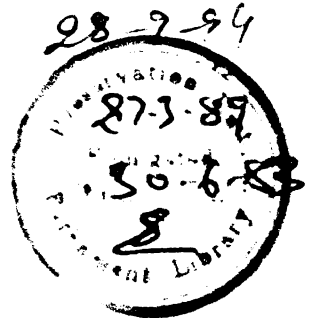


THE
LEGISLATIVE ASSEMBLY DEBATES
(OFFICIAL REPORT)

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 :

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

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.

Thursday, 30th November, 1933.

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

THE RESERVE BANK OF INDIA BILL.

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

Mr. K. C. Neogy (Dacca Division: Non-Muhammadian Rural): Sir, I think I must begin by congratulating the Honourable the Finance Member, although he is absent from his seat just now, firstly on his good fortune in not having been the Finance Member in 1927, and, secondly, on the acquisition that he had made of a valiant champion in my Honourable friend, Diwan Bahadur Ramaswami Mudaliar. I do not grudge him the few pleasantries while he introduced into his speech while making the present motion at the instigation of the Bengali Law Member. We had a previous Finance Member presenting another Joint Select Committee's Report in 1927, and that Finance Member could not afford to indulge in pleasantries. I remember him trembling in nervousness while he rose to make his motion, and more than once our late lamented President, Mr. V. J. Patel, had to inquire from him whether he was speaking in support of his motion or against it. (Laughter.) We had a Bengali Law Member also at that time—(A Voice: "Always.") (Laughter.)—I claim a sort of vested interest in that job for my province. But he did not have the courage to suggest that well-known Bengali joke which my Honourable friend, the Leader of the House, did to the Finance Member, because, on that occasion, the fruit in the shape of the Majority Report was the production of the Non-Officials and the stone—and it was a fair-sized stone at that—was the only contribution of the Government. My Honourable friend has referred to the ease with which he can dispose of the numerous small stones that form part of this report. The method of disposal of that stone in 1927 was somewhat heroic: it had to be swallowed by its author. Times have changed and nowhere is the change felt so much as in this House, and my Honourable friend triumphantly points to the London Committee Report and uses as a trump card the names of three gentlemen whom he described as three of the ablest members of the last Joint Select Committee who were parties to that Report. Now, when I first of all got a copy of that report marked "confidential"—although I find that a corresponding publication was being sold in London by His Majesty's Stationery Office for 9d. to any one who thought it worth that amount—however that is the way of our officials in India to mark these things confidential—when I got that "confidential" document and I turned to the signatures, I found that there was one signature missing there and instead there is this foot-note

Mr. F. E. James (Madras: European): It was not confidential: it was published in the *Indian Finance*, I think.

Mr. K. O. Neogy: They may have got it from the London Stationery Office. This is the foot-note:

"Mr. Ramaswami Mudaliar has signed on behalf of Mr. Iyengar in regard to all matters on which agreement was reached before Mr. Iyengar left for India."

I am surprised that so wide-awake a person as my Honourable friend, Diwan Bahaur Ramaswami Mudaliar, so alert a person, forgot to append Mr. Iyengar's tour programme as part of this report along with the daily progress Report of the Committee's discussions. So I was left in doubt as to which points my friend, Mr. Rangaswami Iyengar, had actually agreed. But we were not kept in doubt for very long, because a very large portion of my Honourable friend, the Finance Member's speech at Simla consisted of an extract from the editorial columns of the *Hindu*, and I understand my Honourable friend is a very diligent reader nowadays of the editorials of that newspaper. I do not know whether you are going to pull me up, Sir, for disclosing what I understand happened in the Select Committee. Although I was not a member of the Committee, I understand that the editorials of the *Hindu* loomed very largely there too as a great reinforcement of the Government position. There are two other gentlemen, two belted knights from Bombay, who also are parties to this report, one of whom I find has, since leaving the shores of England, grown wiser and has published a document which he styles "Notes on Minutes of Dissent on the Report of the Committee on the Indian Reserve Bank Legislation". When I saw that, I was naturally looking for the "minutes of dissent" on which these were supposed to be notes; but I could not discover any. However it shows that the spell of London atmosphere began to wane on him soon after he left the shores of England, and he is his old self again

Mr. F. E. James: It always does when you get away from London.

Mr. K. O. Neogy: I am waiting very anxiously for a similar recantation from the other gentleman who is an Honourable Member of the other House. My grievance against these gentlemen is not that they hold any particular set of views at any particular moment, but that they have, so far as I know, individually and collectively not cared to explain to the Indian public as to the change in circumstances between 1927 and 1933 which has brought about this change in their own outlook. I, as a Member of the Legislative Assembly, who, following the lead of some of these gentlemen in 1927, along with you, Sir, took a particular step when the Reserve Bank Bill was under consideration, and I certainly have every reason to be aggrieved at the manner in which these gentlemen have changed their views without letting us know the grounds on which they have done so. Now, Sir, supposing these gentlemen had compromised on this particular issue of State *versus* Shareholders' Bank in 1927, I am quite sure, we could have got a much better Bank than we are likely to get if the Government proposals now get through, and that Bank would have been in operation today, quite a successful institution perhaps,—and who knows,—the economic history of the past few years might have been written in a different way if that Bank had been set up on that occasion. If these gentlemen are really of the opinion that the present scheme is better than the one which they induced us to advocate on that occasion, why don't they state the reasons that have led them to form this opinion.

Sir, when my friend, the Diwan Bahadur, was speaking yesterday, I seemed to be taken back to my old class-room while I was a student, and this morning I find that a similar impression was created on the Press Gallery too, and a leading newspaper of Delhi has characterised his speech as a post-graduate discourse. I entirely agree that my Honourable friend has made very laborious researches into all the literature that exists on the subject, but unfortunately he proceeded more on academic lines, more on suppositions and theories than on the hard facts of the situation in India. That is my grievance against my friend, if I may say so. Now, Sir, I am fortified by the authoritative opinions of distinguished lawyers like my friends, Mr. Aggarwal, Mr. Sen and Mr. Puri, that it is possible to spoil one's case by trying to prove too much. That was also one of the impressions left on my mind after hearing my friend the Diwan Bahadur's speech yesterday. As far as I could make out, he said that the only material difference between a State Bank and a Shareholders' Bank consists in the source from which the capital comes; beyond contributing the capital, the State is not expected to exercise any more control or have any more voice in the governance of a Central Bank than would be the case if it were a Shareholders' Bank. If that were the only difference between a State Bank and a Shareholders' Bank, I really cannot make out as to why is it that this question is being agitated not merely in India, but all over the world. My friend, and I have great respect for his deep erudition, said that the present tendency all over the world was to go in for a Shareholders' Bank in preference to a State Bank. My friend has great opportunities of studying these questions at first hand. I have to depend upon what literature there may be on the subject. Now, this is what I find in one of the latest books on which I could lay my hands, a book written by nine economists from Oxford in collaboration and published in 1933. This is what the authors say about the trend of things so far as this question goes all over the world

Mr. F. E. James: Who is that particular author?

Mr. K. O. Neogy: Mr. G. D. H. Cole.

I apologise to the House for having to make a somewhat longish extract, but as I have not got the hardihood of depending upon my authority for any statement on this matter, I should like to draw support from some of the authoritative sources that are available to me

The Honourable Sir George Schuster (Finance Member): What is the name of the Book?

Mr. K. O. Neogy: "What everybody wants to know about money",—including Finance Members, I suppose. (Laughter.)

"In the more advanced industrial countries",—(*begin the authors*),—"and especially in Great Britain".—(*mark*)—"there is in recent years an acute controversy over the question whether banking and financial institutions ought to be left in private hands or to be transferred to some form of public ownership and control. Banking is, it is urged, above all in the modern world the key industry which affects every other, for no industry can be carried on without adequate supplies of credit, and these the banks alone are, under modern conditions, able to provide. Accordingly the banks have to a great extent in their hands the shaping of the national industrial system; for they are in a position not only to make credit in general cheap or dear, and scarce or abundant, but also to direct credit to one industry or firm rather than

[Mr. K. C. Neogy.]

another, and so to cause to prevent industrial expansion in that or that field. A national planning authority, if it were unable to exercise control over and through the banking system, would, it is urged, be wholly unable to make its will effective or to impose any coherent direction upon the general course of economic policy." *Further on they say*—"The demand for some form of socialisation of banking has not, however, even in Great Britain, been confined entirely to socialists. For a number of non-socialists, including some who are bitter opponents of Socialism, have urged strongly the socialisation of the Central Bank. These non-socialist advocates of banking reform are for the most part as strongly opposed to any public ownership or control of joint stock deposit banking as they are favourable to public ownership and control of the Central Bank."

Now, Sir, they go on to discuss the Central Banking systems obtaining in other parts of the world including the Federal Reserve System which is entirely a State controlled institution in the United States, to which I don't think my friend made any great reference in his speech yesterday

Mr. F. E. James: May I interrupt my Honourable friend for one moment? Does not the writer in that same chapter make a clear distinction between a State Bank which is directly controlled by the State and a Bank which is established by a public authority under State control? I think that even he makes that distinction there.

Mr. K. C. Neogy: Of course, the distinction is there

Mr. C. S. Ranga Iyer (Rohilkund and Kumaon Divisions: Non-Muhammadan Rural): And does he not further point out that a State Bank by itself cannot be a success unless the other banks are also socialised . . .

Mr. K. C. Neogy: No, he does not say that definitely.

Mr. C. S. Ranga Iyer: Yes, he certainly says so.

Mr. K. C. Neogy: But what I want to point out is, that what my friend, the Diwan Bahadur, was saying regarding the tendency everywhere being in favour of a shareholders' bank is not a fact. I do not care what opinion this particular author holds, but when he points out that even non-socialists are agitating on this particular question as to whether the central banking institution should be a State or a Shareholders' Bank, I am entitled to point out that what my friend said yesterday was not quite accurate, at least it is not supported by all the authors on the subject. And when he said that the only difference between a State Bank and a Shareholders' Bank consisted in who supplied the share capital, I do not think my friend was quite correct in his statement, because, if the difference was only that, why should there be any such controversy over such a minor matter?

Now, Sir, coming back to my point, I said that my friend had actually spoiled his case by trying to prove too much, because in the end he said, if you make a comparison of the constitution, as envisaged in this Bill, with the constitution of a State Bank as in Australia, and if you compare particularly the control which the State possesses, whatever little control it possesses, over the Central Bank in Australia with the control, which is provided for in this particular Bill, then you will see that we have got all the control which the Government in Australia exercise over their own,

State Bank. He, again, turns round and says, examine it as a Shareholders' Bank, see what control the shareholders have got; it is a truly democratic control, there is no official control at all, and that makes it an ideal institution. Now, Sir, we are left in doubt as to whether under this Bill we are going to have a State Bank or a Shareholders' Bank after listening to my friend, Diwan Bahadur Mudaliar. If it is really the position that all the control which the State authority has over a State Bank is being provided in this Bill over this Shareholders' Bank, then why call in the shareholders at all for the mere privilege of doling out their dividends? Why not furnish the capital yourself and say that the 1½ crores of deficit which the exchequer will suffer by reason of the setting up of the Reserve Bank, as was pointed out in a memorandum placed before the Joint Parliamentary Committee by Sir Malcolm Hailey and supported by the Secretary of State himself

Sir Cowasji Jehangir (Bombay City: Non-Muhammadan Urban): Is that correct?

Mr. K. O. Neogy: The loss of receipt from coinage and all that; of course, it will be a temporary loss, but it will be a loss in the beginning.

Sir Cowasji Jehangir: If the Honourable Member had seen the amendment made in the Bill, he would have realised that that loss will not now be suffered. I think the Finance Member will agree with me in what I say. There is an amendment in the Bill to that effect.

Mr. K. O. Neogy: The Finance Member said that the State was going to furnish the reserves by adding to the national debt. I think that is the point to which my Honourable friend refers. Even then he is going to find interest.

The Honourable Sir George Schuster: My Honourable friend, the Leader of the Independent Party, is perfectly correct in saying that the alteration which we have now made in the Bill does get over the whole of the difficulty pointed out by Sir Malcolm Hailey in that memorandum to which my Honourable friend has just referred.

Mr. K. O. Neogy: May I take it then that, so far as the exchequer goes, the creation of the Reserve Bank will not in the least affect its position?

The Honourable Sir George Schuster: Not appreciably. The point is this. First of all, the Bank will be liable for paying dividend on the shares which cannot be more than six per cent,—30 lakhs. It is a question as to how much of that six per cent. will be provided by the banking profits of the Bank, but we imagine that, by the time the dividend reaches 30 lakhs, the banking profits of the Bank ought to be great and, therefore, no burden will fall on the profit which would otherwise go to Government. The only other avenue through which any effect on Government's revenues might come would be if in a subsequent year something had to be set aside from the profits to make up the five crores reserve back again to its original figures. If the reserve had to be drawn upon and made up again, then there would be a reaction on Government's revenue from the currency profits. Therefore, I could not go so far as to say that it will have no effect, but I am correct in saying that it will have no appreciable effect.

Sir Cowasji Jehangir: Did I understand my Honourable friend to say that if that five crores was decreased due to a depreciation in securities—that is what he is alluding to—the Government would again have to make it up to five crores and, therefore, the Government's revenues would not suffer?

The Honourable Sir George Schuster: No. The point is that the reserve will have to be made up again to five crores out of the profits of the Bank, and, therefore, as the main profits of the Bank will be currency profits, that would amount to a deduction from receipts which would otherwise, under the present system, accrue to the Government's budget.

Sir Cowasji Jehangir: That would only be in case of a great depreciation in the securities.

The Honourable Sir George Schuster: Yes.

(At this stage Mr. Vidya Sagar Pandya rose in his seat.)

Mr. President (The Honourable Sir Shanmukham Chetty): The full implication of the proposal of the Committee for the creation of treasury bills in order to build up the reserves can only be discussed when the clause is reached, and not across the table like this.

Mr. Vidya Sagar Pandya (Madras: Indian Commerce): Simply for information, Sir. Is not this present of five crores to the Bank meant to give one per cent. extra to the Bank's shareholders? And that will make not six per cent. but really seven per cent.

Sir Cowasji Jehangir: No, not a bit of it.

Mr. K. C. Neogy: I have no desire to pursue that particular point having regard to your ruling. I would, therefore, come to the point as to whether, in the scheme before us, we are providing for any real control by the shareholders as was contended by my Honourable friend, the Diwan Bahadur. Let us begin from the very beginning. Who are to be entitled to hold shares in this particular concern?

I draw the attention of the House to clause 4 of the Bill. We have provided that a shareholder shall be one who may be domiciled in India as an Indian subject of His Majesty or as a subject of a State in India; or a British subject ordinarily resident in India and domiciled in the United Kingdom, and so on. When you come to sub-clause (c), we find that among institutions, apart from persons eligible for becoming shareholders of this Bank, are included companies registered under the Indian Companies Act, 1913, without any qualification whatsoever. That is to say, although we insist upon residence, at least temporary residence, in the case of British subjects to be an essential condition of shareholdership of this Bank, so far as companies registered under the Indian Companies Act are concerned, they need not fulfil that condition; in other words, the mere fact of registration in India gives all the shareholders of a company the benefits of domicile which is prescribed as an essential qualification for individuals. The result of this will be that foreigners, non-British foreigners I mean, and British subjects non-resident in India have only to register themselves into a company under the Indian Companies Act and they would be entitled to hold shares in the Bank. I am again surprised that this particular point escaped my lynx-eyed friend, the Diwan Bahadur.

Sir Cowasji Jehangir: It did not escape the attention of the Select Committee. If the Honourable Member will read the Report, he will find an allusion to it.

Mr. K. C. Neogy: But I did not find much light apart from a statement saying that, if any such thing were to happen in the future, we would see about it. That is all. In the Joint Parliamentary Committee, I find that people there with their usual meticulous care examined this point, and even the Secretary of State came to the conclusion that such a contingency should be guarded against. This question arose in connection with the Secretary of State's note on commercial discrimination. In that note there was a clause to this effect:

"In the case of a company which is or may hereafter be incorporated in India, British subjects domiciled in the United Kingdom will, subject to so and so, be deemed *ipso facto* to comply with any conditions imposed by law on the company in respect to the domicile, residence, duration of residence, language, race, religion, descent or place of birth of its directors, shareholders, agents, or servants."

This point was referred to by Mr. Jayakar when he put the following question to the Secretary of State. He said:

"Under the operation of clause 4, (*clause 4 being the clause which I have just read out*) as you have worded it, resident in the United Kingdom who have never resided in India would be entitled to that provision?"

The Secretary of State's reply was as follows.

"If that is so, I think it would be a case for rather more rigid drafting and ensuring the Reserve Bank conditions."

(Rigid drafting which the Joint Parliamentary Committee did not do!)

"Moreover, Mr. Jayakar will remember that as the Reserve Bank Bill will be passed before the Constitution comes into operation, any conditions laid down in the Reserve Bank Bill will be safeguarded."

The Joint Select Committee on this Bill have failed to lay down the particular condition which the Secretary of State himself is prepared to support and safeguard in the Constitution Act.

