear.) The composition of the Bank's borrowers is, therefore, determined by the general conditions of the economy of the Soviet Union. Their discount policy is radically different from the discount policy which is necessarily pursued by any Reserve Bank which normally functions on behalf of privately-owned trade and commerce of the country. Where the State holds the position of monopoly, owns big industries, regulates the prices of its own manufacture, holds the position of monopoly with regard to foreign trade, the discount trade of the Central Bank cannot aspire to the role of a regulator of the supply and demand of loan capital. The discount trade is neither an index of the supply and demand of loan funds, nor is it even the regulator of such supply. All credit is planned by the State, all loans are planned by the State. Sir, I do not know whether such conditions can be created in this country. I do not know whether Honourable Members of this House would like to have these conditions copied in this country. I am not suggesting that they are such fearful conditions that we should not copy them. On the other hand, a cursory perusal of the conditions, under which the State functions there, makes an appeal to me and I am really attracted by the manner in which the whole economy of the State in Russia is conducted. If such conditions were to prevail here, we might have at least one feature in this country, namely, that the Modis and Khaitans would cease to trouble, and the Bhores and Schusters might be at rest.

Mr. F. E. James: There will be no Bhores or Schusters.

Diwan Bahadur A. Ramaswami Mudaliar: The wicked will not continue to have conferences, fights, resignations and withdrawals of resignations.

Mr. F. E. James: There will not be a Ramaswami either.

Mr. Lalchand Navalmi: What about those who withdraw their resignations?

Diwan Bahadur A. Ramaswami Mudaliar: They will find a seat in the Karachi Municipality. (Laughter.)

Now, Sir, I was, therefore, humbly appealing to Honourable Members to consider whether the insistence on a State Bank serves any of the purposes that they have in view. If they want to impose a more rigid control over the State Bank, and if they want to give more powers to the State in any direction, they have to prove what powers can really be given to the State, and if they make proposals to that end, I think this House might consider them fairly, and sympathetically if possible, but to make this as an issue that the State should have a greater degree of control, if there is to be State control, is, I venture to submit very strongly, to throw a red herring across the path. Sir, I have been at pains to elaborate this point on account of the mass of literature which has appeared in the press. It has been made to appear that the entire national attitude is in favour of a State as against a Shareholders' Bank. It has been suggested that anybody who votes in favour of a Shareholders' Bank does not do justice either to himself or to his country. Sir, whether I have kept my conscience at Whitehall or whether I am willing to sell my conscience for a mess of pottage or I am one of those who are willing to hand over the fortunes of a country for nothing at all, it is for others to judge. I shall not place myself in any particular category, but if Honourable Members wish to put me in any of these three categories, they are welcome to do it. I stand here unrepentant, and I venture to say that, in the best interests of this country, a Shareholders' Bank is the only scheme which can be worked satisfactorily, and taking into consideration all the interests, involved in this country (Hear, hear)

Mr. B. Das (Orissa Division: Non-Muhammadian): The applause comes from the other side.

Diwan Bahadur A. Ramaswami Mudaliar: I do not care where the applause comes from, so long as they come from those who understand the position and understand what I have to say. (Loud Applause from the Official Benches.)

Now, Sir, in some constitutions it is perfectly true that further powers have been given to the State. One of the provisions which will be found by Honourable Members is that the nominee of the Government on the Board—and we are going to have a nominee without the power of the vote—has got a suspensory power with reference to the decisions of the Board. He can suspend it, so that it may be reviewed and considered by the Government. Apart from the fact that he acts as a liaison officer and a very essential liaison officer between the Reserve Bank and the Government, he occasionally, under some constitutions, exercises the power of suspending the decision of the Board for a temporary period. Is that one of the conditions which will satisfy those who want a State Bank or want more control? I do not think it can be seriously questioned.

Now, Sir, a great deal has been said about the political influence. It has been freely asserted that while the political influence of one set of people is removed, the political influence of another set of people is substituted. Let us take the question from the point of view of the constitution of the Directorate and examine whether that is a fact. Whatever political influence is to be used can only be used in the constitution under this Bill through the Directorate. I have already explained the

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provisions of the Bill which related to the State. Except in abnormal circumstances and except in the case of a crisis when the State can take over the management of the Reserve Bank, the normal working of the Bank is left free to the Directors. If, therefore, one set of political influence can prevail, it can only prevail through the Board of Directors. I have already said that if the Legislature were to elect a certain number of Directors, they could not by any means continue to have control over them for all the time. The moment they are elected, and if the fundamental basis of a Reserve Bank is accepted, they are free to discharge their duties according to their conscience and bound by no one else. The Legislature may elect members, but it cannot have power over these members once they are elected. If that position is accepted, it follows that, if the Governor General in Council nominates Directors, he can have no power over these Directors once the nomination has been made. (Interruption.) I will come to the question of nominations and their necessity very soon. If the question is looked at from another aspect, and that aspect has already been stressed by my Honourable friend from Burma, the necessity for vesting powers for such nominations will be apparent. Various kinds of interests, such as agricultural and provincial, feel that they will not be represented through election by shareholders. We had a battle royal in the London Committee on this question, but I do not want to go into the discussions of that Committee and I do not think it is necessary to do so. But I can say with certainty that it was not that I was in favour of this power of nomination, but many Indians themselves, who came from one side of the country or the other, from British India or Indian States, thought that this Bank was meant to function for the whole of India and not for British India alone. Various provincial interests insisted as a safeguard, if I may say so, that the power of nomination to a limited extent should be vested in the Governor General in Council. (Interruption.) Agricultural interests were to be especially looked after, because the commercial interests and the interests of the millowners are vociferous enough to take care of themselves.

Mr. B. Das: Mr. Mody is getting impatient.

Diwan Bahadur A. Ramaswami Mudaliar: I can only say that in the Select Committee that power of nomination has been accepted and there has been no complaint and no minute of dissent with reference to that. As I was saying, if Directors are merely nominated, there is no control over their activities. The executive cannot control them and the Legislature is equally unable to control them. Therefore, these Directors will function unhampered by all restrictions and without any sort of control from anybody. If that essential fact is borne in mind, then will be realized the importance . . . (Mr. K. C. Neogy: "Fact or assumption!") It is a fact if the fundamental basis of the Reserve Bank is accepted. I have been trying to point out for the last one hour that whatever elections take place from the Legislature, once they are made, the Legislature cannot have any control over them. Unless, of course, you resort to the method of the Swedish Bank, neither can the executive have any control. It is against the principle laid down by repeated Committees. It is against the principle, for instance, which has been laid down at the Genoa Conference in 1922 where, soon after the War, the banking experts of various countries met together at an International Conference and laid down the fundamental doctrine that in a Central Bank constitution there

should be no political influence, either from the executive or the Legislature. Therefore, I assert, as a proposition capable of not being disputed, that where Directors are nominated in a State Bank, whether by the executive or by the Legislature, those Directors function in *vacuo*, if I may say so. They have no responsibility; they are answerable to no one; and I want to remind those Honourable Members who may be inclined to support a State Bank, because of its alluring prospects that these prospects with reference to the control by the Legislature are absolutely nil.

Now, let us look at the position of the Shareholders Bank. Very hard things have been said about it. I would not have minded it if it was a general proposition. But when hard things are said about Indian shareholders as such, I can only regret the fact that both in the Minority Report of the Joint Select Committee and on the floor of this House grave aspersions have been made on Indian shareholders as such. They are a class who do not deserve such aspersions. Those who have followed the activities of the Indian shareholders know that they are as patriotic and as vigilant and actuated by as genuine motives as any set of members including the Honourable Members of this Honourable House. And I venture to protest very mildly, but very emphatically, against the aspersions that have been made: they were the most unworthy aspersions against the whole class of people. Many of us may be under that class and may be called the Indian shareholders. Those who have seen the functioning of these institutions, whether banks or other concerns, managed by Indian shareholders, will not be able to substantiate the statement that the Indians are such a bad lot that they do not know how to take care of themselves. The analogy of the Imperial Bank of India has very often been mentioned in connection with this question. I venture to state that there is no analogy that can be drawn from the position of affairs with reference to the Imperial Bank and the position of affairs that may arise with reference to the Indian Reserve Bank. Is it our experience, apart from the Imperial Bank, of other indigenous banks that are functioning in this country that shareholders have no voice and that Directors cannot be elected according to the will of the shareholders, and that shareholders do not attend, and take no interest in the matter and leave it to the backdoor influence, if I may use that phrase, and that the existing Directors shove in all their nominees as Directors? Is that the experience of the Indian banks in Madras? Is it the experience of the Central Bank of India? Sir, if it is an experience at all, it is a limited experience, and for this reason, that the guarantees that we have provided in this Bill and the safeguards that have been assured for the shareholders are naturally absent both from the Imperial Bank of India constitution and from the memorandum of association and the articles of association of various indigenous banks. We have a provision that no man can have more than ten votes whereas the Imperial Bank Act allows a man to have as many votes as he likes. The evil comes in where an unrestricted accumulation of shares and an unrestricted voting power bring about a situation and where the view of the ordinary shareholders does not count and, therefore, they do not take the trouble of attending either personally or by proxy. What is the use of bringing forward the analogy of the Imperial Bank, when that analogy is wholly fallacious and has no application at all to the circumstances in which the Reserve Bank is to be constituted. I am glad, the Joint Select Committee has improved on the position that the small investors can have

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shares though the capital is limited and no man can have more than ten votes. In the London Committee, provision was made for Rs. 500 as the minimum value of a share against the wishes of those who wanted Rs. 100. I now pay my humble meed of tribute to the Joint Select Committee that they have been able further to reduce it to Rs. 100 and give voting power at Rs. 500 or the holders of five shares. With these provisions, how can it be suggested that the shareholders will have no power? There is no accumulation of votes possible, there is no means by which three or four shareholders can have 2,000 or 3,000 votes in their hands and, therefore, the remaining shareholders cannot possibly take interest in the proceedings of the general meeting, because they are bound to be swamped by these big shareholders. Where you find in any of these indigenous banks a position like that prevailing, naturally you will find that the shareholders are not taking interest. But that has been safeguarded against in this very clause and, therefore, it is not possible to have the same conditions in the Reserve Bank as have been suggested. An Honourable Member suggested that the maximum limit of shares that might be held by any individual might also be prescribed. I personally have no objection to that course. In fact it was thought of at a certain stage and, but for the criticism that was levelled against the proposal that it would unduly restrict the marketing facilities, the proposal would have been accepted. But, if Honourable Members feel that a further guarantee can be secured by making it impossible for any shareholder to have more than a limited amount, say Rs. 20,000 or Rs. 25,000, I personally am willing to give my whole-hearted support to that proposal. Let us by all means improve the Bill in the way in which it can make more democratic and make the Directors more responsible, but let us not merely raise a cloud of dust in the eyes of both Members of this House and much worse in the eyes of the larger outside public.

There is a provision in the Bill which I should like to see modified through the Joint Select Committee have accepted it. It is provided in section 12 (3) that:

"Where any casual vacancy in the office of any member of a Local Board occurs otherwise than by the occurrence of a vacancy in the office of a Director elected by the Local Board, the Central Board may nominate thereto any qualified person recommended by the elected members of the Local Board."

I should like to see that provision deleted. There is no reason why that vacancy should not be treated as an ordinary vacancy of the shareholders and why there should not be an election straightaway to fill the vacancy. It is that sort of nomination that may afterwards create vested interest in the individual and afterwards enable him to get elected to the Local Board. Therefore, it is incumbent upon us to see that that provision is deleted though the Joint Select Committee has supported it. Have a straightforward proposal here instead of some elaborate and, if I may say so, clumsy proposals and say that, whenever a vacancy occurs, the shareholders will be called upon to fill that vacancy by electing a fresh Director of the Board. That is the way in which all possibilities of backdoor influence can be negated.

I should like to proceed now to another aspect of this Minority Report. The Minority Report gives, as a second alternative, the scheme of a Stockholders Bank. I should like to examine that scheme, because I am not in a position at present to say whether any member of this Minority Report

may not still press for the Stockholders Bank. If Honourable Members will read the annexure to the Minority Report which contains the scheme, they will find that there is very little difference between a shareholders scheme and a stockholders scheme as they have put it forward. They have suggested that the stock may be issued at Rs. 100, and the maximum stock which can be held is Rs. 10,000, and so on. Ordinary Members like myself do not see much difference between a Shareholders Bank and a Stockholders Bank. As I said repeatedly, the question at issue is how is the power of management to be constituted. Let us see the proposals which have been put forward by the minority for the constitution of the Board of Directors of the Stockholders Bank which is the second best thing that they can think of after a State Bank. They say:

"The Board of the Bank shall consist of one Governor, two Deputy Governors (one not voting), two Directors elected by the Associated Chambers, two Directors elected by the Federation of Indian Chambers, one Director elected by the provincial co-operative banks, two Directors elected by trustees, four Directors nominated by the Governor General in Council."

Here you have the influence of the local Lombard Street or Throgmorton Street and all other influences of such a kind, all combined in one by Honourable Members who wanted to democratize the institution and who wanted the agriculturists to have control for themselves and by Honourable Members who are pleading every day against the rich men of Bombay or Calcutta, and yet I am surprised to see that these are the very Honourable Members who have joined to propose a scheme like the stockholders scheme. What does it come to? Two directors elected by trustees, that is indirectly by the stockholders, and then two Directors elected by the Associated Chambers and two Directors elected by the Federation of Indian Chambers. What is this proposal? I would ask my Honourable friends who have made themselves responsible for this proposal to explain to me how this proposal is going to secure that the voices of the millions, in whose name we have been speaking, will be heard in this Directorate. Are they not ultimately going to rely on the two Directors who are elected by the trustees? Is there any other person who will speak in the name of the agriculturists, in the name of the rural peasants and in the name of all those indebted millions for whom we have been speaking at great length during the last three days in this House? You distrust the shareholders and give four Directors to the Federation, both Indian and European. If that is the idea of democracy, I can only exclaim that, I have very little hope of democracy indeed. No, Sir. This hybrid system is much worse than the direct shareholders system. Under the shareholders system, eight Directors are elected by the shareholders from the various provinces, eight out of fourteen are there at any rate answerable to the shareholders and, therefore, to the large bulk of our countrymen. Do you mean to say that none of the eight Directors can be influenced by the many thousands of shareholders who are holders of these shares in the Reserve Bank? Out of 14 Directors, 8 Directors at least will be responsible to some electorate or other. Four are nominated by the Governor General no doubt and the Managing Governor is there, and there is the Treasurer who has no vote. But this hybrid scheme, which the champions of democracy have accepted, is a thing for which I have not got sufficient words at my command to condemn. As there is some doubt as to whether the scheme was actually approved of by the dissenting minority or simply

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recommended, I should like to read a passage from the Minority Report which contains a reference to this subject:

"The stockholders' scheme is appended hereto. We, therefore, recommend that the Reserve Bank should be preferably an out-and-out State Bank on the model of the Joint Select Committee Bill of 1927 or, in the alternative, a Bank on the stockholder plan indicated above."

I do not think words can be more explicit than that. Their first preference or first love—since we have been talking of matrimonial alliances—their first love is the State Bank and their second love is the Stockholders Bank. They have recommended one or the other of these loves to be adopted by the House. Now, Sir, I am anxious that this Board should function as impartially and as fairly as possible and I should like to draw the attention of members of the Joint Select Committee and of the Finance Member to a provision in this Bill which I feel militates against that fundamental basis. I would like to draw the attention of the House to clause 11 which reads as follows:

"(1) The Governor General in Council may remove from office the Governor, or a Deputy Governor or any nominated or elected Director:

Provided that, in the case of a Director, nominated or elected under clause (b) of clause (c) of sub-section (1) of section 8, this power shall be exercised only on a resolution passed by the Central Board in that behalf by a majority consisting of not less than nine Directors."