Now, Sir, Mr. Zafarulla Khan followed up the point in the following question:

"Secretary of State, with reference to the second consideration that you have put forward, as regards the Reserve Bank Bill, that the Bill will have become a Statute before the new Constitution comes into force, supposing after the coming into force of the new Constitution, a block of shares in the Reserve Bank were sought to be acquired by somebody who under your definition in clause 4 of your memorandum could be regarded as a domiciled Indian or an Indian resident in India, would he be able to acquire that block of shares?"

The answer of the Secretary of State was as follows:

"The safeguard, Mr. Zafarulla Khan, would be that in that case the Board could refuse to register the transfer of the shares under the Act."

Now, Sir, the only provision that gave the power of refusal to register any transactions of this character was contained in a clause which has been deleted by the Joint Select Committee. Rather than provide a

[Mr. K. C. Neogy.]

definite safeguard which the Secretary of State was prepared to support, they have taken away the discretionary power which the original Bill had incorporated to refuse to register such transactions. Now, Sir, my friends may say that this is an imaginary fear of mine, as there are not many companies of this character nor is there any likelihood of there being many companies in future of which the shareholders will be foreigners. I have in my hand a book, which ought to be familiar to the members of the Joint Select Committee, written by Mr. Sheekissen Bhatler, a very prominent businessman in Calcutta, and Dr. Nemenyi who, I understand, is a Hungarian, engaged in business in Calcutta. Now, this is what these two practical businessmen have to say with regard to this particular point as to whether our fears in this regard are altogether imaginary or not. I may tell the House in passing that these gentlemen are in favour of a Shareholders' Bank and, therefore, they were not criticising the Bill in a hostile attitude at all. They say as regards paragraph (c) of sub-clause (3):

"As regards para. (c) of sub-clause (3), it has to be pointed out, that on the strength of this para. a large number of shares could pass unnoticed into the hands of such foreigners, foreign banks, corporations or companies as are neither domiciled in India, nor are British subjects ordinarily resident in India and are also not banks, corporations or companies as described in para. (c). The possibility referred to is based on the fact that all or a majority of the shares of such companies, corporations or banks described in para. (c) can be entirely held by foreigners, who are neither domiciled in India nor are British subjects ordinarily resident in India. There are today a good number of such companies actually working in India whose shares are entirely in the hands of foreigners."

The Honourable Sir George Schuster: Has my Honourable friend got any amendment down to give effect to his views?

Mr. K. C. Neogy: Is the Honourable Member prepared to accept an amendment, if any were given?

The Honourable Sir George Schuster: I should want to hear what the Honourable Member has got to say about it before I commit myself, but I do suggest to my Honourable friend that these are matters on which it is possible to hold different views. They were fully considered in the Committee, but if my Honourable friend is displeased with the recommendations of the Committee, his proper course is to put down an amendment and let it be discussed in connection with the clause.

Mr. K. C. Neogy: If the Honourable Member wants to seriously consider an amendment, I or some of my friends would be ready to give notice of an amendment.

Sir Cowasji Jehangir: May I inform the Honourable Member that the Finance Member is not the only Member of this House? There are Members on this side who will also consider the amendments.

Mr. K. C. Neogy: The Finance Member has got a majority of votes in his pocket.

Sir Cowasji Jehangir: I doubt it. If the Honourable Member will put down an amendment which will meet his point of view, I think it will

receive the unanimous support of this House, notwithstanding the Honourable Members on that side voting against it?

Mr. K. C. Neogy: Unanimous support of the House?

Sir Cowasji Jehangir: Of this side of the House.

Mr. K. C. Neogy: Has my Honourable friend considered what the number of absentees is to-day?

Sir Cowasji Jehangir: That is our united fault. If there are absentees, we have got to share that blame between us.

Mr. K. C. Neogy: I will have the support of a united minority! Now, Sir, these are the institutions that will have the right to apply for shares, and when they make their applications, they are likely to get the shares, though not perhaps to the extent that they want. Therefore you cannot altogether exclude any foreigner, who may be a member of a company which may be registered in British India. So far as I am concerned, and many of my friends are concerned, we are in favour of restricting the right of membership of the bank at least to a very overwhelming extent to the natural born Indians who are either subjects of His Majesty or the Indian States, and when we come to amendments, we will have ample opportunity of discussing that point. Now, Sir, we have the applicants now. The applicants, let us take it, have made their applications; and then we come to the procedure which will be adopted for distributing the shares. The procedure is contained in sub-clauses (6) and (7). Now, sub-clause (6) proceeds on the assumption that the shares will be over-subscribed in point of numbers. Supposing there is over-subscription, what is the procedure laid down? Recourse is to be had to a kind of lottery. Now, my Honourable friend, the Finance Member, as also my friend, the Diwan Bahadur, are ready and willing to depend upon a spin of the coin for the purpose of determining the constitution of the shareholders' register. What is there to assure us that, when this lottery takes place, the successful Indian subscribers will bear a satisfactory proportion to the non-nationals as we desire to describe them. My Honourable friend, the Finance Member, said that from the practical point of view there is no ground to apprehend that fully 75 per cent. of the shares will not get into Indian hands. I do not know whether my Honourable friend has been pursuing astrological studies in the intervals of his business: otherwise, when, in the event of the shares being over-subscribed, you depend upon lottery, how can you say positively that 75 per cent. of the shares are bound to go to Indians. Now, Sir, supposing the shares are not over-subscribed, what happens?

"If the number of such applicants is less than one-fifth of the number of shares assigned to the register, the Central Board shall allot the remaining shares firstly, up to the limit of one-half of such remaining shares, to those applicants who have applied for less than five shares, and thereafter as to the balance to the various applicants in such manner as it may deem fair and equitable, having regard to the desirability."

and so on. Here we are deliberately trying to sterilise a proportion of votes. I do not know what the number of such sterilised votes would be, because no one, holding less than five shares, will be entitled to vote.

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The second preference in such circumstances will go to those persons who apply for less than five shares, or, in other words, we are definitely contemplating the sterilisation of a certain proportion of shares. Now, if you sterilise a proportion of shares, the proportion being an X quantity, an unknown quantity, how are you going to be sure as to the proportion of nationals who will have an effective vote as laid down in this particular clause. Who knows that a very large proportion of Indians would not come under this particular provision whose votes would be quite sterilised.

My Honourable friend, the Diwan Bahadur, said that you would get a much more democratic constitution under this Bill than you could possibly get under a State Bank. Now, I will leave it to my Honourable friend to tell us as to how he is going to secure that democratic basis for this Bank, how he is going to assure this House as to the proportion of nationals to non-nationals. I do not know whether my Honourable friend lays any stress on that point, because I do not remember if he referred to that yesterday. But we, who do attach very great importance to the control over this Bank, whether it is a State or a Shareholders' Bank, to be confined predominantly to Indians, cannot overlook the uncertainties of the situation as is contemplated in these two sub-clauses 6 and 7.

Now, let us come to the question of the control and management of the Bank. I draw the attention of the House to clause 7 of the Bill. The marginal head-line is Management. It runs as follows:

"The general superintendence and direction of the affairs and business of the Bank shall be entrusted to a Central Board of Directors which may exercise all powers and do all acts and things which may be exercised or done by the Bank and are not by this Act expressly directed or required to be done by the Bank in general meeting."

Now, I am told that the word "direction" has not been defined in any legal lexicon. "Superintendence" is a term which is in use in certain Statutes; I think it is in use in the Indian Companies Act, but the word "direction" introduced by the Joint Select Committee does not seem to improve the position, because we do not know what the connotation of this term is according to the legal interpretation. Now, if it is to be justified on the footing of a genuine Shareholders' Bank, I for my part would have expected to find some words in this clause which would give the shareholders the right to control the Directors in regard to the business of the Bank. If we refer to table A of the First Schedule to the Indian Companies Act, we find in section 71 of that table a corresponding provision which provides for the business and control being vested in Directors, but that control is subject to a very important limitation and that is this:

"The business of the company shall be managed by the Directors. . . . subject to such regulations (*I leave out irrelevant words*) as may be prescribed by the company in general meeting."

That is to say, in the ultimate resort, it is the body of shareholders who are responsible for the management of the company, and the Directors can carry out the day to day administration of the company subject to that supreme control of the shareholders. My Honourable friend said yesterday that here we have a scheme in which the shareholders will have genuine control and that is the merit which he has claimed for a Shareholders' Bank. Now, may I invite my Honourable friend to assist me to understand as to where it is that this provision for the control of the shareholders is to be found in this Bill. I have tried

to read the Bill as carefully as I could, and the only reference to the point I find is in clause 57 which gives the power to make regulations consistent with this Act to the Central Board with the previous sanction of the Governor General. Sub-clause (d) refers to regulations concerning "the manner in which general meetings shall be convened, the procedure to be followed thereat and the manner in which votes may be exercised". Sub-clause (e) refers to regulations concerning "the manner in which notices may be served on behalf of the Bank upon shareholders or other persons". Sub-clause (f) deals with regulations concerning "the manner in which the business of the Central Board shall be transacted, and the procedure to be followed at meetings thereof". Sub-clause (h) deals with regulations concerning the "delegation of powers and functions of the Central Board to the Governor, or to Deputy Governors, Directors or officers of the Bank". But I do not find any specific provision as to what powers the shareholders will exercise except a slight reference to that point in sub-clause (c).

Sir Gowanji Jehangir: May I point out that the shareholders will have the same powers as the Honourable Member's constituents have over him?

Mr. K. C. Neogy: The Honourable Member's constituents have very real power over him.

Sir Gowanji Jehangir: So with the shareholders.

Mr. K. C. Neogy: Then I should like to know whether, if it is to be judged on the footing of a genuine shareholders company, the control vested in the shareholders is of the same character and extent as is vested in any company of which my Honourable friend and I are aware. My Honourable friend will have to satisfy me on that point before I can accept any statement from him. Clause (c) deals with regulations concerning "the maintenance of the share register, the manner in which and the conditions subject to which shares may be held and transferred, and, generally, all matters relating to the rights and duties of shareholders". These words are added more or less as an afterthought,—“and, generally, all matters relating to the rights and duties of shareholders”. Now, who is going to prescribe these rights and duties of shareholders? Not the shareholders themselves, but the Central Board, with the previous sanction of the Governor General, will say what rights and duties these shareholders are to have. Remember, Sir, that in the first few years the Central Board will be a nominated body of the Government, and that body will, subject to the previous sanction of the Governor General in Council, prescribe the duties and the rights of the shareholders. My Honourable friend, with his extensive experience of company matters in Bombay, should tell us as to whether he is aware of any single company which has been incorporated on this footing, namely, that the Directors shall prescribe in whatsoever manner they choose the duties and the rights of the shareholders. My Honourable friend refers to the analogy of the control exercised by the electors over the elected Members of this House. I may tell him that that can be made to be a far more real control than would be the case under such circumstances where a body, which should really be the nominees of the shareholders, is to be entrusted with the task of saying what powers

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and duties are to be exercised by the shareholders, who are, according to my Honourable friend's own contention, to be the proprietors of the Bank.

Mr. C. S. Ranga Iyer: I am quite unwilling to interrupt, but surely my Honourable friend knows that once he is elected, his constituents have very little control over him until the next election.

Mr. K. C. Neogy: I dare say that is my Honourable friend's experience, but that is not my experience.

Mr. C. S. Ranga Iyer: What I have said is an obvious fact.

Mr. K. C. Neogy: Now, when we come to the composition of the Central Board, as I have already stated, during the first four years it will be a predominantly nominated body. The number will no doubt go on diminishing, but it will start with a wholly nominated body, and what powers are the shareholders to exercise during those years over the management when the Directors themselves will not be the nominees of the shareholders? I should like my Honourable friend, the Finance Member, to say what powers he contemplates to be given to shareholders under the contemplated regulation; and may I put a point to my Honourable friend, the Law Member, in this connection? Is it quite regular, apart from the question as to whether it is right, that such an important matter should be left to be framed by regulations? If it is a genuine Shareholders' Bank, should we not start with defining the rights and privileges of the shareholders? Or should this Legislature hand over that right of prescribing the rights and privileges of the shareholders to a body wholly nominated by the Governor General in Council in this manner? Is it right from the constitutional point of view that this should be so? Apart from that, may I also inquire whether it is technically correct to give this right of framing regulations under this omnibus clause when no such reference to the subject-matter is to be found in the previous sections as a substantive provision? That is to say, as we have not said in this particular Bill anywhere that the shareholders shall exercise such rights and powers as may be prescribed by regulations, is it enough to say that the regulations may provide for these matters among others? That is a point which my Honourable friend, the Law Member, would do well to consider.

The Honourable Sir Brojendra Mitter (Law Member): The Honourable Member ignores the important words in clause 57 (1). These regulations must be consistent with this Act. And what is it that they should provide for? They cannot roam at large, but are to provide for all matters for which provisions is necessary or convenient for the purpose of giving effect to the provisions of this Act. It is not the case that indeterminate powers have been given for framing rules.

Mr. K. C. Neogy: My Honourable friend's remarks are very helpful to me, because I want him to point out where is it that the Bill says that the shareholders shall exercise any powers? I quite agree that if you had said that, you could frame regulations to carry out that particular object; but the proper place would have been clause 7 where you define

the powers of management that the Directors will have, and I have already read out an analogous provision in the Indian Companies Act, where, in a similar provision, it has been said that the powers of management vested in the Directors shall be exercised subject to the control of the shareholders at a general meeting. It is for my Honourable friend, the Law Member, to say as to where that substantive provision is, giving any powers to the shareholders apart from the power of electing the Directors. What are their duties and functions at general meetings? Supposing during the first few years, when the Board is a nominated one, there is a difference of opinion between the shareholders and the Directors if the shareholders do not accept the balance sheet and the audited accounts, what happens? I do not want to labour this point any further, but I daresay, that the Honourable the Law Member would consider this point carefully.

Now, Sir, my Honourable friend said that if we had a State Bank, the Directors would be uncontrolled from above and unhampered from criticism from below. I want my Honourable friend, therefore, to tell me where is the control from above in a Shareholders' Bank which is provided in this particular Bill? I am not here to defend the stock-holders' scheme which has been put forward as an alternative by a minority in the Select Committee; but when I compare that scheme with the stock-holders' scheme which was agreed to by the Government in 1927, I find there is a good deal of difference between the two. Of course, I do not mean to suggest that Government did persist in that reasonable attitude in 1928, but the Honourable Member will find that there was a provision for election of a certain number of Directors by the Legislature; and the minority in the Select Committee had not the courage to put in that provision, with the result that, as they did not substitute any other form of representation which might be claimed to be popular, the scheme laid itself open to criticism of my Honourable friend as it did yesterday.

Now, Sir, there is another point which I had forgotten. What are the powers given to the shareholders for convening a general meeting? Is not that one of the common powers which are given to any Company, registered under the Indian Companies Act? Now, I find that in the Bill, as it stood originally, even the Directors were not given the power to call a general meeting and we must thank the Select Committee for having introduced an amendment to give some kind of a power to the Directors to convene a meeting of the Board. Now, Sir, my Honourable friend says that in the first instance the shareholders have a genuine control over the Directors and the Directors have a genuine control over the administration of the Bank. Having done with the shareholders' part of the control, I now come to the Directors' part of the control. How often are the meetings of the Board to be held? We come to clause 13 where it is said:

"Meetings of the Central Board shall be convened by the Government at least six times in each year and at least once in each quarter."

Does my Honourable friend think that this is the nature of control which can be justly described to be a genuine control exercised by the Directors over the executive in regard to their day to day administration? My Honourable friend himself perhaps said yesterday that in these banking matters conventions grow up, you cannot altogether define the powers of any particular authority connected with that institution only by the

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letter of particular provisions in the Act. Now, Sir, what kinds of conventions are likely to arise supposing the Directors are kept at an arm's length like this by the Governor and the Deputy Governor?

Diwan Bahadur A. Ramaswami Mudaliar (Madras City: Non-Muhammadan Urban): My Honourable friend will surely remember that there is a provision for a Committee of the Directors to be associated and for an application by the Board to be made to that Committee.

Mr. K. C. Neogy: But the Committee may be associated more or less in an advisory capacity.

Diwan Bahadur A. Ramaswami Mudaliar: No, it is the Managing Committee.

Mr. K. C. Neogy: But it is not a compulsory provision.

Diwan Bahadur A. Ramaswami Mudaliar: It is.

Mr. K. C. Neogy: Where is it? It is left to the Regulations to be framed in future.

Sir Cowasji Jehankir: You go on.

Mr. K. C. Neogy: Now, Sir, my Honourable friend made another point which I forgot to mention. He said, while referring to the unsatisfactory character of the stock-holders scheme in regard to the representation of the popular interests, that the Shareholders' Bank gives us a more democratic control. Now, how is it, then, that in the report, to which he was a signatory in London, he made provision for nomination of as many as four Directors? Does not that presuppose that the shareholders cannot be left to cover all the interests by election? These are the words of the report:

"In view, however, of the fact that in the particular circumstances of India, election may fail to secure the representation of some important elements in the economic life of the country, such as, agricultural interests, we recommend that a minority of the Board should be nominated by the Governor General."

That itself is an admission that election by a body of shareholders under this particular scheme cannot possibly satisfy the requirements of a popular basis for a Reserve Bank, and that is also reflected in some of the clauses of this Bill where we talk about nomination on the local board and the nomination of Directors. Now, Sir, there is a provision for the removal of the Governor by the Government.

What powers will the shareholders have with regard to the removal of the Governor or any of the Directors. In the scheme of democratic control which my Honourable friend, the Diwan Bahadur, advocates, is there any room for the shareholders exercising this kind of control? May I also remind my Honourable friends of the fact that if a Director wants to resign his office, he does not do it to the shareholders, but tenders it to the Governor General in Council. What kind of shareholders' Bank is this?

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Dr. Ziauddin Ahmad (United Provinces Southern Divisions: Muhammadan Rural): It is not political influence.

Mr. K. C. Neogy: I will come to that later. I forgot to mention one thing that there is some difference in the provision of clause 11(2) and the comparable provision in the Blackett Bill of 1928. But let that pass. The Blackett Bill was more favourable to the shareholders' interests than this Bill; however, we will come to that when we come to consider the amendments. This sub-clause (2) says:

"Any such Director shall cease to hold office if, without leave from the Governor General in Council, he absents himself from three consecutive meetings of the Central Board."

What sort of democratic control of shareholders is this? My Honourable friend is anxious to avoid what he described as political control, not merely exercised by the Legislature, but also by the executive. I will tell my Honourable friend at once that it is not my case that the Legislature should exercise a meticulous control much less that the executive should in regard to the day-to-day administration of the Bank. That is certainly not my desire. But as my Honourable friend himself pointed out, this Bill itself gives the Government powers of control and supervision; and I counted the number of places in which the Governor General in Council finds mention, and subject to confirmation by my Honourable friend, Dr. Ziauddin Ahmad, I want to inform the House that there are no less than 75 places in which the expression "Governor General in Council" appears in the Bill.

Mr. Vidya Sagar Pandya: 88 times.

Mr. K. C. Neogy: I stand corrected. I suppose my Honourable friend, the Diwan Bahadur, has no objection to the Governor General in Council appearing 88 times in the Bill.

Dr. Ziauddin Ahmad: It is not political influence.

Mr. K. C. Neogy: Of course not. We are legislating not for the present alone, but, as a matter of fact we are legislating more for the future than for the present, and while we consider this particular point, we cannot altogether ignore the position as it is sure to be when the new Constitution is brought into operation. And as sure as anything, all the control, which is now proposed to be given to the Governor General in Council, is going to be vested in the Governor General acting in his discretion, or, in other words, at the dictation of Whitehall, or, in other words, again, in the interests of the City of London. Is it the whole truth to say that the only idea why the Government want a Shareholders' Bank is to keep it free from political influence? Is it not also a fact that the interests of the City of London also demand restrictions and reservations of various character in regard to the financial administration of this country. I have no less an authority than the Secretary of State himself to cite on this particular point. In his evidence before the Joint Parliamentary Committee on the 5th October, 1938, numerous questions were put to him with regard to the provisions for the previous sanction of the Governor General being required as a condition precedent to legislation affecting currency and exchange being undertaken by the Indian Legislature. In the course

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of his examination on that particular point, Mr. Jayakar put very elaborate questions, and I again apologise to the House for having to make long extracts from this important statement made before the Joint Parliamentary Committee. This is how Mr. Jayakar made his statement:

"The reason why I am pressing this point, Mr. Secretary of State, is this, that there is a strong feeling in India that there is an intimate connection between the development of industries and agriculture, and the regulation of the currency, and, as you have transferred to the popular Minister's hands the Department of industry and agriculture, those two departments are so inseparably interconnected that no Minister can make much progress in industry and agriculture unless he has the power of regulating the currency of the country, and, as you have transferred one, it would not be wrong to transfer the other. That is the only reason I am driving the point." and so on.

This is what the Secretary of State said in reply:

"I do not object to Mr. Jayakar pressing the point. It is a very important point, and this has not gone by default. Although we realise that the points he has just made are very strong you have to consider the whole position. You have to consider the whole future of Indian credit. You have to consider (and this is an integral part of the encouragement of industry to which he has just alluded) a problem which is very urgent for India, namely, the problem of getting new capital. It has always appeared to me, the more closely I have considered financial questions in India, that the great need of India in the future is capital and it looks to me as if for many years to come the chief source of capital will continue to be London. I hope very much that the Indian capital will continue to be forthcoming, but, I believe, that for these great sums in the future it will be to the London market that future Governments of India will look, and, taking those very important considerations into account, we have felt that it was quite essential to put the credit of India above any kind of suspicion."

—It is not merely a question of political influence here in India, but India's credit must be above any kind of suspicion in the City of London—

"And in order to achieve that object, we did feel that these safeguards were necessary."

Then follows another question from Mr. Jayakar:

"But you will have a double protection, if you will allow me to pursue the point. . . . You have now brought the proposal of a Reserve Bank which is free from political influence."

Then the Secretary of State goes on to say:

"The trouble is (I have said this before) that financial people are very conservative,"

—meaning the financial people of the City of London, our creditors in England,—

"and it was made very clear to me that this was a safeguard to which they do attach a very great importance, quite apart from politics,"

what does my Honourable friend say to that? I say it is not the whole truth to say that, in providing for a Shareholders' Bank, you are actuated only with a desire to see that it is free from political influence. But there it is:

"That the City interests of London do attach very great importance quite apart from politics,"

—these are not my words. The Secretary of State goes on—

"and on that account, I feel that, chiefly in the interests of India, it is necessary to maintain it."

I must give the Secretary of State the credit at least for honesty in making this admission. What is this shareholders scheme intended to do? The shareholders will not be any more than a smoke-screen for the Governor General acting at his discretion or at the dictation of Whitehall. That is the main reason why Indian opinion is so much opposed to this shareholders idea. They will have no genuine control over the affairs of the Bank and they are put up there merely as a smoke-screen, so that, when the Governor General, acting in his discretion, is substituted by the Governor General in Council mentioned in the Bill, the Bank may be worked entirely in the interests and at the dictation of the City of London.

Major Nawab Ahmad Nawaz Khan (Nominated Non-Official): May I ask a question? If we have a State Bank here, will not that also work at the dictation of Whitehall and in the interests of the City of London?

Mr. K. C. Neogy: I will satisfy my Honourable friend. As I said, we are thinking of the future when we expect to have some kind of responsibility at the Centre. And if it is a State Bank, whatever control is sought to be left to be exercised by the State under this Bill will be exercised by the Government of the day which will be responsible to the Legislature; and as Government are not prepared and as the authorities in England are not prepared to contemplate such a contingency, they are putting up the shareholders as a screen for the purpose of shielding the interests of the City of London which will be looked after, first of all, by the Governor General here and by the Secretary of State in London.

Now, Sir, one of the points which the Honourable the Finance Member made in Simla, when he referred the Bill to the Joint Select Committee, was this that it is extremely undesirable that the Governmental authority, who has got to find the money which he has to spend in carrying on the administration, should also have the machinery of manipulating the currency and credit of the country in his own hands. And the Finance Member added that when faced with the necessity of raising funds the temptation might be very great to manipulate the exchange rather than to go in for an honest scheme of fresh taxation; and that is the reason why a bank, free not merely from political influence but also from Government influence, was necessary and desirable, and that is the principle reason why we should have a Reserve Bank established in India. Sir, when my Honourable friend made that statement, he was evidently ignoring the fact that in the new Constitution the Governor General will be running a parallel government in this country. He will be no less interested in raising taxation for the financing of the departments which will be directly in his charge in the name of reserved subjects than the Ministers in charge of the other administrative departments. If anything, the revenues of the country will be swallowed up to a very large extent by the demands of the reserved departments for which the Governor General will personally be responsible under the White Paper scheme. Is this the Governor General who should be vested with the authority of exercising what control is provided in this Bill to be exercised by the Government of India at the present time? Will not his temptation to manipulate the exchange and currency of the country for the purpose of raising revenue be as great as that of the Finance Minister? Because, Sir, I find, again from the evidence given by the Secretary of State (the Under-Secretary of State I think was speaking for him in this particular instance), before the Joint Parliamentary Committee that in the first place the Governor General will look to the

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Finance Member for his resources; if he fails to get it, he will in the ultimate resort have the right to raise taxation. In what respect does the Governor General then differ from any Member of the future Federal Government in regard to the responsibility of carrying on the day to day administration of the various Departments, in regard to the privilege and the necessity of raising taxation, and in regard to the temptation that may be in their way to manipulate exchange and currency? Sir, we must not forget that it is not the same type of Governor General as we find in other Constitutions, with whom we are dealing when we contemplate the vesting of such enormous powers in the Governor General acting in his discretion.

Now, Sir, I apologise to the House for taking so much of its time. My Honourable friend, the Raja Bahadur, referred to the constitutional issue which looms large on the report of the Select Committee. The question is, what authority will this House have in future for amending this legislation? My Honourable friend has dealt with that point very fully, and I have no desire to go over the same ground again. But assuming that the position, as explained by the Finance Member on the authority of the Secretary of State, is correct, are we not entitled to a little more light on the point before we can be expected to proceed with this measure? This is what the Finance Member says:

"The Constitution Act will have to contain an Adaptation clause laying down how, when the constitutional changes at the Centre take 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. If the British Government's proposals for the Constitution are accepted by the Joint Select Committee and if the Constitution Act in 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" etc.

Now, Sir, are we not entitled to know what are those "certain powers" which are at the present moment contemplated by the British Government to be left to be exercised by the Governor General acting in his discretion in the future, powers which we now in this Bill are expected to confer on the Governor General in Council? That is a point on which we think we are entitled to some light before we can be expected to place this measure on the Statute-book; because, what will happen is this. We on a certain understanding will be passing a measure clothing the Government of India with certain definite powers in regard to the administration and control of the Reserve Bank. In effect, by the Adaptation clause Parliament will be amending this Act of ours by saying which of those powers which we are leaving to the Governor General in Council will not be exercisable by the Government of the future. Sir, self-respect, if nothing else, of the Members on this side of the House demands that a clear explanation on this particular point should be forthcoming before we proceed with this measure. If it is the desire that this Legislature should have no effective voice in regard to this matter so far as the future Constitution is concerned, why not honestly make the life of the Bill only extend to the date when the new Constitution comes into being? Let Parliament take the responsibility for continuing the Reserve Bank Act thereafter by its own legislation. I would much rather have that than give a blank cheque, as it were, to the executive and to the British Parliament to be filled in at their will and pleasure in regard to the question as to how much of the power which we are now giving to the Government

as a whole will be available to the Government of the future, responsible as it will be to the Legislature, and how much of it will be taken away from the future responsible Government. That is the point

Raja Bahadur G. Krishnamachariar (Tanjore *cum* Trichinopoly: Non-Muhammadian Rural): And yet tell the world that we are making it!

Mr. K. C. Neogy: Quite so: what is the use of calling it an adaptation clause?

Mr. B. R. Puri (West Punjab: Non-Muhammadian): An usurpation clause!

Mr. K. C. Neogy: As my Honourable friend says, it could be more appropriately called an usurpation clause. My Honourable friend said at Simla that it is very necessary to have Indian opinion with us in passing a measure of this kind: unless this measure is in a position to command considerable Indian support, my Honourable friend said, it would be of no use: the institution would break down in its practical working. I challenge my Honourable friend, the Diwan Bahadur, to take a plebescite in the country and find out as to whether the country will support him in regard to the Shareholders' Bank, or us who are advocating the idea of a State Bank, having regard to the fact that, in the guise of a Shareholders' Bank, you are installing the Grand Mughal at Whitehall in a position of complete authority so far as the credit and currency of this country are concerned.

Mr. C. S. Banga Iyer: Sir, Mr. K. C. Neogy, the Leader of the Democratic Party, is, as expected of all democrats and those who lead a democratic party, exceedingly democratic in his point of view as regards the future financial administration of this country with the aid of the Reserve Bank which it is the intention of the Bill before us to inaugurate in an atmosphere of as much of available goodwill as one can secure; and he quoted with a certain amount of satisfaction from a book, I believe eminently readable, called "What everybody wants to know about Money", edited by a socialist economist and a very competent writer, Mr. Cole; and if Mr. Neogy had also read another book by the same authority "The Guide Through World Chaos", he would have found that while writing on the socialisation of the Central Bank, the Bank of England, the same authority observed that the public in England were of opinion that if the Bank of England were socialised, the purpose would not be served until the other banks were also socialised. It is a scheme of socialisation; and if my friend, Pandit Jawaharlal Nehru, were the Leader of the Opposition today, instead of Sir Cowasji Jehangir, I am perfectly certain, he would have ridiculed Mr. Neogy's anæmic utterance on the floor of this House asking for a State Bank with the White Paper scheme in front of him. It is an anæmic utterance for if you are to have a State Bank in this country you must bring that State Bank into existence with a view to serving the purpose and remove the apprehensions that Mr. Raju in his closely reasoned speech placed before this House. An eminently agricultural country with close resemblance to Russia, not only in the multitude of its national superstitions and prejudices, but also in its poverty; and if you are to deal justly with the agricultural people, abolish agricultural indebtedness and so forth and so on, you must have, if the State is to undertake the financial undertaking, as elaborately pointed out by both Mr. Raju and Mr. Neogy, though one from a constructive and

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the other from a destructive point of view, if this purpose is to be served, I think we have to abolish straightaway some of the money-lenders: I think all the banking work will have to be undertaken by the Government—complete socialisation of banks—when you can have a State Bank. I am not an apologist of Diwan Bahadur Ramaswami Mudaliar: for the very simple reason that he needs no apology: he can defend himself both in and outside this House, but his speech has caused some democratic surging on this side of my Party. Sir, after the great deal of learned dust which both Mr. Mudaliar and Mr. Neogy have raised, probably, I think, I, who have not been a member of these Committees, who has not had an opportunity to study things with the facility with which Mr. Mudaliar has studied them, I think . . .

Mr. B. Das (Orissa Division: Non-Muhammadan): You were a spectator in London?

Mr. C. S. Ranga Iyer: I am coming to it: I think I should not take very much time of this House. My friend, Mr. Das, with his usual inquisitiveness, inquires whether I was not a spectator in the London Committee. Mr. Das will admit, sometimes spectators see more of the game. I was in close touch with the London Committee through my friend Mr. Biswas, and occasionally attended the committee meeting myself whenever there was an important controversy, as for instance the ratio controversy raised by my old friend, Sir Purshotamdas Thakurdas; and it is that which makes me stand up with a certain amount of self-confidence on the floor of this House. I am very grateful to my friend, Mr. Biswas, who gave me all the information that was in his possession, and tried to give me as much light as I required from time to time, for I was suffering from all the delusions under which my friend, Mr. Neogy, is suffering. Mr. Neogy, while speaking, presumed that we here are a set of Tory diehards ready to prop up a scheme which is so unholy, planted as it is in the prestige of a foreign bureaucrat—the Governor General. I do not believe any one on this side of the House wants the domination of the Governor General in the administration of the Reserve Bank of this country. The purpose of a Reserve Bank is to eliminate the control of the Governor General as much as the control of the Legislature itself. That purpose, I should think, is served by the Bill before us to a considerable extent, because, I believe, if I have read the Bill correctly, neither the Governor General nor the executive can indulge in the luxury of day to day interference with the administration of that financial body. It is when this Legislature, at a misguided, probably over-zealous, time liked to interfere and proposed to interfere with the position of the State Bank, which Sir George Schuster's able predecessor gave us on that occasion, that Sir Basil Blackett dropped the State Bank Bill like a hot potato. Legislative interference will be as disastrous as bureaucratic or official or ministerial interference; and nowhere do I see in this Bill any proposition that the Governor General is entitled to day to day interference with the administration of the Reserve Bank.

The issue before us is this: do you or do you not want a Reserve Bank? We all know and we have no control over what has been decided, that

financial autonomy will be denied, if we do not agree to bring into existence this Reserve Bank. Do we or do we not want financial autonomy? It is perfectly true, we want complete Swaraj if we can get it. Who does not want to control the destiny of his own country? Who does not want that Indians should rule India as Englishmen rule England? But where are we today? In the Gandhi-Irwin Pact, the highest limit to which politics of a constructive kind could reach in this country, are there not clauses relating to safeguards. Unfortunately, but inevitably, we are considering a scheme under safeguards. The Leader of the Democratic Party spoke, as all democrats and enthusiastic patriots would like to speak, of a Reserve Bank Scheme in a self-governing country. If we want to follow the good old constitutional method as opposed to the civil disobedience method which includes the boycott of the Legislatures, we have willy-nilly to take half a loaf while pressing and continuing to press for the whole. I know the scheme is not satisfactory from various points of view. But what are we to do? Even the Mahatma, after the great battle that he had fought, thought it necessary to agree to safeguards, and here is before us a scheme of safeguards, safeguards which deny to us complete financial control and autonomy, safeguards which include a Financial Adviser in the scheme, safeguards which impose this Financial Adviser between the future Finance Minister and the Governor General. Have I not opposed here and out in the country, this imposition of a Financial Adviser? But my advice on this matter is this. The scheme, unsatisfactory as it is, must be taken by us, for we must have something to work upon. Let us work to improve it in the future. Let us certainly create an atmosphere in the country that in the light of the actual working of the Reserve Bank, satisfactory or unsatisfactory, if it is unsatisfactory more than satisfactory, how to make it satisfactory; let us show to the people that we are working to make it satisfactory; let us have general elections on the issue of full financial control. Clashes will be inevitable between the Financial Adviser on the one hand and the Finance Minister on the other.