Honourable Members will see that whereas the power of removal of Directors, even though they are nominated, is restricted by the provision that a majority of nine co-Directors must agree to and recommend that removal, there is no similar provision with reference to the removal of either the Managing Governor or the Deputy Governors. I venture to think that that is an unjust and unfair differentiation. It will work hardship and it will create that very suspicion of State interference which the Finance Member is anxious to avoid. Now, what does it come to? The Governor can be removed without any reasons on the recommendation of nobody, in spite of the fact that he possesses the full confidence of the Directors. The Directors have not got to make any recommendation with reference to that. The scheme of the Bill is this that the Governor is normally nominated on the recommendation of the Board of Directors by the Governor General in Council. Having nominated him, supposing that Governor were to function in a manner which is distasteful to the State, the Governor General in Council can come in at any stage and remove him, because his power of removal under the Statute at any rate is unrestricted. I am aware that it can be argued that if another Governor is substituted, who does not command the confidence of the Board of Directors, the entire machinery will break down; the functioning of the Reserve Bank cannot be smooth when no Governor can retain his place with an adverse Directorate. But, apart from these reasons, it is possible that where the Governor and the Board of Directors are working smoothly, but the State takes a different view or the Governor General takes a different view,—because we must contemplate the possibility of that constitution amending Act replacing the words "Governor General in Council" by the words "Governor General at his discretion"—the Governor General can step in and remove the Governor and the Deputy Governor of the Bank. That is where State influence, Whitehall influence, the Secretary of State's influence, comes in. I do not think I have presented a mare's nest to this House at all. I think the Honourable the Finance Member will be fair

enough to agree that the position of the Managing Governor is the vital position, the pivotal position, for the working of this Reserve Bank and it ought to be made as secure as it can reasonably be made. I, therefore, suggest that the Governor and Deputy Governors should come in under the same inhibitions and restrictions as the elected and nominated Directors and that unless nine Directors agree that the Governor and the Deputy Governor should be removed the Governor General in Council or, if it should happen at all at a later date, the Governor General at his discretion should not have power to remove them.

Sir Leslie Hudson (Bombay: European): Will they not be under contract?

Sir Gowasji Jehangir: The Directors are appointed for a certain number of years, but they can be removed for misconduct.

Sir Leslie Hudson: That is the only ground on which the Governor or Deputy Governors can be removed.

Diwan Bahadur A. Ramaswami Mudaliar: I am glad, my Honourable friend has raised that point, because that clears up what I have to say. In the case of the Directors, nominated or elected, the judges of that misconduct are their colleagues on the Board, but, in the case of the Managing Governor, the judge is the State. That is an unsatisfactory condition. I know he can be removed only for misconduct, but the question is, who is to be the judge of that misconduct and what is the standard of that misconduct? Can the State arrogate to itself the supreme power to decide what is misconduct and, therefore, remove the Governor or the Deputy Governor at his own will and pleasure? Or can the Governor General at his discretion assume for himself the responsibility for deciding what that misconduct is without reference to the Board of Directors who have delegated their powers to this Managing Governor, who supervise his work and on whose authority he functions in his day to day administration? Can the Governor General, of his own accord and without any consultation with the Board of Directors, venture to say that he is satisfied that Governor A is guilty of misconduct, and, therefore, he will remove him, notwithstanding the terms of the contract into which he has entered? I am perfectly certain that my Honourable friend will realise on reflection that it is invidious to make a distinction between the Governor and the Directors and that both should be subject to the same clause that unless nine Directors agree that there is misconduct, the Government or the Governor General should not intervene and remove them.

Mr. Muhammad Yamin Khan (Agra Division: Muhammadan Rural): Will my Honourable friend just clear up one point? In the case of the Managing Director, why should not the majority hold this view? Why should there be a restriction that nine members out of 14 should apply? Of course there may be a justification in the case of the Director who is their colleague, but, in the case of a servant, why should not a majority hold the view?

Diwan Bahadur A. Ramaswami Mudaliar: My Honourable friend is prepared to go a little further than I do, but I think, on reflection, be

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will agree with me. I claim to be as democratic as my Honourable friend, Mr. Yamin Khan, and I would rather have a safeguard that a fair and substantial majority of the Directorate and not a catch-vote will displace the Managing Governor or any of his colleagues. That is the reason why I prefer the scheme of a substantial majority of the Directors having satisfied themselves that the Governor has been guilty of misconduct and, therefore, deserves to be removed. Now, Sir, I have, therefore, somewhat elaborately dealt with this question of Shareholders, Stockholders and a State Bank. And I venture to appeal to every section of this House,—because this is not a party question in any sense of the word; it is a question which affects fundamentally our own future,—that a Shareholders Bank is the best thing that can be devised and that, merely because it comes through the Government or that the London Committee has endorsed that view, there is no reason to be suspicious about it. On the merits taking all factors into consideration and assuming the fundamental factors relating to the constitution of a Reserve Bank, I venture to recommend to my colleagues in this Assembly, as I would venture to put forward before the larger public in India, that a Shareholders Bank is in the best Indian interests and the best interests of this country.

Sir, I should like to refer to some minor points,—I do not wish to take up much more time. Certain objections have been taken to the deposits that are proposed to be received under a statutory basis from commercial banks who are member banks of this Reserve Bank. I think it is one of the fundamental requisites for the satisfactory functioning of a Reserve Bank that commercial banks which are member banks should have deposits with the Reserve Bank.

Mr. Vidya Sagar Pandya: The Honourable Member has laid great stress on the Reserve Bank system obtaining in other parts of the world. May I point out that, except in the case of three or four countries, no compulsory deposits are imposed on any banks by Statutes.

Diwan Bahadur A. Ramaswami Mudaliar: I am thankful to the Honourable Member for the information. But the trend of opinion of all those who have studied the question of the Reserve Bank is that it is advisable for the proper functioning of the Reserve Bank as of the member banks that this system of reserves or deposits should be established. And I venture to think that, the particular circumstances of our country, where people have said that there is no adequate control over member banks or their functioning, it is more than ever essential that the deposits from these member banks should be secured for the Reserve Bank. It is good in the interests of the member banks themselves. It is sometimes suggested that this is a sort of penalising the member banks, the indigenous banks and the foreign banks and that there is no *quid pro quo* for the reserves that are kept with the Reserve Bank, that it does not carry interest and that, therefore, the member banks suffer to that extent without any profit whatsoever. I venture to think that the scheme of the Reserve Bank has been somewhat misunderstood. To my mind, the scheme of the Reserve Bank is something like the scheme of an insurance company: the insurance company collects premia from various persons and it is able to pay out, at any particular time, to any single individual the whole amount for which he has been insured or his property has been insured. The Reserve Bank may be

likened to an insurance company; the various member banks deposit with the Reserve Bank certain proportions of their deposit and time liabilities. When there is stress, when there is a run on a bank, the Reserve Bank comes to the assistance of that particular bank. In America, this evil has been felt, and it is only by the establishment of the Federal Boards and the various Federal Reserve Banks in the States that this evil has been got over

Mr. K. P. Thampan: How did it happen, then, that nearly 1,500 banks were wound up in America last year?

Mr. President (The Honourable Sir Shanmukham Chetty): The Chair would just like to make a suggestion at this stage with a view to facilitating the discussion. We are in the third day of the general discussion. So far there has been no serious opposition to the original motion moved that the Bill be taken into consideration. Such being the case, the Chair would suggest that, so far as the technical points are concerned, it would concentrate the attention of the House better on individual points if Honourable Members, who want to dilate on those points, would refer to them at a later stage when the actual clauses relating to those points come under discussion; at this stage it would be better for the House that as many Members as possible get an opportunity of giving expression to their opinions on the general scheme and the principles involved.

Diwan Bahadur A. Ramaswami Mudaliar: I am thankful to you, Sir, I shall not pursue this matter further. There is only one question which is of sufficient importance to which I should like to refer, and that is the ratio controversy that has been raging in the country. I appreciate the position, I may say at once: people feel very strongly that the present ratio is an artificial ratio, that it cannot be long sustained, that it does damage to the country and the sooner we restore the 16d. ratio the better it would be in the interests of the agricultural producer. I appreciate that position, though I cannot perfectly see eye to eye with the somewhat hectic activities of a currency league which comes into being just on the eve of the introduction of a Reserve Bank Bill and disappears as soon as the Bill is thrown out by the Legislature—though I am unable to appreciate the large amount of literature containing merely the reports of various meetings held at different centres of this country with little educative value to those who are anxious to understand the pros and cons of the problem—I am aware that in this country there is a very strong feeling that the present ratio works hardly and harshly against the best interests of the country, and that the sooner that ratio is changed the better it would be. Very general appreciation has been given to this factor with reference to the ratio in this House by various Members who have preceded me that the linking of the rupee to sterling is inevitable and advisable. Many Honourable Members have suggested that there is no other course and that the rupee must be linked to sterling and cannot be left to drift by itself. To that extent they have gone against the very weighty opinion which has been expressed more than once by the Federated Chambers of Commerce in India, many of whose protagonists have suggested that the rupee may be left to find its own level and that there is no need to link it with sterling. But there is one consequence which necessarily follows from the linking of the rupee to sterling which has to be realised. Merchants are more anxious to have a definite fixed ratio and, to that extent, I agree with my friend, Mr. James, than to have a

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varying ratio. There are two considerations which are present in their minds: they would like to have a ratio which is at par with the general level of prices in India and in the main country with which it is industrially and by trade connected: secondly, they would like to have some sort of fixity with reference to the ratio. Business would be impossible; forward contracts would be difficult to make if there was no guarantee that the ratio would continue fairly stable for any length of time. There are, of course, hedging provisions that are made in various contracts with reference to a falling ratio, but those who are engaged in business know perfectly well how difficult and sometimes impossible it is to make such hedging provisions. The point of what I am saying is this: the linking to sterling inevitably means a new direction given to the trade of the country. Taking into account the predilections of merchants for a definite fixed ratio, it cannot be questioned that as years go by—as indeed in the years that have gone by it has shown—the drift towards export and import trade will be more and more towards those countries on a sterling basis and less and less towards those which are not on a sterling basis. That is an aspect of the question which I should like to be clearly understood by those who are in favour of linking the rupee to sterling.

Sir, in the second place, the actual question of ratio has been raised. The report of the London Committee has been so often referred to that I do not think I need quote the particular extract which fairly accurately represents the opinions of a large majority of the Indian delegates who sat on that Committee. Their position was merely this: they did not challenge the right of this Legislature to fix the ratio. That was constitutionally inherent in the Legislature and, if a Bill came forward at any stage with reference to any of these provisions containing a provision for the ratio, that was capable of amendment as much as any other provision of the Bill. But they suggested that this was eminently a matter which could be discussed threadbare on the floor of the House, but should really have been a matter for action by the executive, and my friend, Sir Cowasji Jehangir, repeatedly pointed out that ratios have been changed overnight by executive action and have not been the subject of elaborate discussion on the floor of the House. We can only put pressure on the Government to see to it that the ratio is changed in the direction in which it is wanted: but the position today is somewhat different. The Reserve Bank Bill contains a provision that the ratio should be fixed on the present scale when this provision comes into effect, that is, when the Reserve Bank is instituted: and I ask my Honourable friend, the Finance Member, to say whether he is a good enough prophet to suggest that, on the day when the Reserve Bank Bill comes into operation, when the Governor General has brought into existence the Reserve Bank and has brought the provisions of this Act into force, whether he can say that on that date 18d. is the ratio that will be in existence. If it is not so, then are we only making a hypothetical provision for a contingency which we do not know may arise or may not arise, and for circumstances which are beyond our ken at the present time? We live in abnormal times

The Honourable Sir George Schuster: If my Honourable friend feels these doubts, may I ask why he approved of the recommendation in the London Committee's report that the ratio in the Bill should be that prevailing on the day when the Bill is introduced

Diwan Bahadur A. Ramaswami Mudaliar: I will answer that quite straight. Honourable Members need not be under misapprehension as regards our position. Honourable Members will find that the Committee recommended that the Government should make a thorough investigation of the whole question before they introduced their Reserve Bank Bill and before they put in this provision. The Honourable Member may say that he has made that thorough investigation, that he has satisfied himself that there was no other course open, that this ratio was the best ratio and that, therefore, he has introduced this provision in the Bill

Mr. C. S. Ranga Iyer (Rohilkund and Kumaon Divisions: Non-Muhamadan Rural): I am quite unwilling to interrupt my Honourable friend; but I am only seeking light and information as he was a member of the London Committee, whether a similar provision exists in the Reserve Bank constitutions in other parts of the world, and whether they examined it: I have not studied the subject sufficiently and I am only seeking light from my friend who, I am sure, was very assiduous in this particular matter.

Diwan Bahadur A. Ramaswami Mudaliar: Sir, as the time of the House is limited, I do not want to offer an explanation now. I am perfectly willing to help any individual Member with light on any question on which I am capable of throwing light.

Mr. C. S. Ranga Iyer: Is there any clause in any of the constitutions?

Diwan Bahadur A. Ramaswami Mudaliar: Now, Sir, apart from this fact, the position has considerably changed. The position today is not exactly what it was at the time when the Reserve Bank Committee sat. One must take into consideration the fact that the dollar has depreciated very considerably since, that the franc is about to be pegged off gold. Who is there who can say with any certainty that the franc will still continue to be on the gold basis? We are aware that the authorities in the United States are trying their level best to see that France comes into line with them, so that, at some future date, when every other country is off the gold basis, there can be a conference of various nations to suggest a suitable monetary basis for the whole world. The policy which has been followed by President Roosevelt is a policy which has come into existence since the conclusion of the London Conference. Does my friend suggest that the depreciation of the dollar is a matter of no concern for us at all, it has no bearing at all on this question, that the possibility of France going off the gold basis, which was not visualised then but which looks almost a certainty now, is of no concern for us at all now? I only plead that under these circumstances the date of the decision may be changed, and that it will be a leap into the dark if now and at once the Honourable the Finance Member asks this House to decide on this ratio. I have expressed no opinions on the merits of the ratio. I am perfectly willing to keep an open mind and vote for 18 pence should I be convinced that that rate is for the good of this country, but I refuse to be a party to voting for 18 pence on the 31st October, 1934, when I do not know what conditions will intervene in the meantime. That is my point with reference to the ratio, Sir.

My friend, Mr. Sitaramaraju, with an amount of assiduity which is fully worthy of the Members of this House, has pointed out that a rural credit department should be immediately established and that, on the analogy of the Australian Bank, it should function. I may point out that, under the

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Minority Committee of the Central Banking Inquiry Committee Report, its provisions have been designed for the purpose. They want to bring in the provincial co-operative societies and land mortgage banks pending an apex bank under the Reserve Bank, so that the Reserve Bank may give not merely short term loans but long term loans so that the functioning of the whole structure may be to the advantage of the indebted rural peasant and landowner in the country. I venture to think, Sir, that much more careful attention should be given to this subject, and I do not think I am misrepresenting or misconstruing the opinion of this House when I say that on this side of the House opinion is unanimous that the present provisions do not go as far as they should have gone and that something much more substantial and tangible must be done for the establishment of a rural credit department of the Central Bank. (Applause.)

Raja Bahadur G. Krishnamachariar (Tanjore *cum* Trichinopoly : Non-Muhammadian Rural): Sir, as one who had not been a member of the Select Committee, I congratulate the Finance Member for the lucid manner in which he put before us the salient features of this Bill, and I propose, in the few observations that I shall submit to this House, to take up only some of the points in obedience to your ruling and leave the details for discussion on the numerous amendments that are proposed to be made to this Bill. I also thank the Honourable the Finance Member for the generous appreciation of the trouble and care with which the members of the Select Committee dealt with this Bill. Having said that, I am afraid I am in the same position, as has been observed by Wordsworth:

"Oh, what is the matter, what is the matter".

[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).]

Sir, having heard the discussion in this House for three solid days, I am not at all sure where the House or ourselves are in connection with this Bill. In submitting, however, the few observations that I propose to make, I want to make my position quite clear. I am as anxious, if not more anxious than the Finance Member himself, to bring into existence this Reserve Bank as early as possible. The history of the management of the currency of this country in the recent past fully justifies the bringing into existence of an institution which will co-ordinate the management of both currency and credit in this country. It will relieve the Government Departments, who are not independent actors in this matter, from the necessity of dabbling with currency and credit every time the wire is pulled across the seas six thousand miles away, and, Sir, it will give us some relief when a local Directorate, with a Managing Governor, however partial he may be suspected to be, will take up the management of currency and credit. Sir, the House will remember how in the year 1920 a distinguished civilian played havoc with our finances with the result that the country had to bear a loss of about fifty crores. If only for the fact that that position will not be repeated, I am equally anxious with the Finance Member that this Reserve Bank should come into existence as early as possible.

Sir, the White Paper on the Constitutional Reforms stated that the Reserve Bank would come into existence on four conditions. I do not know if those conditions are fulfilled. One of them, the building up of a

proper reserve, has, I suppose, been made up by the offer of five crores of rupees as an initial reserve which was made by the Honourable the Finance Member the other day. But there is one condition, the last of the four, which, I am afraid, has not been fulfilled, and that is that India's normal export surplus should have been restored. I am not sure that it has been done. The depression continues, and the trouble about the normal surplus is still there—The London Committee had not said anything about it, and in view of the fact that the Honourable Member who, I have no doubt, has followed the course of the export trade, has himself introduced this Bill, I take it that the conditions laid down in the White Paper have been satisfied. Whether it is so or not, I do congratulate the Government of India all the same on the step they have taken in trying to place this enactment on the Statute-Book.