You have got a Shareholders' Bank. Shareholders cannot be dummies, nor can the Directors be bureaucratic automatons. The Governor General may have the power,—he has, under the White Paper scheme, the power of Hitler and of the President of the United States of America, of Mussolini and of the Czar before their fall as Mr. Winston Churchill truly said in one of his delightful speeches,—he has all this power which we have to fight. Under the present Constitution, has he not got the power of imposing anything against our own will, has he not got the power of imposing a ratio, which is being denounced as "an outrage" by Indian patriots, a ratio which has disastrously worked from our point of view, a ratio which we condemned from the Swarajist Benches and which the country has disapproved? (Hear, hear from the Nationalist Benches.) He has all that power, and, in spite of that power, we came to this House to work, to fight for our rights, and now that power is to be incorporated in this Bill. The Governor General has got the power of imposing the ratio and other things in this scheme, and there is no use in our saying that we throw away this scheme. You cannot throw away the scheme for the very simple reason, you must have a foundation on which to raise your battle for the future. If we had accepted the scheme of Sir Basil Blackett five or six years ago, the history of today would have been differently written. We would not have been fighting now as to which clause should

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be incorporated in this Bill and which other clause should not be incorporated in it; we would have been fighting today as to how much of financial control must come into the hands of the people, and all the arguments,—I do not condemn those arguments,—very fine arguments, very patriotic arguments of my friend, Mr. Neogy, would have been more appropriate. and we might have been able to carry some of our wishes. On the contrary, great men, great leaders who sat on these Benches threw away the opportunity in a moment of patriotic heat, not light. That was the tragedy of the situation, and if today we throw away this scheme, what will be our position? Five years hence we will be haunted by blank despair born of bankrupt statesmanship

Mr. B. Das: None of us are trying to throw it out. We are criticising to improve it.

Mr. C. S. Ranga Iyer: My friend, Mr. B. Das, says that none of us are for throwing it out. If you do not want to throw it out, I hope you will approach it with a certain amount of constructive criticism. If you have not the idea of throwing it out, there is no use of teaching grandmother how to suck eggs (Laughter), for what else does it mean when the Leader of the Democratic Party stands up on the floor of the House and tells us, uneducated people, what powers the Governor General has and what he has not? What is the fun of telling us that the Governor General has not got power or he has too much power? We have all read the White Paper Scheme. This Reserve Bank Bill is a part of the White Paper Scheme, in fact very unfairly the British Government have set the pistol to our head and said,—either bring into existence this Reserve Bank or we do not want to proceed any further with the reforms. As we are not revolutionaries, as we want reforms, though some of us might have flirted with revolution in the past, civil disobedience of a non-violent kind, as we have come to this House with the purpose of broad-basing democracy on the people's will, all that I would say is this, that bad as it is, unsatisfactory as it is, we have got to accept this Reserve Bank scheme and try to introduce only such amendments in the Bill as can be approved and accepted by the representative of a subordinate branch of the Imperial administration which Sir George Schuster happens to be. There is no use taking him to task for the powers of a Viceroy in the White Paper scheme. He was not responsible for those things.

I think I should not go into details of this scheme, but I must certainly reprobate my friend, Mr. B. Das, for his unnecessary sting on the absent Leader of my Party. Mr. Sarma was not personal. He referred to absent Members having a good time in Europe

Mr. F. E. James: Absence makes the heart grow fonder!

Mr. C. S. Ranga Iyer: And here is my friend, Mr. B. Das, formerly a member of this Party, who after trying his best to stab the Leader of this Party and this Party behind its back, had the audacity to stand up and say that Sir Hari Singh Gour was amusing himself somewhere in the neighbourhood of Monte Carlo, while he is landing in Bombay tomorrow and

probably will face the music on the floor of this House. After the deliberations of the Joint Committee, the Leader of my Party immediately took the earliest boat to be present here.

My friend, Diwan Bahadur Mudaliar, referred very sarcastically, with the great command of language that he has got, with a great power of oration which I admire, but cannot emulate

An Honourable Member: My friend asks why Sir Hari Singh Gour did not take an aeroplane?

Mr. C. S. Ranga Iyer: Because he was not paid for it.

My friend, Diwan Bahadur Mudaliar, took very severely to task the Currency League for coming into existence and going out of existence as suddenly. Probably he wants a Currency League to be in permanent existence, but I am of opinion that the Currency League is doing very useful work. The ratio question is a very important question. The dollar has been tottering; the financial world with its managed currencies has been tottering. And the rupee will soon totter as my Honourable friend, Sir Cowasji Jehangir, who can speak with some authority on these matters, will easily prove. That being so, what is the fun of Mr. Mudaliar taking the Currency League to such task? But I recognise that in this quarrel whole rivulets of ink have been exhausted and the virulence of both Parties enormously augmented. Now, then, the Finance Member, almost, I should say,—without meaning any offence—almost in a temper, at any rate in a spirit of vehemence, took severely members of the Committee to task for having agreed to certain things and then asking for their modification here. All that I can say is this. Has not the Finance Member agreed to numerous modifications in the Joint Select Committee himself? The Bill before this House is a much improved, much modified measure, and if he could make modifications, why should they not be tempted too?

Lastly, Sir, I will conclude with the pregnant words of Sir Basil Blackett who, after the recommendations of the Hilton-Young Committee, wanted to bring into existence a Reserve Bank in India. He started with the idea of a Shareholders' Bank, but he was willing to accommodate the Opposition and agreed to a State Bank. The Opposition, blinded by malice, blinded by prejudice, as their opponents felt,—blinded by that patriotism, which loves own's country not wisely but too well, as I would put it—did not take his Bill. Sir Basil said, Sir, on that historic occasion, and his words are true even to-day :

"It is difficult to exaggerate the importance for India of the proposed new Reserve Bank for India. The establishment of a Reserve Bank for India will be an enormous step forward in the development of India's financial and monetary machinery and will, I think, assist that gradual, silent revolution in India's economic life which promises to bring higher opportunities of life and higher standards of living to every one in the country."

(Applause.)

Sir Cowasji Jehangir: Mr. President, my Honourable friend. Mr. B. Das, regretted the absence from these Benches of several of our friends who adorned them in 1927, but his inherent modesty prevented him from mentioning his own name. Mr. Das was one of those great warriors of 1927 who rejected the 1927 Bill, but my Honourable friend has been candid and frank enough to tell us that much water has flowed

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under the bridge since then, and he is now prepared to admit that in certain respects he has changed his opinion. Sir, if my Honourable friend has changed his opinion, is there any reason to believe that several of those who unfortunately do not sit amongst us here today have not done the same? In England, on the Committee, which has been so much criticised in this Honourable House, several of them were members, and if my recollection does not serve me ill, I do not remember to have heard from their lips any criticism about a Shareholders' Bank. . . .

Mr. B. R. Puri: Due to climatic effect.

Sir Cowasji Jehangir: If it was due to climatic effect, it is quite evident that England's climate suited them and suited them mentally. (Laughter.) But let me continue, that we heard patiently their criticisms to make a Shareholders' Bank suitable to this country, and, after the discussion was over and the draft report was being considered, one friend of ours who belongs to another House timidly suggested that there should be a footnote to say that he did not agree to a Shareholders' Bank and that he wanted a State Bank. Beyond that note of dissent, which was suggested at the very last minute when the draft report was being considered I cannot remember, Mr. President, a single word, a single argument in favour of a State Bank on that occasion.

Mr. Vidya Sagar Pandya: What about Sir Punshotamdas Thakurdas and his note of dissent?

Sir Cowasji Jehangir: I am not concerned with his note just now. So far as I recollect, I can tell my Honourable friend, Mr. Pandya, that I do not believe my friend, Sir Purshotam, once mentioned a single argument in favour of a State Bank.

Mr. Muhammad Yamin Khan (Agra Division. Muhammadan Rural): You are perfectly right.

Mr. Vidya Sagar Pandya: It appears he has got evidence to show that he did it.

Sir Cowasji Jehangir: Don't put words into the mouth of Sir Purshotam when he is not here to contradict you. I do not believe for one minute that Sir Purshotam ever said that he put up arguments in favour of a State Bank in England. He has not said that in his note and he has not said it anywhere else, and I deprecate putting words into the mouth of a gentleman who is not here present to contradict them.

Mr. K. C. Neogy: Is the Honourable Member then quite consistent when he ascribes timidity to a Member of the other House who is not present here to defend himself?

Sir Cowasji Jehangir: I said "timidly" deliberately, because it was put forward in a very low voice indeed: "Will you kindly put in a little footnote to say that I do not agree with a Shareholders' Bank?" If my facts are incorrect, I shall stand open to correction and be prepared to apologise. But there are Members sitting here on these Benches who were in England, and, if I have exaggerated in the slightest degree, I

shall be prepared to apologise to this Honourable House and to my friend, Lala Ramsaran Das. I have said nothing derogatory about him; all I said is a compliment to him that he was the only member of that Committee who distinctly said: "Kindly state that I am in favour of a State Bank".

Mr. Gaya Prasad Singh (Muzaffarpur cum Champaran: Non-Muhamadan): It is courage and not timidity.

Sir Cowasji Jehangir: Timidity, because it was done at the last minute.

An Honourable Member: Better late than never.

Sir Cowasji Jehangir: Now, Mr. President, if certain Members of this House have changed their opinion, I see nothing in it to condemn. And my Honourable friend, Mr. Neogy, threw out a challenge about a plebiscite. If it was possible for me to accept that challenge, I would do so, for I honestly believe there has been a distinct change of opinion by many men who are capable of judging this question. There are some who are prepared to say that they have changed their mind, that facts and figures have proved to them that a Shareholders' Bank is best suited to the conditions of this country. There are others who state that if they cannot get a State Bank, they are prepared to take a Shareholders' Bank, provided certain amendments are made in the Bill. It is not given to all to be able to stand up and admit one's own faults or to admit that one has made a mistake, but an admission that they are prepared to accept a Shareholders' Bank under certain conditions is, in my humble opinion, an admission that they might have been wrong in 1927. Now, Sir, I think, that the Select Committee have really made an effort to meet the wishes of the many critics of the Bill as it was introduced. I personally do not desire to take any credit for any of the amendments in the Bill made by the Select Committee. The credit goes, may I point out to this Honourable House, to my Honourable friends who were the strongest critics of the Bill. I see around me here today many members of the Select Committee to whom that credit is justly due and they belong to parties other than my own. I admit frankly that for many of those amendments, which go to meet public opinion, the credit must go to my friends here. Mr. Mitra, Mr. Gaya Prasad Singh, Mr. Bhuput Singh, Mr. Sant Singh and many others.

Mr. President (The Honourable Sir Shanmukham Chetty): Mr. B. Das.

Sir Cowasji Jehangir: Certainly, and last but not the least, to Mr. B. Das. He gave the Committee his best attention and co-operation. I regret, Mr. President, that beyond the few words said by the Finance Member, no Member of this Honourable House has given credit to those members of the Select Committee for the work they did and unfortunately those who have spoken as the strongest critics have been those who were responsible for improving this Bill out of all recognition and I, who was not responsible for those amendments, desire to pay my tribute to those colleagues of mine on the Select Committee who did such excellent work. They did it in order to enable this Bill to be more acceptable to public opinion and I venture to say that if Honourable Members would go through the amendments suggested by the Select Committee, they will find that most of the criticisms that were made against the Bill by critics outside this House, critics who had a right to criticise, have been met

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by the Select Committee and in order to show that, Mr. President, I propose very shortly to allude to a few amendments. I do not propose to take up more time than is necessary. I am not going to relate little stories. I will leave that to my Honourable friend, the worthy Doctor, who is an authority now on squeezing lemons. I will leave him to his lemon squeezing, but, before proceeding to the amendments, may I suggest to the worthy Doctor that he has not done the Bill complete justice. It may be due to his having not studied the Bill. It may be due, I believe it is more due to his having studied the Bill a little more than was good for him, but at any rate I did come to the conclusion, if my worthy friend will allow me to say so with the greatest respect for his age and learning, that he did not understand some of the clauses of the Bill.

Dr. Ziauddin Ahmad: Let us be examined together.

Sir Cowasji Jehangir: I am prepared. My reason for saying that is this. I wish the worthy Doctor would not get offended. I have not the slightest intention of offending him. I have the greatest admiration for my Honourable friend's great perseverance and his real desire to study questions. I have seen him, with my eyes, burning the midnight oil and I would be the last to disparage him or his work, but in this case I do feel that he has made a few errors which have been the cause of the criticism that he levelled against the Bill. His little story of lemon squeezing evidently was intended to convey the fact that the shareholders of the proposed Reserve Bank were to get all the cream, and the skimmed milk was to go to the taxpayers. That is not the case. The shareholder under this Bill is merely going to get what is his due and the taxpayer will get back, in the way of profits, all that the taxpayer ought to get and for the money Government will place at the disposal of the Bank.

Dr. Ziauddin Ahmad: On a point of personal explanation. I never said that. What I do claim is that the entire profits must go to the taxpayers and the *nimboo-nichors* have no right to take it.

Sir Cowasji Jehangir: That is exactly the point where he makes the mistake. Under the Bill, as emanating from the Select Committee, all the profits that the taxpayer can get or should get will go back to the taxpayer, but considering that the shareholders do contribute five crores of money, I do not think my Honourable friend will contest the position that they should also get a reasonable dividend on their investment, and if he contests that point, he would not, I am sure, be an applicant for a share, nor would he be a shareholder in any company.

Now, coming just to a few of the amendments. The first one is that the shares are to be of a Rs. 100 denomination and the object of that, as everybody knows, is that those even of very moderate means can subscribe to the Reserve Bank. This is one of the fundamental changes made in the Bill and I trust that those who advocate the principle that the largest number in this country should be interested in this Bank will now be satisfied. It also gives a larger number of people in this country, I will not say millions, I will not say hundreds of thousands, as there are not in this country hundreds of thousands capable of subscribing, a real interest in this national institution.

Then, another big change made by the Select Committee was that anybody subscribing Rs. 500 should get a vote. The original Bill prescribed "Rs. 1,000". While I am on this point, I would like to say just a few words in answer to my friend, Mr. Neogy. Those shareholders who subscribe Rs. 500 to the Bank will each get a vote and their greatest privilege will be to elect eight Directors; and, as I visualize the future, these elections will be something similar to the elections for the Legislative Council of a Provincial Government. (*An Honourable Member*: "Five years afterwards".) I am coming to that point. Their greatest privilege will be to elect eight Directors, not more, and the way they will exercise their power and influence over the Bank will be through Directors who will be completely responsible for the working of the Bank. It is not the Governor who is responsible: he is only one Director. It is all the Directors who are completely responsible not only to the shareholders but to the country for the successful working of the Bank.

Mr. K. C. Neogy: If it is a Shareholders' Bank, where does the country come in at all?

Sir Cowasji Jehangir: Because if the country is interested in this institution, they will look to the Directors for the successful management of this Bank.

Mr. D. K. Lahiri Chaudhury (Bengal Landholders): What measures can they take?

Sir Cowasji Jehangir: If my Honourable friend will be a little patient, he will understand. If my Honourable friend will look at clause 7 of the Bill, he will see that the Directors are entrusted with the complete management of the Bank; and if the Directors, you will admit, are responsible for the management of the Bank, then the shareholders who elect those Directors have the greatest influence over them at every election. Unlike my friend, Mr. Neogy, who is in constant touch with his constituents and whose utterances in this House are the echoes of his constituency, it is possible that the Directors will not echo the feelings of the shareholders throughout the term of their office; but I feel confident that, considering the constitution of this Bank, at least at election time they will be held responsible for their actions and will be elected or rejected according to their acceptance or rejection by the shareholders.

Mr. K. C. Neogy: How many of them will attend?

Sir Cowasji Jehangir: My Honourable friend knows that all over the world where there are democracies, the point is raised as to what percentage of the constituents go to the polls. That is a point that is brought up against all democratic Governments. Now, my Honourable friend can raise that point if he chooses, but I am not going to reply to it, because it is a question that the world is discussing just now; it is the fundamental basis of democracy, and if some people suggest that if democracy has suffered, it has suffered due to the negligence of the electorate, I am not going to touch upon that great and important issue. But if there are to be proxies—and there are to be proxies—and if there are vigilant men like my friend, Mr. Neogy (*Mr. K. C. Neogy*: "Or the Currency League"),—yes, by

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all means—I do visualize the time when there will be a considerable amount of canvassing whether in person or by proxy. (Mr. K. C. Neogy: "Not by bribery, I hope.") It may be by bribery, that is also democracy. Sir, you cannot separate the one from the other so long as human nature remains what it is. (Laughter.) I do hold that a very large proportion of the shareholders will be represented at the elections.