There is yet another reason, Sir, why I welcome this Reserve Bank Bill. The third Round Table Conference, I believe, decided that, as a condition precedent to the bringing into existence of an All-India Federation and the granting of responsibility in the Centre, a Reserve Bank should be established. I have my own views regarding an All-India Federation and as to its coming into existence, if it ever does come into existence at all. That is why I have always been insisting on the fact that, so far as the outside world could see, there is no connection between the establishment of an All-India Federation and the granting of Central responsibility. However that may be, that question does not arise now for discussion. I am glad that whether with an All-India Federation or with only the Central responsibility, the Central Bank will come into existence.

Another reason is, having had bitter experience out of the result that followed from the rejection of the Reserve Bank Bill in the year 1927, of which we had a confession from Mr. B. Das who claimed to be a principal actor in the wrecking of that Bill, I am afraid it would not be in the interests of India if we attempt in a cavilling spirit to deal with this Bill. These are the reasons why I welcome the passing of this Bill, and, as a matter of practical politics, I would submit that in all proposals for the reform of any portion of the country's interests, it is always best to take what you get, and then try and change it as time goes on and circumstances require, and not wait for the fulfilment of all the conditions of sixteen annas in the rupee before you introduce the necessary reforms. Sir, I cannot claim to be an expert in these matters, nor do I claim that I have made any very special study of this question. I am a man in the street, but I know certain things about my country and my country's needs and if, in the few observations that I propose to make, it appears as if I am opposing this motion, I want to disabuse the mind of everybody that I am not doing so, but that my only endeavour is to put forward proposals which might, in my humble opinion, improve the Bill and make it acceptable to the country, for I believe that whatever may be the reasonableness, whatever may be the capacity with which this Bill would work hereafter, you must take the country with you; otherwise, when this measure becomes an Act it will not satisfactorily work.

The first point that I would submit for the consideration of this House, and I hope the Finance Member would be able to give us a satisfactory assurance upon the matter, is our right to amend this Act when the new Constitution comes into existence. This matter was raised in the Joint Select Committee by several Members and, in answer, the Finance Member

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made a statement which is printed at page 19 of the Select Committee's Report. I won't trouble the House by reading the whole of it now, but portions of the statement made by the Honourable Member are necessary to be submitted to this House before I can place before them my argument as to why I consider this statement, as has been observed by the gentlemen who signed this, to be very unsatisfactory. The Finance Member says:

"There has evidently been some misunderstanding as to the scope of the Secretary of State's answers to Lord Rankeillour which were concerned only with a technical point raised in the course of the discussion on another subject and did not imply any change of view or policy, so far as the Secretary of State was concerned, as to the power of amendment of the Reserve Bank Act by the Indian Legislature subject to the prior consent of the Governor General. There is no intention under the present proposals that the British Parliament should undertake legislation amending the Reserve Bank Act. According to the White Paper proposals this would be the function of the Indian Legislature subject to the prior approval of the Governor General. The technical point with which the Secretary of State was concerned arises in the following way."

Then he proceeds to explain that the Constitution Act which will be eventually passed would have an Adaptation Clause and these provisions regarding the Reserve Bank will necessarily have to be embodied in it, and that is the reason why the Secretary of State has made that statement, whereas, really speaking, it was not his intention to restrict the power of this Legislature to amend this Act. But, Sir, if I may respectfully say so, that is not the meaning of the language used by the Secretary of State, certainly I do not understand it in that meaning. In the White Paper proposals there are two sections, sections 110 and 119. Section 110 deals with those subjects upon which the Legislature could not pass any Act. Section 119 refers to those measures which this Legislature could enact subject to the previous sanction of the Governor General in Council now, and at his discretion later. Remembering that, Lord Rankeillour puts this question:

"Is it not proposed to put anything into the Constitution Act with regard to the Federal Reserve Bank? Is it proposed to legislate separately for that?"

The Secretary of State says:

"What is happening with the Reserve Bank is this. There was this very comprehensive and expert enquiry into the question in the summer. Previous legislation of the kind has taken place in the Indian Assembly and the arrangement has been that a Bill would in due course be introduced in the Indian Assembly and that Bill would pass through the Indian Assembly if the Indian Assembly is ready to pass it. Some reference will certainly be needed to the Bill in this Constitution Act."

Then a question was put that it may bring it under section 110, namely, that no legislation can further be made upon that by this Legislature. The answer was:

"Let me be just clear about that. No, it will not bring it under section 110; it will bring it under section 119. But except as otherwise Parliament may determine, only the Imperial Parliament would be able to alter the proposals."

I think that is perfectly clear. Then the examination proceeds:

Q.—"If the reference in the Constitution Act confirms the provisions of the existing Government of India Act that would make it part of the Constitution, would it not?"

A.—"It would become a part of the Constitution—to this extent that a reference of some kind would be made to it in the Constitution that would ensure the proposals of the Indian Reserve Bank Act only being alterable with the approval of the Imperial Parliament."

The Secretary of State has said that twice. Then, Sir Hari Singh Gour puts this question :

"There is just one question I wanted to ask the Secretary of State. Did I understand the Secretary of State to imply in answer to a question put by Lord so and so that, after the Reserve Bank Bill is passed by the Indian Legislature, any amendment of that Bill would be with the concurrence of the Imperial Parliament, or that no amendment could be made by the Indian Legislature except with the consent of Parliament?"

The answer is :

"The position is rather a complicated one. It is this, in a sentence or two. Here we are asking the Indian Legislature by its own legislation to carry out arrangements that we say are essential for bringing the Constitution Act into being. (That is the passing of the Reserve Bank Bill.) Obviously, if that arrangement is to take effect, it cannot be possible for the Indian Legislature at some future time to alter the conditions without which the Constitution would not have come into operation without the previous consent."

That finishes the examination of the Secretary of State, and I very respectfully ask the Finance Member, whether the language used by him was either in connection with some other matter or whether he did not specifically straightforwardly say that without the consent of the Imperial Parliament no amendment can be made. The reason why I raise that point at the outset is that it is just as well, before you trouble yourself to waste public time by bringing into existence this Reserve Bank Act, to find out of what real use this is going to be. There are matters which, even in the Select Committee's Report,

The Honourable Sir George Schuster: May I intervene? It might help my Honourable friend if I were to tell him that the statement that I made was made with the full authority of the Secretary of State; in fact, I used the words which he himself authorised me to use, as explaining the position which he had taken in the Joint Parliamentary Committee.

Raja Bahadur G. Krishnamachariar: I am very glad of that statement, but that only makes the position worse. The Secretary of State in his examination states, as I understand the English language—I am not an Englishman, but I have just tried to understand a little bit of English, and that English is as follows: "But except as otherwise Parliament may determine, only the Imperial Parliament would be able to alter the proposals." Having said that and finding himself up against a stone wall here in the Joint Select Committee and being troubled with the position, he tries to wriggle out of it, if I may respectfully say so, by a statement which I must characterise as disingenuous.

Sir Cowasji Jehangir: May I ask a question if the Honourable Member will permit me to do so? Are we to take it definitely that the statement that the Finance Member made on behalf of the Secretary of State to the Select Committee is the final statement and that anything he may have said inadvertently or deliberately in the Select Committee does not now count? Is this the final statement made on behalf of the Secretary of State which we have to consider?

The Honourable Sir George Schuster: I can tell my Honourable friend what I have already said. I asked the Secretary of State if he could help me to explain the position in view of certain questions that had been

[Sir George Schuster.]

raised and he authorised me to make a statement on the lines, part of which my Honourable friend has just read. The statement which I made made the position absolutely clear, and I think we are justified in assuming that, as the explanation was given subsequently to the evidence before the Joint Select Committee, this is the statement of the position on which we must stand.

Raja Bahadur G. Krishnamachariar: I am reading the other portion of it, because I reserved it when I put before the Honourable House the position in justification of my statement that the Secretary of State, having found himself in a hole, tries to wriggle out of it by making a statement which certainly in no way is relevant considering the plain and simple and straightforward question put by Lord Rankellour as well as by Sir Hari Singh Gour and his own answer. The next paragraph of the statement made by the Honourable the Finance Member at the Select Committee was this: The Constitution Act will have to contain an adaptation clause laying down as to how, when reform at the Centre takes place, the powers to be exercised by the Governor General in Council under the Reserve Bank Act will have to be exercised in the new Constitution. This is all right. That, of course, is with reference to this portion of the answer where he says that some reference will certainly be needed to the Bill in the Constitution Act. That, of course, is so, because, as the Committee themselves say, while the Bill has been framed with reference to the existing Constitution, due provision will have to be made in view of the reforms which are in sight. It proceeds. If the reference in these proposals for the Constitution are accepted by the Joint Select Committee and if the Constitution Act and the adaptation clause were to declare that certain powers, exercisable by the Governor General in Council under the Reserve Bank Act, were to be exercised in future by the Governor General at his discretion and if, in future, it were desired by agreement that any particular power or powers thus provided for should be exercised by the Governor General on the advice of the Ministers, and not at his discretion, then legislation giving effect to this would be an amendment of the Constitution Act and not of the Reserve Bank and could be undertaken by no other authority than the British Parliament unless the Constitution Act itself provided for the contingency. The question is now being considered whether such a provision can be included in the Constitution Act and the point of doubt to which the Secretary of State was referring in his replies. So far as I can see, this is only a round about way of saying that in the Constitution Act we shall have to provide for this contingency, and once we provide for it in the Constitution Act, goodbye to the power of the Indian Legislature, and you can only go to Parliament and have it amended. There is no doubt expressed by the Secretary of State in the passages that I have read. I, therefore, submit that unless this point is cleared and unless we are quite sure that we can even in those cases, where the Select Committee think that amendments must be made, I believe even in those cases referred to in the memorandum submitted by the Government Members where they also refer to probable amendments, unless these things are cleared, how are you going to introduce these amendments later? Every time we want to make an amendment, we shall have to go to the Parliament, that is to say, through the Governor General and the Secretary of State, and the Secretary of State being pulled from behind by City interests, you may take it

that, if the amendment is of such a nature that it comes into conflict with London City interests, that amendment is not going to be allowed. What then is the use of an Act like that? I am perfectly sure that the enactment of this Act will bring us a good deal of relief, but what is the use? I remember to have read in Goldsmith's "Vicar of Wakefield" that on holidays the gentleman used to give to the younger members of his family one pound each with strict injunctions not to change it. The position in regard to the Reserve Bank is to be exactly like that. Many of our friends feted the Secretary of State in London. My friend, Sir Akbar Hydari, topped the list and said so many good things about him—for what? For discharging his duty, for understanding the provisions of an Act which he had to pilot through Parliament. As the *Hindu* says, in the heat of a long and probably trying cross-examination, the Secretary of State has said something which he may or may not accept hereafter. Whatever may be the explanation, the position is there. As I said, all the benefits that the British Government had conferred upon us had been nullified by the way they had manipulated our currency. Likewise, all the benefits that will flow from the passing of the Reserve Bank Act will entirely disappear if we are told that we cannot change it. That, Sir, is my observation on this very important question. I am glad that my friend, Sir Cowasji Jehangir, has raised this question. I know what will happen if the Finance Member tries to put his own gloss upon that statement. You know what happened when a statement was made by His Excellency regarding dominion status and how a whole host of people pounced upon him and said that the Governor General had no business to say these things which it is our privilege to say. That reminds me of a little story. There was a mother-in-law and a daughter-in-law, two occupants of a house. The mother-in-law had gone to the tank to bathe. In the meanwhile, a beggar came and asked for alms. The daughter-in-law said: "there is nothing in the house. I cannot give you anything". He tried his best, but the daughter-in-law was firm. So he went back. Half way the mother-in-law was returning from the tank and as she had noticed that the man was coming out of her house she asked him why he went to that house. "Madam, I am very sorry I went there to beg."

4 P.M. "And what is the result?" "Your daughter-in-law said there was nothing in the House, she cannot give anything." She then asked the beggar to follow her and when she came back to her house, she said to the beggar with great vehemence: "Now there is nothing in the house and you better go back. It was impertinent of my daughter-in-law to say that 'there is nothing in the house and I cannot give anything' when it is my privilege to say so. Has it come to this that she has become the mistress of the house?" Now, that, Sir, is an intolerable position. That is what the British Government will do on another occasion. I shall refer to the manner in which the Secretary of State has dealt with certain action of the Government of India.

Sir, the question of the State Bank *versus* the Shareholders' Bank took the whole of this day and my friend, Mr. Ramaswami Mudaliar, has taken all the wind out of my sails, and I am not going to waste the time of this House by saying anything about it. I will only suggest this. (An Honourable Member: "Why not give us a bit of your mind?"), I have no view, Sir, for this reason. As George Eliot makes Silas Marner say:

"They all say the same thing,
Some people say one thing, some another, as I always do.
Both of them are right and both of them are wrong."

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So far as India is concerned, Sir, there is absolutely no criterion at all. Lord Morley was once talking of the reforms, and when our people contended that the reforms were suited to England, and why not to India, he said; "don't ask about the Canadian furcoat. That can only be worn in Canada and not in India". So, whenever we ask for something else, we are told: "the conditions are quite different here, you must ask for something which will suit your conditions. You cannot work things which suit the conditions in England".

Now, however, when we discuss the Shareholders' Bank, we are told: "look at what the whole world does! Everybody has succeeded with the Shareholders' Bank, and why India alone should think she will not succeed?" My Honourable friend accurately described the activities of the Currency League. They said that the Central Banking Inquiry Committee unanimously supported the State Bank. It was shown that it never did anything of the sort. That is how the whole trouble arose. If the State Bank is going to be administered by the State, why, we can continue in the present condition. We are, it is said, not satisfied with what the Government of India have been doing, and my friend, Mr. Das, says that he has no reliance upon the Government of India and that they are sure to ruin your whole interests. What are you going to do? Now, I am perplexed, I am a man in the street. I noted that these men sitting in solemn conclave in London have come to the conclusion with the assistance of foreign experts that a Shareholders' Bank would work well; I said, "all right, I close". It is an experiment,—in fact we are having a series of experiments upon our currency policy. Are we not having one continuous series of experiments from the time of Adam Smith up to now? Sir, try the Shareholders' Bank; but, if you can agree, make a provision that after some time when you find that the Shareholders' Bank does not work well, give a power to the State to purchase it. (Hear, hear.) Sir, I quite remember the provision in the Bill quoted by my Honourable friend, Mr. Mudaliar, regarding the supersession of the Bank. Now, that word has a bad odour. In the Madras Presidency, there is a District Municipalities Act which has got a provision about superseding municipalities. (Mr. K. C. Neogy: "There is such a provision everywhere.") I suppose it is everywhere, because the genius is the same. (An Honourable Member: "Evil genius.") Sir, the question of the supersession of the Bank is quite different from the proposal I make. What I say is. "Let the Bank go on as it is; let my friends on this side, who are very anxious for a State Bank, have their innings, and let them see if the State Bank will function better than a Shareholders Bank; but after the elaborate explanations given by my Honourable friend, Mr. Mudaliar, I have very little to choose between a State Bank and a Shareholders' Bank so far as practical results are concerned.

Sir, with regard to the Deputy Governors, I cannot understand why you want two of them. It is absolutely impossible to believe it. The Select Committee says:

"Considering the amount of work that will come before the Bank, we are of opinion that two Deputy Governors should be appointed."

Sir, in the year 1927, we were quite satisfied that one Deputy Governor would suffice. Why are there to be two now,—because we are becoming

old, or what? You do not know what exactly is going to be the volume of business of the Reserve Bank. Wait and see. If you should want one more Deputy Governor, you can very easily bring him into existence. I would, therefore, submit with regard to the appointment of the two Deputy Governors that this Bill requires a little re-consideration and I think we might just as well start with a small beginning. We have got a dictum in our Shastras:

"Alparambhah Kshema Karah."

"If you want prosperity, begin from small things. Do not jump at big things."

Then there were certain proposals made regarding the proportion of shares to be held by Indian nationals. I must say that when a provision like that is made, it does not mean any discrimination, however distant it may be as suggested by my Honourable friend, Mr. James. Such a provision, I believe, has found a place in most of the Reserve Banks in Europe. I cannot understand why, when these provisions existing in those banks are not held to be discriminatory, they are to be necessarily held as discriminatory when inserted in our Indian Act. I quite agree, there is a great deal of force in the argument of the Honourable the Finance Member that practically the thing will come to even more than 75 per cent, and that it would be much better that such a provision should not be made in the Statute. Now, I happen to have heard of a gentleman of the name of Mr. R. K. Shanmukham Chetty (now he is the Honourable Sir Shanmukham Chetty). He was a big fighter in those days when the 1937 Act was on the anvil. Now, this is what he said regarding assurances that might be made. Listen to what he says. Regarding the forecast as to what the position will be if no such provision is made in the legislation, he said:

"By bitter experience we have realized that there is no more use pinning our faith even to solemn declarations made on the floor of the House."