Now, I will just come to another amendment and that is with regard to the question of discrimination by Dominions against Indians. There has been an amendment and my friend, Mr. Das, can take credit for it.

Then, again, we have made an amendment that a transfer of shares cannot be refused by the Directorate. I personally am quite prepared to reconsider that question from the point of view of what Mr. Neogy has stated, and if Mr. Neogy would delete that clause for the reasons he gave, I for one would be perfectly ready to give it our most serious consideration, and I do think Mr. Neogy has made a good point in that direction.

Then the most important question is the allotment of shares, and the way the scheme has been framed does ensure that the largest number of applicants will be given shares in the first instance. I venture to suggest to my friend, Mr. Neogy, that if he will apply his mind to the scheme, he cannot but come to the conclusion that natural-born Indians in a very large percentage can only be shareholders in the first instance. That cannot but be so, and it would be practically impossible, I venture to suggest, that Englishmen ordinarily resident in India can even get 10 or 15 per cent. of the shares under the scheme. Firstly, there is the Rs. 100 share. Secondly, the vote goes to everyone having Rs. 500 worth of shares and they get the first chance. The maximum number of votes for any one person is ten. You cannot get any more votes. Now, how many Englishmen are there ordinarily resident in India who can get these votes? Suppose each one of them applies for five shares—which is an impossibility—how many shares do you think will be allotted to Englishmen resident in India? (Mr. K. C. Neogy: "Ask Dr. Ziauddin.") Sir, considering those figures, I think you cannot but come to the conclusion that the Joint Committee have done their very best to ensure that the greatest percentage of these shares cannot but be allotted to what we call natural-born Indians.

Then, Sir, there was considerable criticism about a branch in London; it is provided that if the Central Board so desires, they can have their branch.

Then, Sir, by a majority we decided that the Governor shall have banking experience. My Honourable friend opposite has written a minute of dissent. I stick firm to the majority decision, and my object is to give confidence to the Indian public that in the first instance at any rate and for some years to come we shall get Governors who know their job or who at least start with the presumption that they know their job. And if a time comes in the future when it will be to the advantage of the Bank and this country that a Governor should be appointed who has not had five years practical experience, it will not be difficult to come to this Honourable House and amend the Bill. But, under the present circumstances, I think the House will be well-advised, whatever the Finance Member may say, to see that the decision of the majority is carried into effect.

Then, Sir, as regards the question that at least one Indian should be appointed out of the three who are to be the Governor and the Deputy

Governors, I think here also we have got a complete assurance from Government

Dr. Ziauddin Ahmad: The assurance of the Finance Member has not the force of law and his successors are not bound to follow. Have we not received assurances on many occasions on the floor of the House which have never been carried out?

Sir Cowasji Jehangir: My Honourable friend is accusing Government unnecessarily. My Honourable friend, Dr. Ziauddin—I do not think the Finance Member heard what he said—has said just now that the assurance that we have obtained from the Finance Member that one out of the three Governor and Deputy Governors will be an Indian in the first instance should not be relied upon.

Mr. K. C. Neogy: May I ask my Honourable friend to use his persuasive influence with the Finance Member to see that all the Secretaries and Under Secretaries in his own Department are not Britishers, to be left as a legacy for the future Minister?

Dr. Ziauddin Ahmad: Since my Honourable friend, Sir Cowasji Jehangir, has put in my mouth words which I did not say, I think I had better make my position clear. What I said was that the assurances given on the floor of the House have got no force. Many a time we have been assured, for example, about the representation of Muhammadans, but we find that in practice they are not carried out.

The Honourable Sir George Schuster: I am quite positive that my Honourable friend cannot quote a single instance where a catagoric assurance has been given in the terms that I gave it and it has not been honoured by Government.

Dr. Ziauddin Ahmad: I can give the instances in his own Department.

Sir Cowasji Jehangir: I regret that these communal issues are raised on the floor of the House at every possible moment. One cannot open one's lips in this House without getting a retort on the communal issue and I deprecate it. I have nothing to do with Muhammadans or Hindus or Parsis and I do hope that my Honourable friend, Dr. Ziauddin, will keep communal issues out of this Bill.

Dr. Ziauddin Ahmad: On a point of order, Sir. I never raised a communal issue throughout this discussion and I challenge my Honourable friend to show me a single word that I used about communal matters. What I said was that the assurances given by the Government are not always carried out

Mr. President (The Honourable Sir Shanmukham Chetty): The House stands adjourned till Half Past Two.

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.

Sir Cowasji Jehangir: Mr. President, when we adjourned for Lunch, I was on the point, a very important point, the assurance given by Government that out of the three principal executive officers of the Bank, one at least shall be an Indian, and I consider this a distinct gain and one of those points that go far to meet public criticism and I would point out to my Muslim friends, specially to Dr. Ziauddin Ahmad, that when we have succeeded in getting this assurance, in that wide phrase "Indian" the Muhammadans play a very important and a responsible part and that when we have got this concession, this concession includes Muhammadans and none will be better pleased than many of us to see not only a Muhammadan Deputy Governor, but also a Muhammadan Governor in the future. It is a concession gained by all Indians and not merely by Parsis or by Christians or by Hindus,

An Honourable Member: Or by Madrasis.

Sir Cowasji Jehangir: Yes, I shall be only too pleased to see an able Madrasi as the Governor of the Bank in the future.

The next point is that we have got an assurance that 75 per cent. of the Directorate will be Indians, an assurance from Government which I consider also a great concession that we have been able to obtain. It is not an unequivocal assurance but for myself I am confident that in the first Directorate, which is to be nominated by Government, we shall find 75 per cent. Indians. There is a certain amount of feeling in this House which was expressed in the Committee that these assurances should really find Statutory provision, and that in other Acts in other parts of the world such Statutory provisions are to be found. I am perfectly aware of that fact and my only answer, as my Honourable friend, Mr. Ranga Iyer, put it so well this morning, is that we have got to take what we can get immediately and hope to get more later on, and I would also appeal to my Honourable friends here that Englishmen who live in this country for 30 years of their lives some times do become Indians and we are looking forward to the time when with the new reforms, their mentality will be Indian in the future. You must remember that the mentality of people is very often the result of a Government and when the Government becomes Indian, the mentality of Englishmen in India must also change with it. I can only say as a proof of the principle I enunciate that the mentality of Englishmen has already changed. If you can throw your minds back to 15 years ago and try to visualise what Englishmen were 15 or 20 years ago and what they are today, I think every honest Indian will have to admit that there has been a considerable change.

Mr. B. V. Jadhav (Bombay Central Division: Non-Muhammadan Rural): Between 1930 and 1933 there has been considerable change.

Sir Cowasji Jehangir: That change has been due to the change in the mentality of Government just as much as to anything else and when the mentality of Government changes more and more, every day the mentality of Englishmen in India is bound to change with them. I am looking forward to the day when in this House and outside, nobody will ask for or think it necessary to demand a special provision to exclude Englishmen ordinarily resident in India. Sir, I can understand the strong feeling today, all I

can state is that the Select Committee, and I do not include myself among the lot, but I do include my Honourable friends, Mr. Gaya Prasad Singh, Mr. Mitra and others, have done the very best they could and the result they have achieved is one worthy of acceptance by this House. The next striking change made is that we have raised the gold reserve from 35 crores to 40 crores and I am not going into details, but I think Honourable Members who understand this question will appreciate the change. It might be that from the discussions here we are led to infer that the Select Committee was a very unhappy family. As a matter of fact, I think I will be corroborated by every member of the Select Committee when I say that this Joint Select Committee was a very happy family trying to obtain the best it could in the interests of the country and that every one of us, including the European members who voted for the discriminatory amendment, did their best to see that the Bill as far as possible did meet public criticism. I would not be doing my duty, Mr. President, if I do not specially mention the Chairman, the Honourable the Finance Member, whose patience and whose desire to hear every point of view and whose anxiety to meet every point of view was acknowledged by every member of the Select Committee (Hear, hear), and I desire to record in this House these sentiments of the Select Committee to which they gave expression at the end of their deliberations. If anybody has a complaint against the Honourable the Finance Member, it is myself, because, if any amendment was categorically refused by the Finance Member, it was the amendment moved by myself, but every other amendment moved by every other member of the Select Committee received his most careful consideration and he went as far as he possibly was allowed to go (Hear, hear) to meet the wishes of the Joint Select Committee and that, I believe, is a statement that will be corroborated by every member of the Joint Committee.

I am coming to the most important part and I trust you will excuse me, I shall take as short a time as possible, I am coming to the most important part of the discussion that has taken place up to now. It was started by my Honourable friend, the Raja Bahadur, and to day taken up by Mr. Neogy,—the political aspect. Now, the political aspect of the case cannot be forgotten by this side of the House. We cannot overlook it although there is no clause in this Bill which we can pick out on which we can criticise the political issue. The story of the necessity of the previous sanction of the Viceroy to an amendment of this Bill when it becomes an Act is a short and bitter one. It started in England with the first Round Table Conference and continued through the three Round Table Conferences and was finally concluded in the Joint Select Committee. In the very first year, this question was raised as to whether the previous sanction of the Viceroy would be required for the amendment of this Bill when it becomes an Act and specially of the two most important clauses, 40 and 41. In the second year, we were definitely told that the previous sanction of the Viceroy would be required. In the third year, that was confirmed and, to cut a long story short, I may state that most of the Indian members of the Round Table Conference protested as strongly as they possibly could against this previous sanction of the Viceroy to the amendment of this Act. Our protest was not merely verbal, it was put in writing; and anybody who desires to probe into this question will find it in the reports of the Conferences. We were told that it was impossible, that the Secretary of State must maintain his position and that the previous sanction of the Viceroy must necessarily be a part of

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the Constitution. But I should like to place before this House very shortly another aspect of the case. Firstly, it is no use breaking our heads against a stone wall and, secondly, let us examine very shortly what are the consequences of this provision. Everything will depend upon the future Finance Member who will be an Indian and if you get a Finance Member worth his salt, a man who is going to stand by his country, whose whole-hearted efforts will be only in the interests of this country, I have not the slightest hesitation in saying that I am not afraid of this previous sanction of the Governor General or the Viceroy. For the very first time the Governor General attempts to refuse his sanction to a Bill, if the Finance Member is worth his salt he will make that Viceroy think twice before he refuses his sanction. He has simply to hand in his resignation with that of his Ministry, provided he has got a good case, and I venture to suggest that in the near future no Viceroy will dare to defy a Ministry who desire to amend an Act. No Viceroy will dare to defy a Ministry if the Ministry is strong enough to stand up and tell the Viceroy what they think of him. If my Honourable friends say that having such a Ministry is problematical, my answer is that I regret their doubts. If they are doubtful about getting such a Ministry and such a Minister, I would suggest to them not to ask for these reforms and not to ask for *Swaraj* at all; let us go back to the old days and hand over all powers to the opposite Benches. But if my Honourable friends are as optimistic as I am that we shall find the men who will stand up against foolish and obstinate Viceroys, then I maintain that we have little to fear from this previous sanction of the Governor General, however illogical it may be, however wrong it may be, to put it into the Constitution. Therefore, Sir, the point is that the ratio being included in this Bill, it cannot be amended without the previous sanction of the Governor General. I admit that: that is the position. It is no use closing our eyes to it, and, further, it is no use closing our eyes to the fact that in the future the "Governor General at his discretion" means the Secretary of State. There is not the slightest doubt about it and it has been admitted in the Round Table Conference. It cannot help but be admitted, because, under modern democratic ideas, every man, whether he be a Viceroy or even higher, has to be responsible to a Legislature. And, therefore, the Viceroy, acting at his discretion, is responsible to the Secretary of State who is responsible to Parliament. And, so, wherever you find in an Act "the Viceroy at his discretion", you must realise that it is the Secretary of State responsible to Parliament. That is the position. Now, Sir, I have said and I will repeat that I am not afraid of that position as long as we shall have Ministers worthy of their salt. A tussle is bound to take place and the tussle can only take place if the interests of England and India conflict and the Viceroy is ordered from England to take up such an attitude. I do not believe that an Englishman coming out to this country as Viceroy will deliberately act against the interests of India, but I have my apprehensions that he may be ordered to do so from England. I have my apprehensions and those apprehensions to day are stronger than they were a year ago, because I find in England responsible men,—they may be to day in opposition or they may belong to the Government party,—expressing opinions which have astounded me. The expression of such opinions five or ten years ago would have been undreamt of, expressions of opinion that India has to be kept within the Empire for the interests of England and the Empire; that, if anything happened

to India, the trade of England would suffer a considerable loss, and that these reforms which Government now contemplate giving should not be conceded, because there is a risk of India acting in her own interests and much more so with Englishmen in India standing up more strongly and forcibly for India's interests. These politicians want to make Honourable Members opposite more irresponsible than they are already (*An Honourable Member*: "Question"), they want my honourable friends opposite simply to carry out orders issued in England: that is the attitude deliberately, openly, callously given expression to in the press and on the platform; and my honourable friends opposite will realise that when we hear speeches and read articles in language of that character, although it might come merely from those not in office, we have occasion to be apprehensive that the great powers handed over to the Viceroy at his discretion may in the future be exercised against his will under orders from England by a Government that might come into power whose deliberate object will be to see that India is kept going only in the interests of England and not even in the interests of the Empire; and, therefore, we have our apprehensions and our only hope lies in the fact that we will have a Ministry who will stand up to such oppression and a Legislature which will be in a position to back up a Ministry, and only then will such a Government in England realise that it is not possible even under the Constitution that we are to have, to make India continually pay and lose and suffer in the interests of England. (Cheers.) That is the constitutional issue, and personally I have no fears about it: I am confident that we shall produce the men capable of acting in the interests of India and making any Government in England realise that it is impossible under the future Constitution to govern India unless they concede the legitimate demands of the Ministry: I have no fears of the Viceroy: I have no fears of my Honourable friends, the non-official Members: I have no fears of English officials in India: I believe that they will grow stronger and firmer in the interests of India under the new Constitution: they will be allowed to carry out their real wishes and intentions: I know they will and I realise fully how handicapped they are to serve India as they would like to. I fully realise that there has been many an Englishman in India who today would have been reckoned amongst the greatest friends of India if he had only been allowed to do what he liked; but, in the future Constitution, they will be allowed to do what they like and they will find themselves happier and more contented men than they are at present.

Now, as to the statement made by the Secretary of State and given expression to through the mouth of the Finance Member, I have no complaints to make; we knew the position: the position is that an Adaptation clause will appear in the Constitution Act which will lay down in what cases the Governor General in Council will mean the Governor General at his discretion and in what cases it will mean the Governor General acting with his Ministers: all we can do is to wait and see: we cannot do more: we cannot dictate to the House of Commons what the Constitution Act should be. My friend, Mr. Neogy, asked the Finance Member to let us know exactly how the land lies and what the expression Governor General in Council really means. I do not know whether the Finance Member is in a position to answer that question; but if he is, all I can say is that he has taken the place of the House of Commons

* **Mr. K. O. Neogy**: May I interrupt? I recognise the uncertainties of the situation; but, as in regard to the question of the future reforms, we

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are proceeding on the assumption that we are going to get some advance at least at the Centre and that we can proceed on the assumption that the Government proposals will be carried into effect by the House of Commons, are we not entitled to know similarly as to what the British Government's intentions are in regard to this Adaptation clause?

Sir Cowasji Jehangir: I can tell my friend, Mr. Neogy, that this question was raised in England and I remember very well stating, in the very words that Mr. Neogy placed the question before this House today, that we were more interested in the future than we are in the immediate present; and we wanted to discuss what was to be meant in the future by Governor General in Council and we did discuss it and you will find I think some paragraphs in the report dealing with that question: I may candidly state that there was considerable difference of opinion: in certain matters we admitted that the Governor General at his discretion should be inserted, but in other matters we were deliberately of opinion that it should be the Governor General acting under the advice of his Ministers. That difference of opinion has been given expression to in the report and that report is supposed to be before the Joint Select Committee in England: I do not know whether it is or not: and the Joint Select Committee is supposed to consider the question and give in this Adaptation clause their advice to the House of Commons. That is the position and all we can do is to wait and see. It would be like asking the Government here to tell us what is to be the result of certain issues raised on the constitutional question: this is a constitutional question which has to be dealt with by the House of Commons, and I should not be a bit surprised to hear—though I have no authority for saying it—that the Select Committee had not even thought of it yet; though they will have to before they are finished with it

Mr. S. C. Mitra (Chittagong and Rajshahi Divisions: Non-Muhammadian Rural): We wanted to know the views of the Government here in India.

Sir Cowasji Jehangir: You are at liberty to get any information from them: I am only placing the position as I understand it.

There is just one more point to which I would like to draw the attention of Members opposite: that is the fate of the staff of the Currency Office. As I understand the position it is that the work will remain exactly as it is today: either it will be done by Government or it will be done by the Reserve Bank and the staff need not have the slightest apprehension of their future or of their future prospects which will remain exactly as they are today or will remain exactly as if no Reserve Bank had come into existence. If that is the position, I should be thankful to the Honourable the Finance Member for corroboration.

I will now come to the most important point—I am sorry to delay the House—and it is the question of the ratio

Mr. President (The Honourable Sir Shanmukham Chetty): The next most important point, he means? He has already dealt with the most important point once.

Sir Cowasji Jehangir: I am sorry, Sir, this is the most important point and this is a point on which I hold very strong views. I have given an amendment and, as I said, it was the only amendment which the Honourable the Finance Member would not look at. far less consider. The Honourable the Finance Member twitted by Honourable friend here for having signed the report, in which it is stated that the ratio of today should be inserted in the Bill on the day the Bill is introduced and asked him why he signed it. I am going to reply to that question. I will ask the Honourable the Finance Member to relate to this House the spirit in which we came to that agreement and I will ask the Finance Member to act up to the spirit of the report which he has signed. The spirit of the report was that neither he nor we shall be committed, and it is impossible to commit either of us, to a policy that will not come into existence for one year to come. I will ask him to stick to the spirit of that report and, if he accuses us of not carrying out the statement we signed, I will accuse him of not carrying out the agreement in the spirit. It is much more important to carry out the agreement in spirit than merely follow the letter of the law. The 2 P.M. spirit of that agreement was that nobody should be bound down that it was impossible to consider a position that was not to be arrived at until a year hence, and, I think my Honourable friend will be forced to admit, that there have been considerable changes in the position since the time we were in England. My friend, Mr. Ranga Iyer, stated that the rupee was tottering. We all know it is; whatever the Honourable the Finance Member may say, we all know that the dollar exchange has had a great effect on the world. We all know that the world is considering the matter, and does my friend, the Finance Member, mean to say that we should not consider it in India? I do not mean to say that we should consider it in this House, but we refuse to be committed now in this Bill to any rate of exchange, whether it be 1s. or 1s. 6d., because we feel that the time has come when some change will have to be made, whether the Secretary of State likes it or not. The position has so changed that perforce the Government will have to make a change, and, therefore, we are justified in demanding that the position should remain open to enable Government to take any action they desire in the interests of the country between now and the time this Bill comes into force. (Hear, hear.) Sir, I have said in my minute of dissent that we have decided views on this question, but I do not propose to go into the merits of that question, for the simple reason that it is futile to do so. There is no man in this House or in this world who is in a position to say what should be done a year hence, and, therefore, for me to express my opinion or the opinion of anybody else outside this House as to what should be done a year hence is futile. We cannot discuss the question on its merits. We are not prevented by you, Sir, by law, but we are prevented by the very circumstances in which we are placed. Therefore, I will urge this Honourable House that under no circumstances should it commit itself by even mentioning 1s. 6d. in the Bill, whatever assurances may come from the other side. If this 1s. 6d. means nothing, then put nothing in the Bill. (Hear, hear.) And above all, the more my friends opposite insist upon leaving 1s. 6d. in the Bill, the more suspicious I get. The position is so exceptional that I cannot understand the Government refusing to accept my amendment. That is my position. It beats me altogether, and when one does not understand the arguments of the opposite side, one has a right to be suspicious. We are told that if we make any radical change and omit this 1s. 6d. from the Bill, it will lead to

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speculation. Yes, some actions of ours sometimes do lead to speculation, but what is leading to speculation is the depreciation in the dollar, and nothing that my friend can say, or we humble persons on this side of the House can do, will stop the speculation, because the world is in an uncertain and unsteady position, and whatever my friend may now say, it is not going to lead to any further speculation than what has already taken place, and the argument that our leaving out this 1s. 6d. will add to the speculative fever is not correct. Sir, people outside this House who understand the question are no fools. Most of us may not understand the question. I do not profess to do so, but I do realise that those outside the House know the position as well as any Honourable Member on the opposite side and are in a position to study today's figures and draw inferences just as any Member on the opposite side. Therefore, Sir, to tell us that any change in the Act today, to the extent I have suggested in my minute of dissent and in the amendment I have given, will do any harm either to India or to the Government is a position I am unable to understand, and the refusal of its acceptance not only makes me but the whole of India much more suspicious than ever before. This question is not going to be dropped in India, whatever we may do, and I venture to suggest that if we had a different constitution to the one we have got today, and if any member of Government tried to justify the position, he would not remain in office for two days not only in India, but I venture to suggest that that would be the position in any part of the world. In every part of the world today commercial and industrial classes are agitated, and they are bringing pressure upon their Governments to act in the best interests of their country, and I have no reason to believe that our Government will not act in the best interests of this country; but situated as we are, with the Constitution that we have got, our apprehensions are justified, and I would beg of the Finance Member not to increase those apprehensions or our suspicions of the future Constitution. Several friends of mine have told me, men who are loyal to the British and the British Empire, men who have grown grey in the service of Government, have told me that this insistence of Government to stick to the 1s. 6d. is sufficient to push them into the opposite camp. Do Government realise the effect this is having on many loyal men in this country? I do not think for one minute that Government really realise the position, and if they do not, I would beg of them, each one of them individually to make inquiries and wire the results of such inquiries to the Secretary of State, for, Sir, I firmly believe that Government's insistence and the Secretary of State's answers in the House of Commons are doing greater damage to the future Constitution and its prospects than anything else.

I have nothing further to say, Mr. President. I have had my say, and although we are not going to discuss the question of the ratio on its merits in this House

An Honourable Member: Why?

Sir Cowasji Jehangir: because it is futile,—I trust that the view held all over the country and to which we have given expression here today will be considered by Government and that it will be regarded as a God-send in these critical times, and that they will take full advantage of this expression of opinion all over the country to impress upon those

in power that much greater issues are involved than the interests of the agricultural classes,—that there are much greater issues involved, namely, the loyalty and the support of thousands of loyal Indians who have been loyal for generations to the British Government. (Applause.)

Mr. Muhammad Yamin Khan: Sir, I congratulate my Honourable friend, Mr. Das, for making a candid confession that he was really mistaken on the last occasion when the Reserve Bank Bill came before this House in 1928. I am very glad that he realises the loss which India has suffered through his wrong vote and through the misapprehension under which he voted at that time. (*An Honourable Member:* "The only vote!") The only vote was somebody else's. Who that somebody else is, the whole House knows. No need to say that he was the man who came up at the last minute to give his vote. If we realise that by a mistake we are liable to suffer a tremendous loss, we should be careful to see that we do not repeat the same mistake which may bring the same kind of loss in the future, so that we may not have to repent after five years. Owing to the result of the voting last time, the Bill was withdrawn and the Government did not make any motion. I warn my friends against taking any precipitate action so that the Government of India, not of their own choice, but by pressure from somewhere else, may not be forced to act in the same manner on this occasion also. (*An Honourable Member:* "No fear from this Assembly.") Certainly, but there may be pressure from somewhere else on the Government which may precipitate the same kind of action. We must carefully balance what is good, whether we are going to get something in return. Sentiment is all right, but by merely acting on sentiment we should not shut our eyes to hard and real facts. We must be practical men. We must see where is India's greater gain. India's greater gain must be our first object. We cannot lose the greater part, simply because we want to achieve a small thing. There is an Indian proverb "*Ashurfian looton koelon pur Mohur*" which means, "You may distribute sovereigns, but you are very careful about spending your charcoal". You must not look to the charcoal; you must look to the sovereign. Honourable Members will be well advised to see that they do not run the risk of losing their sovereign simply to save some charcoal.

Sir, this question has been agitating the country a great deal. I am not going to impute any motives to anybody. I think it is the sincere wish of everybody to see that the Bill, as finally passed, is for the good of the country as a whole. There is a difference of opinion. Some people think honestly that a State Bank would be more useful than a Shareholders' Bank, and *vice versa*. I am not going to impute any motives to people who hold different views from me. My Honourable friend, Dr. Ziauddin Ahmad, may go to the extreme and say anything about the Members who do not share his views. He may say that they have got their conscience in Whitehall, or that they are making a present in the hope of getting something. That may be his point of view, but it is not mine. If his taste allows it, let him indulge in it, but I will not go to that extent. But I would like to remind Honourable Members that people are liable to change their honest opinion if they are put in a certain Committee. Members may have certain grievances against certain people who may have not chosen to put them on this Joint Committee; otherwise they may have chosen to change their opinion. I am not going to dwell on the point how people changed their strong opinions

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on the Ottawa Bill; I am not going to impute any motives to them that they did so for the sake of being put on certain Committees. But I would say that they had greater opportunities to go into the matter more thoroughly, and not because they had been put in there as a bribery.

As regards a Shareholders' Bank, I ask, if the House have got no confidence in the present Government, how will they have any confidence in the reactionary body which is going to take the place of this House in the future, which will be composed of 40 per cent. of Indian States' representatives. We may accuse the present official block for voting always with the Government, but I may say that there are many there who, if given a free hand, would vote with this side of the House. But that is the result of the party system. If the leaders of parties take a particular decision, the rank and file have to follow them. In the same way, Government back benchers have to follow the dictates of the Government whether they agree or not. I can say this, that the influence of a liberal minded Englishman is far healthier than that of the reactionaries who will come from the Indian States.

Raja Bahadur G. Krishnamachariar: I object to that statement. My Honourable friend has absolutely no business to make an imputation like that. Let him wait until the representatives from the States come, and he will find that they are far more advanced than most of the gentlemen here.

Mr. Muhammad Yamin Khan: I shall be very glad if my Honourable friend, the Raja Bahadur, finds a place and comes up as a representative of a certain State. (*An Honourable Member:* "He will.") I shall then think that the States are really advanced and that they will be a great asset to India. But, in the present state of affairs, while the representatives from British India come by election, there is no electoral system in the Indian States and there is no Constitution. Unless a Constitution is granted to each and every State, I cannot hope for anything better. There may be an electoral system in some of the States, but what is that system?

Mr. President (The Honourable Sir Shanmukham Chetty): The Chair does not think that that is relevant to the issue before the House. The Chair allowed the Honourable Member to make a passing reference, but he is now dilating upon it.

Mr. Muhammad Yamin Khan: I stand corrected. I did not want to dilate on this matter except for the interruption which I had from this side.

Raja Bahadur G. Krishnamachariar: It was provoked by you.

Mr. Muhammad Yamin Khan: I cannot see how my friends can place more confidence in the future. Now, Sir, the interests of India, I think, can be well served and safeguarded by the people who will sit in the Reserve Bank as Directors, on the votes of people who will have some kind of interest in giving their vote. Everyman who invests his money will think twice to see that his money is not lost. He will be careful to see that the man, in whom he is placing his confidence, works in the best interests and gives him a good return for his money and that his money is safe.

The only point we have to see whether it is in the interest of India or in the interest of a few shareholders. We have done our best. We have fought to a great extent that the shares must be of a such a small amount that it can be distributed widely, and all over India, so that everybody may be able to purchase them and they may not be concentrated in one hand. Although the London Committee had agreed to Rs. 500 share and two shares as the value for one vote, I can say it was only a compromise. There were some people who were opposed to it and my friend, Diwan Bahadur Ramiswami Mudaliar, will bear witness that he and I were the persons who fought for Rs. 100. If we agreed to Rs. 500, that was a mere matter of compromise, not as a matter of agreeing to any principle. I am glad that the Joint Committee of the two Houses has redressed that grievance and corrected that mistake. Now, the distribution will be very wide and people in India will have a great voice in the Shareholders' Bank. In this connection my only grievance was when I heard some people saying that 25 per cent. shares must be held by Englishmen and 75 per cent. by Indians. I was grieved to see that the people who were advocating this clause were anomalous. Their actions were not correct. Now, I can prove it in this way. India is divided into different circles. There is the Northern Circle which comprises United Provinces, Delhi, Punjab, North-West Frontier Province, Baluchistan, Kashmir States, Punjab States, Rajputana States and the Gwalior State. This Delhi circle has got a population which comes to 80·4 per cent. and they have been allotted only 80 lakhs out of five crores of rupees, while the Western Area, of which the Bombay Presidency is the main part, comprises an area of 19·5 per cent. only and this area had been given one crore and 65 lakhs, that is more than double. Madras has also its grievance. The Madras area, which has 16·5 per cent., and whose due share is 82 lakhs, has been given only 50 lakhs. Now, Sir, our share of the Delhi area, according to the population basis, is one crore and 52 lakhs, while we have been allotted only 80 lakhs. With great difficulty I have been able to get one crore 15 lakhs by the Joint Select Committee. These gentlemen say that Indians should get all the shares and, in the same breath, they say that one-third of the population of the Northern Area is incapable of subscribing to the extent which is their due. If they say this, they are only refuting their own arguments. Now, Sir, those gentlemen who are speaking for the Bombay and Bengal Areas do not concern themselves about the people living in those two Presidencies, but they are only looking to the big towns of Calcutta and Bombay. Against Bombay and Calcutta, I can put up such places as Delhi, Lahore, Peshawar, Rawalpindi, Simla, Lucknow, Cawnpore, Benares, Allahabad, Agra, Ambala, Meerut, Bareilly, Amritsar and other big towns. There are seven cities in the U. P. which have got a population of more than a lakh of population. Although the people in the Bombay Presidency may be under a misapprehension that they have got a bigger urban population, but it is only 92 lakhs, while the Northern Area has got an urban population of one crore and 33 lakhs. The Calcutta Area has got only 48 lakhs of population. This means that it is nearly half of the Bombay urban area. If there is any justification to give the Calcutta Area something which they deserve on account of the population basis, if we take away Calcutta from the Bengal Area, then I want to know what is left of the Bengal urban population. Are those people besides the Calcutta people better off than the northern people in their monetary and financial condition? Could they subscribe more than the people living in the Punjab and the United Provinces and in the Indian States can subscribe? I doubt it very much; they cannot,

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And this injustice has been done by the Honourable Members by oversight, I do not say deliberately, but some people in their zeal were of the opinion that the people in urban areas would, in the main, be able to subscribe and not the people who lived in the rural areas. I say, Sir, that I want this Shareholders' Bank on one principle and I am ready to support the Government only on one principle: I want that the Shareholders' Bank shall be subscribed to by the people of India as a whole and not by the few people living in a few big towns only. Full opportunities must be given to people who are living in the villages, in the districts and in the smaller towns and who are engaged in multifarious professions, agricultural and everything else, to subscribe to this Bank, and it should not be confined to the big millowners of Bombay and Calcutta. If this is the underlying principle which induced me to vote for a Shareholders' Bank, then I can never agree to the principle that one-third of the whole population of India cannot subscribe to one-third of the entire capital of the Reserve Bank. I would request Honourable Members to accept this amendment which I am going to hand in later on that the Northern Area should be given what is its legitimate due. If, of course, it is found that the Northern Area is incapable of subscribing to what is allotted to it as its rightful share, then that may be allotted to the other areas and I shall have no grievance, but I am not ready to accept the theory that this Northern Area cannot subscribe to the full amount which may be allotted to it. Sir, I was sorry and grieved that my two friends who came from the Punjab did not support me in this matter on the Joint Select Committee. (An Honourable Member: "Who are they?") I need not mention their names. Honourable Members surely know the names of the one or two Members from the Punjab. One of these Honourable gentlemen went to the extent of saying that this Northern Area could not subscribe such a big amount, and, at the same time, he was the man who. . . .

Diwan Bahadur A. Ramaswami Mudaliar: Sir, those are details which happened in the Joint Select Committee and they should not be referred to on the floor of the House. It is not proper, I submit, to try to show how the voting went in the Select Committee.

Mr. Muhammad Yamin Khan: If my Honourable friend thought it proper to refer to what happened on the London Committee on which he sat, it does not lie in his mouth to object

Mr. President (The Honourable Sir Shanmukham Chetty): It is not proper to mention on the floor of the House how particular Members voted in the Select Committee.

Mr. Muhammad Yamin Khan: I did not say, Sir, how they voted. I said that this contention of mine was not supported by certain Members, and there was no voting question. There was in fact no voting, I can assure you. The only point was that I raised this point and I did not find any support from them. I only said that one Honourable Member got up and said: "We cannot subscribe to this amount". Yet I found that he was the loudest champion of having this 75 per cent. for the Indians. Now, how can you give that to the Indians when you do not give them the opportunity to purchase the shares? So it was an absolutely anomalous position taken up by the members of that Committee.

Captain Sher Muhammad Khan Gakhar (Nominated Non-Official): They want it only for the capitalists.

Mr. Muhammad Yamin Khan: They want that only the capitalists of Bombay and Calcutta should subscribe to this Reserve Bank and not the agriculturists and other peoples of the Punjab and the United Provinces. Now, Sir, I had a confession from the Honourable Member from Burma when he said that they had got no money to subscribe. Now, the Burmese were given Rs. 80 lakhs to subscribe, while their share on the population basis comes to only Rs. 21 lakhs. If they are incapable of subscribing to what is even their own share, then I do not see why any share should be taken away from the United Provinces and the Punjab and allotted to Burma, because no other area is suffering except the United Provinces.

U Ba Maung (Burma: Non-European): Burma is ready to give it back to you.