This is not my language; it is the Honourable Sir Shanmukham Chetty's argument:

"And nothing short of a Statutory provision of this nature will satisfy the Honourable Members on this side of the House. I want the House to bear in mind this, that if the first Governor or Deputy Governor is not to be an Indian, for fifteen years you may not have an Indian for these posts. If the first Governor and Deputy Governor happen to be non-Indians, you may have to wait for 15 or 20 years to get an Indian Deputy Governor on the Board, and I would, therefore, implore the House to bear the importance of this proviso in mind."

That is the reason why I say that a provision positively enacting what we want should be made in the Statute, so that, hereafter, if some persons were mischief-minded, they may not be able to create that mischief. Sir, if I may digress a little I will make a reference to the saying of a great man: "We have cheated the Indian nation." It was Lord Lytton who said that and it was with reference to the Statutory Civil Service and the promise that was made to the Indians in order to recruit them into the Statutory Indian Civil Service. He said: "We have broken to the heart the promises that we made to the ear." He said that, of course, after he was out of office. Now, the reason why I have mentioned it is this. Things which are said are not evidently binding upon anybody and they will take their usual course irrespective of any pledges given on the floor of the House or elsewhere. That is the reason why I say that the proportion of the shares as well as the nationality of the person who would

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hold this appointment of a Governor or a Deputy Governor should be specifically stated so that there may be no quarrel afterwards. I am very sorry that that is the position and we have got to conform to it.

Now, Sir, I proceed to another important question, and that is a question in which I am especially interested, namely, agriculture. Every time the question is raised, there is a good deal of sympathy flowing for the agriculturist, but in practice nothing happens. The Central Banking Inquiry Committee, among other things, pointed out that, although there were 2,500 odd towns in India, there were only 441 commercial banks operating. They took into consideration the position of all these banks of which a list was placed before them and they found that these banks, however much they tried, would not be able to meet the demand of the agriculturists. Consequently, they recommended as follows after taking all the conditions relating to this matter into consideration:

"We agree with the foreign banking experts that additional provision should be made in the Reserve Bank Bill enabling the bank to make loans and advances on the security of movable goods, wares and merchandise as well as against the warehouse warrants or warehouse receipts representing such goods."

I know that in clause 17, in two places, credit is assured to the agriculturist. But it has been assured only on documents containing two signatures, one of which should be that of a scheduled bank. Now, take my case in Madras. I have got my grain and other produce which I cannot sell at a favourable rate at the time when the Government demand their money. I am sorry to say I have got to pay quite a good lot. Now, if I go to the Reserve Bank, what happens? I must take before them a document signed by two persons, one of whom should be a scheduled bank. If you turn to the Schedule of this Bill, you will find that there is only one scheduled bank in Madras and that is the Indian Bank. (*Diwan Bahadur A. Ramaswami Mudaliar*: "There is the Nedungadi Bank and also the Hindustan Bank.") That bank is not mentioned there. I think. But it is the same to me. All these gentlemen work in Madras and we down south have got to go to them and first make ourselves known to them, because without knowing us, they will not countersign this document and, by the time all these formalities are gone through, the time for the payment of the Government *kist* passes, and what are we to do? Considering all these difficulties, the Central Banking Inquiry Committee suggested that loans should be advanced on the security of movable goods, wares, etc. On the other hand, I am speaking subject to correction, if a commercial man has got his goods in a warehouse or in a godown, he locks it up and gives it to the bank and, on the security thereof, he is able to obtain some advance. But look at the poor agriculturist who so far has not been able to get a single pie out of these commercial banks. You go to the Imperial Bank and they will say that they have opened 100 branches, but it is easier to interview the Viceroy than to interview the Agent of the local Imperial Bank. You have got to wait outside, because the Sahib has no leisure and the *Jamadar* takes a lot of time before he intimates your presence there. (*Mr. B. V. Jadhav*: "Grease his palm.") Sometimes you have got to do that; you cannot help; that is part of the day's work. Afterwards, we are referred to the cashier. The cashier says to himself why should this man have more money than myself. So he says that the Agent is very busy and, therefore, he cannot take me to him and asks me to come day after tomorrow. So I have got to go back

six miles absolutely disappointed. Now, how long this sort of thing is going to last? He trades upon my money; he earns a profit upon it, and when I want that proper facilities should be afforded to me, the Sahib cannot be seen and the cashier refused to give me the amount. Therefore, I have got to go to that much maligned and much hated *sahukar* upon whose devoted head so many curses have been showered and yet, at the nick of time, when the most important event comes, namely, the payment of Government *kist*, it is he who comes to my rescue and not the great Imperial Bank with all its Charters and Directorates and other things. That, Sir, is the position in which the agriculturist is placed, and what does he care whether you bring into existence the Reserve Bank so long as you do not provide something in it on which he is to go. I know that in clause 53 the Bank is advised that they should within three years hatch a proposal and bring it into existence to be legislated upon if necessary. That reminds me of what Sir George Yule said from the Presidential Chair of the Indian National Congress years ago. It is ancient history. He said:

"Providence entrusted the fate of India to the British nation and the British nation threw back the trust upon Providence. So, between the Providence and the British nation, the Indian nation got nowhere."

That is the position. We have nothing to do with the Reserve Bank. Government, with all their paraphernalia of the Central Agricultural Department, the local Agricultural Department, the Director of Agriculture and the whole army of officers tacked on to the Imperial Council of Agricultural Research, think that they do a great deal, but the result, so far as I can see, is absolutely nil, and it has not yet been able to devise a scheme: whereas, when the Reserve Bank comes into existence, the whole scheme is expected by serious minded men to come out, as they say, from Joye's head one fine morning and then everybody is going to be happy. No, Sir, not three years, but 30 years we may wait and yet the Reserve Bank will have no scheme to bring forward. Why, not because they do not want to do it, but because they do not understand it. These eight Directors who are being elected by the shareholders, and the Governor who is going to be appointed, not because he is an agricultural expert, not because he is a landholder, not because he knows the conditions existing in this country regarding agricultural credit, but because he is a man of tested experience in banking business which I accept is an absolutely unsatisfactory qualification, that is only by the way, I ask what can these gentlemen do? Thirteen gentlemen,—thirteen is a very unlucky number,

An Honourable Member: Fourteen.

Raja Bahadur G. Krishnamachariar: Usually with Englishmen 13 is a very unlucky number. With us 3 is very unlucky, but with Muslims, 3, 9, 13 and 18 are very unlucky numbers. I ask, what can these gentlemen do? I have no complaint against them. They may try to do their best but in the end they will not be able to do it. So, for God's sake, as the Reserve Bank is not going to come into existence for another year, there is absolutely no reason for this hurry. You might have framed a scheme, if you really wanted, on the Central Banking Inquiry Committee Report. There are lots of materials which will enable you to come to a conclusion regarding this and I respectfully submit that it is the province

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of the Central Agricultural Department with their highly paid staff to try and frame a scheme by which the rural credit, to which my Honourable friend, Mr. Raju, referred, might be embodied in this Bill when this Bill starts. That will give me satisfaction and that will impress upon the agricultural population, which forms the mass of the population of India, that after all something is going to be done to them. Sir, talking of the facilities regarding agricultural operations and the payment of Government demand by the agriculturists, there is no reason why some of these indigenous bankers and *sahukars* should not have been inserted in the Schedule. The Central Banking Inquiry Committee has made proposals extending from, I believe, pages 106 to 110. There is not any indication of it in the London Committee,—I do not know if it was within their purview, they are all big men and these small things like the interests of the agriculturists do not trouble them,—there is no indication that the London Committee have dealt with this problem. I should like to know why my Honourable friend, Sir George Schuster, did not take that into consideration when he framed this Bill. The Government spent a lot of money on this Banking Inquiry Committee and they went round the whole country and brought out a report—I do not know where the report has gone. It is perfectly true as my Honourable friend, Mr. James, has said that if these gentlemen have been rationalised it would be a good thing. The Honourable the Finance Member said that if they were rationalised, then they automatically come into the scheme and then they do not want anybody's favour. We say the Bank should find out a way by which these indigenous banks and the *sahukars*, some of whom individually can purchase most of the scheduled banks which I find in the Schedule, I say that these indigenous banks and the *sahukars* should be roped in.