Mr. Muhammad Yamin Khan: I shall be very glad if my Honourable friend will support me when that amendment of mine comes up. On this point I am convinced that the shareholders will exercise their influence a great deal on the management of the Bank—and the shareholders are the only possible constituency which can look to the interests of the Reserve Bank from the Indian point of view. I believe that these people, who are living in all the villages and are spread over all parts of the country will exercise their influence in the direction of running this Bank on the most business-like lines, because that is precisely the constituency which is to be expected to look at the problems with the greatest care, because they are directly affected, and not the constituencies from which some Honourable Members of this House come to sit on and adorn these Benches. Sir, I do not think that in future the State Bank can be anything better than a game of party politics; and, therefore, I want to save it from the party politics of the future parties, and I think that the monies of the people of India should not be entrusted to people who will have no other motive than to favour their own parties or not to favour their opponents, and, in this view, I am convinced that the Shareholders' Bank is the only Bank which ought to be set up. In this matter I was supported not only by the Members present here who were on that Committee, but I found that a gentleman like Sir Purushotamdas Thakurdas, who was a real opponent of the Shareholders' Bank some years ago, was also convinced, and he said nothing in favour of a State Bank. He did not oppose the Shareholders' Bank. Sir, if I might relate one fact, I found him to be in favour of the Shareholders' Bank, not only in London, but from the day that we together left Bombay on the S.S. "Rajputana", he was in favour of the Shareholders' Bank. (An Honourable Member: "Does he hold that opinion now?") He may or may not, but as long as we were there and as long as the deliberations went on, we wanted him to throw whatever light he could and he was quite agreeable to have the Shareholders' Bank; and his views constituted a great deal of guidance for us, because when we saw that a great previous opponent of the Shareholders' Bank was convinced in favour of a Shareholders' Bank, we thought there was nothing left in the contention for having a State Bank at that time. Therefore, we found that all sensible people were convinced at the time that a State Bank was not a feasible

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Bank. I may even relate, for the information of this Honourable House—I am afraid, my friend, Dr. Ziauddin Ahmad, is not present now, as otherwise I would have reminded him of it—that there sat with the Committee on this Bill the members of the other Committee as well and attended the meetings and listened to the deliberations of this Committee. They were not allowed to speak or to vote, but they were allowed to sit there. Dr. Ziauddin used to sit next to me and he used to point out to me many matters which were either good or bad. His views were always communicated to me and he never, even for a moment, told me that the State Bank was a feasible Bank and, therefore, I should vote for it and not for the Shareholders' Bank. In fact he was also of the same view, but I do not know under whose influence he has now become of the opinion that a Shareholders' and not a State Bank is in the interests of this country. It can be said that the Members who are sitting on Government Benches might have been influenced by Whitehall, but I do not know wherefrom the inspiration has come to those people, who had no judgment of their own at that time, and now they are simply following the judgment of other people. (A Voice: "It is due to Delhi atmosphere.") If it is thought that whatever opinion they were holding in London, it was due to the cold climate of that place, then I must say that they are mistaken because the temperature of London was on occasions 95 degrees. It was a very healthy climate and not a cold one. If the climate had anything to do with the change in their outlook, it must be the depression and heat which they felt after their return from Simla. These people have changed their views, because they read the literature of some irresponsible people and do not wish to use their brains. They want to live on agitation only. I do not blame these Honourable Members. I think they are perfectly justified in advocating the case of the State Bank, because there will be elections in the near future and they have the apprehension that the life of this Assembly will be over after the Simla Session. They want, therefore, to enlist the sympathy of a certain section of the press which will extol them to be the real champions of India. If they want the agitation to be carried on for this purpose, then I can understand their position and am prepared to give them some latitude, because they have not got a perfect hold on their constituencies. But let me tell these Honourable Members that I am not at all affected by the temporary agitation. As long as I am here to represent my constituency, I must act in their best interest, whether they like it or not.

Dr. Ziauddin Ahmad: I rise, Sir, to make a personal explanation. I regret that I had gone out, and could not follow the distinguished speaker. I would like to point out that, at the very outset, when this Bill came before us at Simla, I delivered the same kind of speech that I have delivered here today. The Select Committee did not give any argument to change my opinion. In fact, elected Members of this House are against it. As regards London, my Honourable friend, Mr. Yamin Khan, knows that I was not a member of the Committee: I was only a visitor. Lala Ram Saran Das expressed his opinion in favour of a State Bank. I induced him to put his opinion in the Report.

Mr. President (The Honourable Sir Shanmukham Chetty): Why did not the Honourable Member induce Mr Yamin Khan?

Dr. Ziauddin Ahmad: He changes his opinion like Sir George Schuster.

Mr. C. S. Ranga Iyer (Rohilkund and Kumaon Divisions: Non-Muhammadan Rural): As a reference has been made to a Member of the Council of State, who is not present in this House, and as I was travelling with Mr. Ram Saran Das in the same boat, I am in a position to state that wisdom did not dawn on him because of the inspiration of the Honourable gentleman to my right.

Mr. Muhammad Yamin Khan: It may be so. My friend has said that I would change like the flower that changes its face with the sun or I would change my views simply because Sir George Schuster thinks that way. I would do nothing of the kind. I have criticised the giving of these 80 lakhs, and the members of the Joint Select Committee know it very well. Sir, let me tell the House that where I feel strongly nothing can induce me to change my views, whether it be Sir George Schuster or the Viceroy. Once I am convinced of a thing, I will stick to it to the last. No temptation or fear can make me change my view. Neither the jeers or the taunts of my friends on this side of the House, nor the admiration of my friends on the other side can have any effect on me. I respect my own convictions and that is the reason why I feel that a Shareholders' Bank is in the interests of the country and, therefore, it must be supported. Dr. Ziauddin knows it very well that I was the only man who stood up in the other Committee and tried to combine the Hindus and the Muslims to put up a fight. I can assure him that no temptation can induce me to give up my position when I feel strongly. It is not my character. It may be the character of those people who are always on the look-out to become members of some Committee. People have changed their views on the Ottawa Bill simply because it helped them to find their place on some other Committee. But he is wrong when he says that I am of that calibre. I must defend myself and I am sorry that I have generated some heat, but if I had not taken up the challenge, it might have been thought that I accepted his statement. But I am ready to fight this thing out before people who are in the know, and they will bear me out that I am right and that he is wrong. On many occasions it has happened to me in my profession as a Barrister that my clients wanted to put certain questions, but as I thought that they were not in their interests I did not do so. I simply refused to put those questions. I had to look to their interests. I was appearing to safeguard their interests and not to put questions which they wanted me to put.

Mr. President (The Honourable Sir Shanmukham Chetty): The Chair thinks the Honourable Member has sufficiently vindicated himself and he can now proceed with his speech.

Mr. Muhammad Yamin Khan: I am convinced, Sir, that the Shareholders' Bank will be in the interests of India on many grounds and I would like to warn my friends that they must be guided by the balance and see what is good and what is not. Whether they accept one thing or the other, they should not precipitate something which they may have to repent later on. One point I would refer to in the speech of Sir Cowasji Jehangir, and I support him in this respect. He says that it will be impossible for the Governor General to refuse a united demand of the Ministry for an amendment of the Bill later on. If the Ministers are convinced that a certain change is essential in the interest of India

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and if they feel that the Reserve Bank is not functioning in the interest of India and if they feel that an amendment is necessary, the Governor General will have to give sanction and he cannot refuse it. I have also asserted this point on many occasions. Even if it is said "Governor General in his discretion" and even if he receives inspiration from the Secretary of State, he may not act according to that inspiration. The Governor General is not bound to consult the Secretary of State. He is the man on the spot and there may be many matters on which he is not bound to consult the Secretary of State. Even if the Secretary of State asks the Governor General not to give sanction for the introduction of amendments in the Act, the Governor General might tell him that the whole Ministry, backed by the Legislature, unitedly want certain amendments and, therefore, he has to give sanction. If the Governor General does not give sanction for the amendments, then the Legislature might throw off the Budget, and it will make the position of the administration very hot. If the Ministers put up a united front, supported by the Legislature, for the introduction of certain amendments in the interest of India, the Governor General cannot refuse to give sanction. It may be a totally different thing if the Ministry does not represent the views of the majority. If the Ministry wants to bring in an amendment just to favour its own Party, there will be the other Party in opposition who may not want the measure. In that case, the Governor General will be justly right in refusing to give sanction, because it would not be the view of the majority of the Legislature to have amendments. It may be that the minority temporarily in power may want the amendment. In all Constitutions a safeguard is given to the head of the administration to judge whether a particular view represents those of the majority in the country or not. The Governor General, as an impartial man, will judge properly between the opposing views. It may be right to say that the Governor General may be inspired from Whitehall, but eventually he will have to abide by the united demand of the Ministry. The Government have already had sufficient experience of non-co-operation by the people and if the Governor General finds that his own Ministers, with a united voice, become non-co-operators inside the Cabinet holding the position they do, it will be impossible for the Governor General to fight them unless he introduces martial law. The Constitution will not then function. So this is not a point on which we should lay much stress. We must content ourselves with being conscious of our own strength and not our weakness or the strength of other people. I say, we will be sufficiently strong to fight against the Governor General. It is right that the power of moving amendments should not be given to private Members. If such power is given to private Members, then, after two or three years, a private Member may bring forward an amendment to the effect that the Bank may be considered to be a State Bank. In such a case, is it not necessary that proper safeguards should be made for the shareholders and that they should not be left to the whims of the people who may be adorning these Benches after three or four years? The power to bring amendments should be vested in the hands of a man who really understands the position and who is able to safeguard the interests of the people concerned and who will receive representations from the people concerned whether a change is desirable or not. Therefore, it is desirable that the Governor General should have this power, but there is a fear that the Governor General may not exercise it in the interest of India. I have already shown that that

fear has no legs to stand upon. Therefore, I whole-heartedly support Sir Cowasji Jehangir on this point, but I do not agree with him *in toto* as regards the ratio question.

I must say frankly that my Honourable friend, Sir Cowasji Jehangir, has been consistent throughout in his attitude on this ratio question. The position he has taken now is the same as he took in the London Committee. He was of opinion that the prevailing ratio at the time of the passing of the Act should be fixed upon. My Honourable friend would remember that, at the time when this Committee was going on, there was the World Economic Conference and we were not sure what would happen. Everybody was of opinion that the Government might be able to change the ratio within this time. So this point was decided, because nobody was certain what will be the ratio between the time when the London Committee was sitting and the time when the Bill would be introduced. Therefore, it was argued that it must be the ratio at the time when the Bill was introduced. The attitude of my Honourable friend has been consistent. Is my Honourable friend prepared to say today that the ratio should not be 1s. 6d., but that it should be 1s. 4d.? If he is not prepared to say 1s. 4d., then he ought to say 1s. 6d. His position does not change. He knows that Government cannot continue to have 1s. 6d. for all time. They have to alter it. If we change the 1s. 6d. ratio, what will be the effect on the market? If, later on, when Sir Cowasji Jehangir brings forward a proposition to alter the ratio, I shall certainly support him if I were convinced of the step he would take, otherwise I would oppose him. Because my fear is that people, who are carrying on trade at this time with England and other countries and have placed their orders on the basis of a ratio of 1s. 6d. and the goods have not been supplied yet, will suffer. Take Delhi, for instance, which is a big market and places a lot of indents with the firms in England.

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Sir Cowasji Jehangir: Does my Honourable friend realise that whatever you may do in this Bill is not going to have any effect at all? My Honourable friend is only beating about the bush.

Mr. Muhammad Yamin Khan: I am coming to that point. I was saying that the people have placed their orders on the basis of a ratio of 1s. 6d., but if once the slightest indication is given by Government that they are agreeable to a change even in this Bill, it will create a bad effect on the market. People will cancel their orders, and prices will come down or go up in certain respects. Many people will be ruined and there will be many who will make lots of money. There may be people who have got big capital invested in foreign banks and they will get 18 annas for every rupee overnight. They will become rich and all these poor people who have placed orders will be ruined, because for every 16 annas they will have to pay 18 annas and the loss of two annas on a rupee will ruin many firms. So any indication of the kind from Government will disturb the equilibrium and create false hopes and false fears. I know that an indication in this Bill will not be final, but still many people will profit. For instance, I will sell my lands and send the money to England at 1s. 6d. and then get it back at 1s. 4d. So this will benefit many people at the expense of others who will not be so alert. I do not, therefore, think that it is advisable for Government to give any sort of indication in this Bill. They may do anything, but they must stop speculation. Even if they have to change the ratio tomorrow, they must say today that they are not going to change it; and it should be changed only overnight. Because it is only the speculators who will gain and the

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poor people will suffer unnecessarily and be ruined. Therefore, I am sorry to say that unless I am convinced by further arguments later on, I shall have to vote against the amendment with regard to this point. During the Delhi session of 1927 I was not a Member of this House, but at that time I was of the opinion that a ratio of 1s. 6d. was beneficial to India, but I may say that at present I am convinced that 1s. 4d. is and ought to be the real and proper ratio. But it would be impracticable to express any opinion on it at this stage. It will have no effect even if you put it in this Bill unless you alter the other Bill which was passed in 1927. It has been explained by the Finance Member and it has been explained by the Committee also that they accept the 1s. 6d. ratio in the Bill on the full understanding that they are not going to confirm the action of Government in having brought that Bill or in any way to support the Bill of 1927. It is a clear understanding and we are not bound by the ratio in this Bill to support that Act, but in this Bill we cannot change that ratio as long as it stands and as long as it is the *de jure* ratio of the time.

One Honourable gentleman has stood up for the stockholders' scheme, and I see that that amendment will be coming up. I do not think it requires any great comments at this time and I think that scheme will not find any support from any quarter of this House. A stockholder may be a shareholder, but he will not have any vote and any voice in the management of the Bank, and still his capital and money will be invested there. So we cannot support the idea that his capital will be invested there and he will still have no vote. Therefore, it cannot find support anywhere. I am glad that Bhai Parma Nand came out to support the Shareholders' Bank and I congratulate him on the fact that, in spite of all the agitation he was giving expression to, what he was convinced of is right, without being led or coerced by anybody.

Sir, I have to say one word more and that is about the point that people who buy one share of Rs. 100 should not have a vote, but people who take five shares will get that vote. On that point I would have greatly liked that the poor people, for whom I have stood up from the very beginning and who will buy one share of Rs. 100, should be allowed one vote. As a matter of fact, I was of this opinion in the beginning and in London, but after great deliberation and after counting up the probable figures of voters, I found that the election would become a farce and, as Dr. Ziauddin Ahmad has said, the people will not exercise their vote as the small shareholder will not take interest or the trouble to attend meetings. He will not travel from place to place and spend money, but will simply send his proxy. We should see that there is real and effective voting. A man, who has a 100 rupee share in the Delhi Area and resides in Allahabad, cannot afford to come to Delhi and so he will simply send in his proxy; and I say that we must reduce this proxy system to a minimum and this can only be done if we give voting power to the man who holds a larger interest. So I think a man, who holds Rs. 500 worth shares, will have greater interest rather than the man who holds a Rs. 100 share. Also, if you give the vote to smaller shareholders, the electorate becomes very vast and it will be next to impossible to have a proper election, and people will come in simply through agitation and propaganda and not real businessmen whom we want. Therefore, I think the 100 rupees scheme is not really in the interests of the country and will

not attract good Directors. We want only the best men and they will come in only through larger shareholders.

As regards Rs. 20,000 limit, I was of that opinion and I am still of that opinion and, if that amendment comes in, I will certainly support it; but my condition is that I must find response in other matters: they cannot curtail anybody's rights, and if they are ready to curtail the rights of the Northern Area, I will conclude that they are not sincere. If they are ready to support me, I am ready to support them; but I will first of all see whether they act and vote in the larger interests of the people as a whole.

As regards this 75 per cent. for Indians and 25 per cent. for Europeans, I am not ready to accept that the number of Indians should be only 75 and not 76 (*An Honourable Member*: "Minimum of 75."): in practice, it is impracticable: supposing shares Nos. 1 to 75 are given to Indians and Nos. 76 to 100 are given to Europeans and they are told they can transfer only as between themselves, Indians to Indians and Europeans to Europeans, it may happen that an Englishman may wish to sell to an Indian and an Indian to an Englishman: Supposing today's closing shows that shares Nos. 76 and 77 have been sold by Europeans to Indians and 25 Indians are ready to sell their shares: what will happen? There will be a clamour as to who has the first right to sell his shares and in every way this will lead to all sorts of troubles and practical difficulties. I cannot, therefore, agree to this on account of its impossibility in working and I am glad that my friend, Mr. Mitra, also supports this view and that he will not support this kind of amendment. Besides, this is not the time when we should make any community unnecessarily hostile to us. The Constitution for India is now in the melting pot and we want the best of relations between Indians and Englishmen: but by this we will be exciting the British nation without rhyme or reason and with no benefit to us at all. It would merely make them hostile: the whole future depends at present on the goodwill of the people who are going to make the Constitution for us: we must try to get the goodwill of those people and not make them hostile to us. It is impolitic to do so and make them unnecessarily hostile to us. We must show that we are ready to co-operate with them and we will not treat them badly when we have the power. We say, the London City wants this, Whitehall wants this: but how will you treat the English who are living in India when you have the power? Do you want to show that you are prejudiced against them from the beginning? If you do so, how can you expect them to transfer their rights to you? That is the real problem in India: if we are not to make them hostile to us, we must show that we will safeguard their interests as jealously as we wish them to safeguard our interests. We must do to them as we wish them to do to us. So I support the consideration of this Bill and I hope that the Bill, as it has emerged from the Select Committee, with a little amendment, as I have indicated, will be passed.