Another point that has been troubling is the question of ratio. I am not going to discuss the merits or the demerits of the question of ratio, because, in the first instance, I do not understand it and if you view it impartially, from the point of view of the agriculturists, then the lower ratio is very good. Some gentlemen, *viz.*, Mr. Benoy Kumar Sarkar, for instance, contest even that position and he has issued a brochure where he shows that £0-1-6 ratio has been greatly beneficial to the country and he gives figures from the export trade and reduces them in terms of rupees and points out how the thing has been going up. It is impossible for me to understand it and, even if I do, it is irrelevant from one point of view to discuss it in connection with this measure and, if I may respectfully say so, it will be a waste of time. But there is one thing to which I must invite the attention of this House. It is said here that the provisions of this Bill relating to it are only intended to indicate the existing condition and no change is intended to be made in the ratio and, therefore, they are not of much consequence. But the provisions are not so innocent as that. What we want to know is the condition existing now. Under an executive order, passed in 1931, the rupee has been linked with sterling at a certain rate and it continues whether your Reserve Bank comes into existence or not, unless the ratio has been altered by an executive order or by an Act of the Legislature. Then, may I ask, why you want to insert this provision in the Reserve Bank Bill? It is there already whether your Reserve Bank is brought into existence or not. The thing is there until it is amended. I ask respectfully, why insert clauses 40 and 41 in this Bill? I am a man-in-the-street, and I do not understand these problems of high

finance and to me it seems that, whereas in the Indian Currency Act the rupee was linked to gold of one shilling six pence, now one shilling six pence is linked to sterling. There has hitherto been no Statutory declaration that one shilling six pence is linked to sterling.

The Honourable Sir George Schuster: First of all on the last point, there is a Statutory provision linking the rupee to sterling. If my Honourable friend will read the Currency Act of 1927, he will find that the Government of India are under a Statutory obligation either to provide 1s. 6d. gold or 1s. 6d. sterling for every rupee and, therefore, the present position is the one which exists without any further Statutory provision. On the second point he asked, I would like him to read the Bill, and he will find that, on the Act coming into operation, the existing Currency Act is to be repealed. That is necessary because the Reserve Bank has to take over all the functions laid upon Government in the existing Currency Act. That was why it was necessary to lay down, in those two sections, the actual ratio which, as my Honourable friend has quite rightly pointed out, is already provided for in the existing Currency Act.

Raja Bahadur G. Krishnamachariar: Even then there is this little difficulty which I raised at the commencement of my argument, namely, the right to amend. Supposing you repeal the Currency Act as it is by the last clause of the Bill, then, what remains, is the provision in the Reserve Bank Bill regarding this exchange. Apart from the consideration as to what it would be at the time when the Act comes into force, the position is that you can never change it except with the consent of Parliament. England is a country which imports raw materials and exports finished goods. We are just the contrary. What would suit England would not suit India and Mr. Churchill said the other day that if trade with India goes our Empire goes, and nobody wants to lose an Empire. Consequently, if you repeal the Indian Currency Act and if, in place of the Indian Currency Act, you put this provision in the Reserve Bank Bill and if my contention, as interpreted in the evidence of the Secretary of State, is correct, that you cannot amend this Act except with the consent of Parliament, then 1s. 6d. is fixed for ever unless the Parliament agrees to the amendment.

The Honourable Sir George Schuster: May I point out to the Honourable Member that the position would be exactly the same if the Currency Act is left in operation. That is also covered by para. 119 of the White Paper.

Raja Bahadur G. Krishnamachariar: Para. 119 of the White Paper says "the Governor General at his discretion". I am very sorry or I am glad that the interruption has been made. Para. 119 says that the Acts among which the Currency Act would come in the future Legislature could not be amended except with the previous sanction of the Governor General at his discretion. Does it mean, is the explanation of the Honourable Member to this effect, that the Governor General at his discretion means the Governor General's discretion as commanded by the Secretary of State or as pulled from behind by the interests of the City of London? Then, that makes the case worse. But I am quite prepared to reckon with this position for this reason. The Reserve Bank Act is evidently not going to

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come into force, and if I can bring pressure to bear upon the Governor General between now and the passing of the Constitution Act,—I do not say I will succeed, but it is quite possible in view of the widespread demand in the country regarding the devaluation of the rupee or whatever they call it or the lowering of the rate of exchange which would help the agriculturists,—I say it is quite possible for me to amend that Act. If it is only a statement of existing conditions for which there is ample Statutory provision in the Indian Currency Act,—which I am sorry I fail to notice and I beg the Honourable Member's pardon for making a statement which does not seem to be quite accurate,—why do you want to put it when it is merely, as far as I can see, a surplussage in this Bill? That, Sir, is my position with reference to these two clauses. I have tabled an amendment and for the rest I shall see what happens when it does come. There is only one other clause regarding which I have got an objection, but I think I will raise it as a matter of amendment, and that is the power to make rules. There is a little book written by the present Lord Chief Justice of England, "The New Despotism". I would very earnestly commend the careful attention of Honourable Members to that book to realise how departmental legislation can completely over-ride the intention of original Statutes; and with all good will when the Department or, in this case, the Reserve Bank or its executive finds that certain things are necessary, they always find some way or other by which to enact that. It is perfectly true that it is subject to the sanction of the Governor General in Council. I should be sorry to say that the Governor General would sanction anything that a clerk puts up in his note which everybody else had passed. There is a little story about it. In the Board of Revenue, Madras, a certain proposal came up and the clerk, whose business it was to deal with things of that sort, said: "For orders", and passed his note to the First Assistant. The First Assistant thought that the man had written a note, but he never saw it and simply initialled it. It went to the Secretary who also initialled it. Nobody saw that it was for orders and then it went to the Member of the Board of Revenue and he also initialled it. The practice in the Madras Board of Revenue is that from the Member it goes straight to the copyists' section in order to copy the order. It went to the head copyist, but he did not see any orders and took it to the First Assistant and asked what he was to type. Then began a whole series of references and orders. I do not say that this sort of thing happens always, but it happens sometimes; and, in an institution like the Reserve Bank, when certain rules are proposed, they will pass them and be done with it. That will be the position and I shall develop it in connection with my amendment. These are the considerations that I respectfully submit for the consideration of the House upon this general consideration of the Bill.

Raj Bahadur Lala Brij Kishore (Lucknow Division: Non-Muhammadan Rural): Sir, I do not want to deal in my speech with regard to the controversy whether the Reserve Bank should be a Shareholders' one or a State one, but I would simply remind that in 1925 we had the Royal Commission on Indian Currency and Exchange. That Committee went into this question and the report was submitted in August, 1926. The Committee recommended amongst other things the creation of a Central or Reserve Bank which, in their opinion, would be a Shareholders' Bank. They also stated another very important point which is under discussion today that the Bank should be immune from political influence. Sir, as long as provision is made that the Reserve Bank will function in the

best interests of the poor people of this country and will grow into a confidence inspiring institution, I shall be satisfied with the scheme irrespective of the fact whether it is a Shareholders' one or a State one.

Sir, belonging to the landowning class, I am greatly interested in this Bank doing everything possible to improve the lot of agriculturists in this country. In any scheme of the Reserve Bank, I think the interest of the agriculturist, who is the mainstay of this country, should be supreme and, therefore, I strongly support the suggestions made in this House to establish direct contact between the Reserve Bank and the rural societies established for the purpose of improving the lot of the agriculturists in this Act. In my humble opinion, this ought to be done as soon as possible and not put off for years as is suggested in the Bill. Sir, India is primarily the land of agriculturists. Any scheme of central banking, which does not take them into account, cannot meet our requirements to the fullest extent. Any scheme which makes the financial condition of the agriculturists easy must be welcomed. It is in this hope that I appeal to the Honourable the Finance Member, who is unquestionably one of the ablest financial experts of India, to consider favourably the recognition of agriculturists' banks and land mortgage banks. I further appeal to him to give to India the benefit of his entire ability and wisdom in solving this difficult problem.

Sir, one other thing which I see in this Bill is that the United Provinces has been entirely ignored though it is a very important trading centre, specially with the development of the sugar industry. I think it is only fair that a local committee should be appointed for the United Provinces and that it may be located in one of the important centres, either at Lucknow or Cawnpore. The latter place has rightly been pointed out by my Honourable friend, Mr. Bagla, that it is the Manchester of Northern India. Sir, I do not mind which place, but I certainly think that the United Provinces should have a local committee of its own, because it is a very important centre and, with the development of many industries in the next few years, we would all appreciate it if a local committee is appointed for the United Provinces.

The Assembly then adjourned till Eleven of the Clock on Thursday, the 30th November, 1933.