Some Honourable Members: The question may now be put.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is that the question be now put.

The motion was adopted.

The Honourable Sir George Schuster: Sir, I think, after the speeches that we have listened today, I may assume that the House wishes to proceed further with this measure and that the actual motion which is now before it will be generally accepted. Therefore, no long speech is required from me at this stage, even if there were time available to make it. I have, I think, been in a somewhat unusual position in the course of this discussion, for the House has been in a frame of mind in which it has not been contended that all who sit on that side of the House are angels with shining wings and all who sit on this side are devils with an evil purpose. In fact, I have had the unusual pleasure of listening to a number of speeches made by Honourable Members in all quarters of the House, including those opposite to me, in which the points that I myself have had down to make have been made much more effectively than I myself could ever have done. In fact, Sir, in other words,—the words of my Honourable and extremely learned friend, Dr. Ziauddin Ahmad,—I have come to the conclusion that in relation to this debate, I am nothing more than a *nimboo-nichor*. (Laughter.) I hope that I have used the right word. All I have done is in my opening address to squeeze a few drops, I hope not too acid, into the general soup, and in return I have had a most magnificent meal lasting for four days. But even so, there are a few things that I must say, and I supposed that even a *nimboo-nichor*, when he takes leave of his host, does say a few words before he pockets his lemon and goes off to squeeze it into somebody else's soup.

Now, Sir, I do not propose to follow the methods of the various Members who have spoken,—some have been grave, some very gay, some extremely eloquent. My friend, Mr. B. Das, complained that he missed the twinkle in my eye when he was speaking, but I assure him that it was there whenever he said anything worthy to evoke a twinkle. My friend also complained, on the first day, that there was a lack of fire in this debate, but I think that even he must have been satisfied today, and for my part I do not think that this is an occasion to weary the House with any long oratorical performance. Nor do I claim what my friend seemed to think that I might claim to earn a lasting name for my connection with this measure. Sir, this is a business proposition, and we have got to consider it in a business-like way. I think that it has been considered in an extremely businesslike way, and I should like to pay a tribute to the House, a tribute that I have already paid to the Committee, for the manner in which they have dealt with this measure. It has been customary on the lines of what my friend, Mr. B. Das, said, and on the lines of certain articles in the press, to compare this occasion with the last occasion on which a Reserve Bank was discussed, very much to the detriment of the present occasion. I venture to take an entirely different view. I think that on this occasion we have approached the matter in a businesslike way. We have attempted on all sides of the House to get the best measure that is possible, and I hope that we are going to differ from the last occasion in the most important way of all namely, by producing a practical and constructive result. I venture to think, Sir, that the country will be grateful to this Legislature for its work in this matter.

Now, Sir, there are perhaps four main points on which I ought to say something, and I wish to touch upon them in no sort of controversial spirit, for I have never looked upon this measure as a matter of controversy, and I would like Honourable Members to believe that, so far as I have had anything to do with it, and so far as I shall be handling it in the future,

I have really only two things in view, first of all to do what I can to help in producing a Bank which will work well in the future, and secondly to co-operate with this Assembly in gaining a good name for itself by its statesmanlike treatment of the present problem.

Now, Sir, the first main issue that has been raised has been what I might describe as difficulties arising out of the constitutional position. Those have been so ably dealt with already today, particularly by my friend, Sir Cowasji Jehangir, and re-inforced just now by Mr. Yamin Khan, that I really need say very little about them. I had thought myself at the beginning that a good deal would be said on this matter, and I can quite understand that Honourable Members sitting in this House and thinking of the future might say to themselves, "Here we are passing a measure which is going to be built in as an essential part of the framework of the new Constitution. Until we see that new Constitution, and until we see how the Constitution Act itself will pick up certain features of that measure and make them features in an Act of Parliament which we cannot ourselves alter, until we see all that, we ought not to be asked to proceed with this measure." That, Sir, I think is a perfectly logical attitude. It is an attitude which, if I were an Indian, I should have very seriously considered. But is it a practical attitude? Is it really going to achieve any good; if you wait, what are you going to achieve, if you wait what are you going to lose? I think you will achieve nothing and you will lose a very great deal. We want to get on with setting up this Bank as early as possible. We cannot say exactly when that will be, but at any rate, this measure must be passed first. We want as early as possible to get this Bank into being, so that it may be well established and functioning successfully before the new Constitution comes. Therefore, I would reply to Honourable Members who feel these doubts, "by waiting you will lose the chance of all that, and, as I have said, I cannot see that you will gain anything, for I am one of those who entirely share the view expressed by my friend the leader of the Independent Party that, in the future all those safeguards that you fear will be of very little effect, unless perhaps occasions arise, when you yourselves may be glad of them, to save the country from really unwise action by a Government that may be holding power temporarily. I believe that you will get all the power that you need, all the power that you can want, and in those circumstances, it seems to me that the only statesmanlike way is to proceed with this Bill and do all you can to make it a good measure".

Then, Sir, there is the next big issue, the issue of the State *versus* a Shareholders' Bank. That has been very fully discussed, and I hope that by now a very vast majority of this House is convinced on that matter. It seems to me that a good deal of play, misleading play, has been made over the expression 'freedom from political influence'. Honourable Members have said they appreciate that principle but that the principle itself will be violated if the Governor General is there to exercise political influence from another country. But that, to my mind, entirely misses the essential point. What we have always meant in our own minds when we have talked about freedom from political influence is that the Bank should be set up as an authority which can stand up and take an independent line *vis-a-vis* the Government of the day. My Honourable friend, Mr. Neogy, quoted from what I myself said at Simla on this matter, where I pointed out in the simplest possible terms that we want to create a position where the Government as the chief user of money in the country should not itself be the authority which has the control of the creation

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of money. When it wants to get money it ought to have to go to an independent authority and make out its case just as any private individual has to do. It ought to maintain a sound position and not be able to reinforce its position by turning on the printing press in case of need. That, Sir, put very simply is the essence of the position, and what we have felt is that unless you set up a bank on a shareholder basis you cannot be assured of creating and maintaining that position. I think that very simple issue is the one on which this part of the Bill ought to be tested. It is no answer to that to say that political influence will come in *via* the influence of the Governor General. It is quite true that Honourable Members may regard the Governor General of the future as a political individual inasmuch as he will have to listen to what the Secretary of State says to him. But that is an entirely different kind of political influence from that which it is the essential purpose of this measure to guard against. I think, moreover, that it is proper to regard the Governor General as a head of the Government and as fulfilling the role which in many other bank statutes the head of the Government has to fill. Anyhow, the essential purpose, whatever the objections may be to the position of the Governor General—the essential purpose cannot be achieved unless we set up a really independent authority. My Honourable friend, Mr. Mudaliar, hit, I think, exactly on the head the nail of the difficulty in the other case when he pointed out that the essential difficulty as regards a State Bank was how the Board of Directors was to be elected. My Honourable friend, Mr. Neogy, in answer to him said that he had proved too much, and then I think he promptly fell into the same error himself because he quoted from a book which advocated not merely that the Central Bank in a country should be a State Bank but that the whole of the banking organisation of the country should be socialised. I do not think that there are many Members in this House who wish to go as far as that.

Then, Sir, the third main issue is this question of the ratio which many Honourable Members have touched upon in their speeches. I do not intend now in the short time at my disposal to deal fully with that issue. If Honourable Members insist on discussing it, I shall have to say something because there is a great deal to be said on our side and I cannot allow the sort of statements that have been made to remain unanswered. But for the moment I only want to say very little. I want to address my remarks, in the first place, particularly to my Honourable friend, Dr. Ziauddin Ahmad, because he put a special challenge to me. And there is another reason why I do so. My Honourable friend—I hope he will excuse me for being personal in this matter—my Honourable friend has on many occasions shown us in this House that he is one of those who approaches problems with a completely independent mind. If he is convinced, he does not mind getting up and saying that he has been in the wrong. He thinks out these problems for himself and I want to ask him to turn back to this problem and think it out again for himself. In the first place, I would ask him, and I would ask the whole House to realise, as I am sure that in their minds they really do, that we on this side in maintaining a particular policy are neither crass fools nor wicked knaves. I think they should do us the credit for assuming that in taking the line that we have done we have been influenced by serious considerations and there must be a great deal to be said on the other side if we maintain this line in spite of a good deal of criticism.

The next point I want to put to my Honourable friend as a scientist, that he will appreciate, is that you cannot make something out of nothing and that if by changing the value of your unit of currency you are going to benefit a certain class you must simultaneously do something to prejudice another class. I would like to ask him to consider this whole problem on that basis considering where the benefit would come and where the corresponding loss would occur. There are no magical remedies possible in this world. You cannot make something out of nothing. You cannot increase the country's wealth by merely changing the value of the unit of its currency; all you can do is possibly to alter the distribution of that wealth in the country.

The third point that I would put to my Honourable friend is to sit himself down and consider the case of typical cultivators. I presume that he has the case of the cultivators chiefly in his mind. Let him go into their position and consider exactly how they would be affected if he were to change the value of the unit of currency. I should be very pleased to set him a little examination paper on that subject and give him questions to which he is expected to supply himself with an answer, and I venture to think that he will come out from answering that examination paper in a very different frame of mind to that in which he spoke the other day.

The last point that I would put to him is the effect of any change of this kind on the country's balance of trade, or on the country's balance of payments, for that is the point on which he specially challenged me. My Honourable friend stated it as axiomatic that as soon as the gold exports from this country dried up we should be left in a position in which we should have no favourable balance of payments sufficient to meet our external obligations; and he advocated a change because he thought that was the only way out of that particular difficulty. It is, of course, a fairly well known experience that when any sudden drop in the value of a country's unit of currency is made it tends to stimulate exports from that country and to diminish imports. But that is a very temporary effect; it offers, it can offer no permanent solution. But as to the need of even a temporary measure of this kind to save India from disaster, I would ask my Honourable friend to examine the actual facts of the position, and I think he will find that he has taken much too pessimistic a view. It is quite true that last year when we had a very large volume of exports of gold to swell the favourable balance of payments of the country the actual favourable balance of trade in merchandise was not more than Rs. 3 crores; but that is largely because the country having foreign balances available from the sale of gold was able to bring in imports in larger proportion to its exports of merchandise than would otherwise have been the case. If my Honourable friend will examine the figures for this year he will find that in the first seven months to the end of October this year the favourable balance of trade in merchandise has been about Rs. 20 crores, so that even though the country still has a very large favourable balance of payments on account of gold and therefore might be expected to be importing merchandise out of proportion to the exports of its merchandise, in spite of that fact the normal state of affairs seems to be re-asserting itself and it looks as if we shall end up the year with a favourable balance of trade in merchandise of Rs. 35 to 40 crores. That being so, the desperate position to which my Honourable friend referred certainly looks like being averted by natural means. I would ask my Honourable friend

[Sir George Schuster.]

to consider these points and I would ask every other Member of this House to consider them. As I have already said, I do not wish now to enter into full argument on the issues. I only wish Honourable Members, if they wish to argue the case in future, to do so in a fair spirit and to recognise that there is a great deal to be said on both sides. Then, Sir, my Honourable friend, the Leader of the Independent Party, raised the same issue in a different way. He is more concerned with what ought to be the legislative provisions in this measure. Now, as to that, I think I made my position and the Government's position perfectly clear. I am not quite sure that I followed what my Honourable friend had in mind when he said that we ought to preserve the spirit of the agreement reached in London. My Honourable friend went on to say that it was well understood in London that no one on either side was to be finally committed in any way by this Bill. That, Sir, is exactly the position which I attempted to explain the other day. The Bill picks up the provisions of the existing law. It has to do that. Whatever we do, we must make it clear that the provisions of the existing law are going to continue and, if we were to adopt any other course, we should be grossly deceiving the public, because at present we have not the slightest intention of altering the provisions of the existing law. If we seek to disguise our intention by turning those clauses into blank cheques to be given to the executive Government, then I maintain that we should be deceiving this House and we should be deceiving the public and we should be opening the way to all those dangers which my Honourable friend, Mr. Yamin Khan, so clearly pointed out. We ask nothing from this House in the way of further confirmation of the present position. We carry the responsibility and we cannot shirk that responsibility. As this matter has to come up and as it must be incorporated in this Bill, we have taken the only honest and straightforward course and made it quite clear that, so far as we can see, there is to be no change in the present position. That, Sir, is all that I need say on that matter, but, before I leave it and turn to the next point, I would like to mention something which connects what I have just said with what I am going to say. We feel that we are taking the right course. But, I wish no one to suppose that we do not fully recognise the gravity of the present position. We recognise that steps may have to be taken to deal with many difficult problems and the most important and the most difficult problem of all is the increased burden of the money debts which lies upon the agricultural classes of this country owing to the fall in the prices of their produce. That, Sir, is a most urgent problem. In a sense, it is not, so we feel, an immediately and extremely pressing problem, because, in fact, the position at present is that the full burden is not actually being felt by the agricultural classes for the simple reason that they are not meeting the interest payments due from them. That means that there is a certain elasticity in the present system which has to some extent relieved the agricultural classes from the worst of the troubles caused by the present fall in prices. But that does not mean that the problem is not there and that it is not a problem that requires most urgent consideration and may require drastic treatment by the various Government authorities in the country. We believe that the best course will be to deal with that problem directly and not indirectly on the sort of lines those who advocate changes in currency have in mind; and that brings me to the last point with which I wish to deal, namely, the line of argument used by my Honourable friend.

Mr. Sitaramaraju, in advocating that this Bank should at once and from the outset contain a rural credit department. With the arguments on which he supported his proposal, we must all of us sympathise; but, Sir, we must be practical, and I venture to think that those who imagine that by creating a rural credit department in the Reserve Bank they would make any serious contribution to solving the problem of rural indebtedness and rural credit are seriously deceiving themselves. The problem is much larger than that. The rural indebtedness of this country must be something like 900 crores. The capital that could be put at the disposal of the rural credit department of the Central Bank could hardly be more than three to five crores. With that amount of capital, you cannot possibly tackle that particular problem, nor will it be possible for a Central Bank, put this proposal alone, even to get into touch with the problem, because, after all, that problem lies in the field of the masses of small money lenders throughout the country who at present could not possibly be linked up with the Reserve Bank. We feel that the problem must be approached from two sides; that action must be taken tunnelling from both sides with the hope that the two sides of tunnellers will meet. But it must first be taken up from the provincial side and some sort of organisation must be created before it will be possible for a Central Bank to get into any direct contact with the problem. We are most anxious that that problem should be studied and we believe that through the machinery of this Reserve Bank you will have an organisation which can study that problem from the top and hold out a hope to those who are working from below, that there is some chance that if they work up they will find something to meet them at the top. But we do not believe that by taking hasty action now you will do any particular good. My Honourable friend quoted the experience of Australia, but he was only able to give us the provisions of the Australian Act. He was not able to give us any account of how those provisions had worked in practice, and I would ask him to remember that conditions in Australia are so entirely different to conditions in India that, even if he had been able to quote Australian experience, it would hardly have afforded a valuable parallel. In Australia, you are dealing with a comparatively small population of highly educated and comparatively wealthy people, large farmers who understand dealing with banks and who can keep accounts, and so on. But even so I am told by Sir Osborne Smith who has a very wide experience of Australia that attempts to form rural credit institutions have been on the whole faced with terrible difficulties and on the whole singularly unsuccessful. It is an extremely difficult problem and the problem in India is quite different to that in any other country.

Now, Sir, that is all I think that I need say at the present moment. We must look forward to further careful consideration of this measure as we proceed with the later stages of the debate, and I can assure my Honourable friends opposite that we shall deal with any suggestions that they have to make with the greatest possible sympathy, actuated by only one desire, and that is to produce the best possible measure; and if, out of this measure, we can start anything which is going to help to solve, what I have already said I regard as the greatest problem in India today, the problem of improving the financial position of the agricultural classes, we shall most certainly welcome the opportunity. (Loud and prolonged Applause.)

Mr. B. Sitaramaraju (Ganjam *cum* Vizagapatam: Non-Muhammadan Rural): Sir, I do not wish to press my amendment to the vote in accordance with the wishes of my Honourable friends on this side who have been pleased to give me support throughout their speeches for the point of view I have taken. Whatever remarks are called for with regard to the remarks which have now been made by the Honourable the Finance Member, I shall put forward at the subsequent stages when the opportunity comes. With these few words, Sir, I do not press my amendment.

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

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That the Bill to constitute a Reserve Bank of India, as reported by the Joint Committee, be taken into consideration."

The motion was adopted.

The Assembly then adjourned till Eleven of the Clock on Friday, the 1st December, 1933.

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