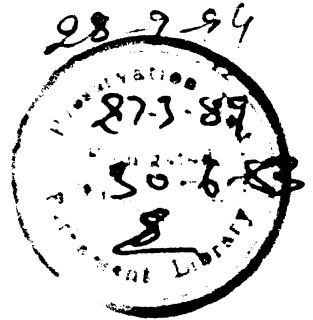


THE
LEGISLATIVE ASSEMBLY DEBATES
(OFFICIAL REPORT)

Vol. VIII, 1933

(20th November to 9th December, 1933)

SIXTH SESSION
OF THE
FOURTH LEGISLATIVE ASSEMBLY
1933.



Legislative Assembly.

President :

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

Deputy President :

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Panel of Chairmen :

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

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

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

Secretary :

MIAN MUHAMMAD RAFI, BAR.-AT-LAW.

Assistant of the Secretary :

RAI BAHADUR D. DUTT.

Marshal :

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

Committee on Public Petitions :

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

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

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

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

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MESSLAD

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LEGISLATIVE ASSEMBLY.

Saturday, 2nd December, 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 Bill. Before we resume the discussion, the Chair would like to point out to the House certain implications of the Honourable Member Mr. Mitra's amendment which struck it when it examined the Bill. It might lead sometimes to absurd consequences and in many respects would be ineffective. Take, for example, clause 8—the Governor General shall nominate the Governor and the Deputy Governors. There the definition of Mr. Mitra fits in all right,—the Governor General, acting with the advice of the Finance Member, shall nominate the Governor and the Deputy Governors. But, take clause 35:

“The Governor General in Council shall transfer to the Issue Department gold coin, gold bullion, sterling securities, etc.”

This new body,—the Governor General acting with the advice of the Finance Member—has no gold coin, or gold bullion or gold securities. Or take clause 46:

“The Governor General in Council shall transfer to the Bank rupee securities of the value of five crores”

Wherefrom is this new body to secure the five crores? Or, take clause 47, in the allocation of the surplus the balance shall be paid to the Governor General in Council, that is to say, Governor General acting with the Finance Member to be divided between them! (Laughter.) These are some of the very anomalous consequences that would ensue if this amendment is carried.

What the Chair would suggest is this. It would be best if, as each clause is taken up, a suitable amendment to this effect is moved to clauses where they would be appropriate. For example, in clause 8, if it is moved that in place of the words “Governor General in Council” the words “Governor General acting on the advice of the Finance Member” be substituted, there it is perfectly all right, but those words will not fit in some other clauses, say clauses 46 and 47. Under these circumstances, now that we have had a general discussion on the principle underlying this amendment, the Chair would ask Mr. Mitra whether it would not, on the whole, be better for him to withdraw this amendment at this stage and then to move the amendment in appropriate places. The Chair would, of course, allow him to do so at later stages.

Dr. Ziauddin Ahmad (United Provinces Southern Divisions: Muhammadan Rural): It has been just pointed out that this particular amendment may not fit in with particular clauses later on. Wherever we find that this particular amendment will not fit in, then, as a consequential amendment or otherwise, the wordings may be changed. We have got a definite ruling that it is in order and we have already had a discussion on this particular amendment, and I think we should go on with the discussion and find out the opinion of the House. If it is carried, and did not afterwards fit in with certain clauses, then those clauses may be modified. I would rather ask that the reverse step should be taken, namely, that this amendment should be proceeded with, and where it does not fit in, the clauses may be modified. We need not modify those clauses where it did fit in.

Mr. S. C. Mitra (Chittagong and Rajshahi Divisions: Non-Muhammadan Rural): It is all the same to me whether you permit me now or if you think that the discussion might go on, on the general principle, and then we can take up the amendment as each appropriate clause comes.

Mr. President (The Honourable Sir Shanmukham Chetty): If the Honourable Member only desires that a few more Honourable Members might get a chance of speaking on this, then, the first time that that amendment is moved, the Chair will have no objection to allow a few Honourable Members to speak. That need not stand in the way of the Honourable Member withdrawing it at present.

Mr. S. C. Mitra: Sir, I accept your suggestion, and I ask the House for leave to withdraw my amendment.

Mr. President (The Honourable Sir Shanmukham Chetty): Has the Honourable Member, Mr. Mitra, leave of the House to withdraw his amendment?

Some Honourable Members: No.

The Honourable Sir George Schuster (Finance Member): I feel that a good deal has been said in this discussion on this amendment which it is fair that we on this side of the House should have an opportunity of answering, and I put it to you that it would be a saving of time if we could follow the line suggested by my Honourable friend, Dr. Ziauddin Ahmad. We have an opportunity now to finish the discussion on this particular form of amendment to which the same considerations would apply whenever it comes up in connection with any particular clause. I would put it to you, Sir, that, as a great deal has been said in the course of the discussion on this amendment, it seems to me that it is only fair that we should proceed and that we should have an opportunity of answering.

Mr. President (The Honourable Sir Shanmukham Chetty): But the Honourable Member will get the same opportunity when, at a subsequent stage, the Honourable Member moves his amendment to particular clauses. That is why the Chair said it would allow another opportunity to the House to discuss this.

The Honourable Sir George Schuster: Would that mean that all the speeches would have to be repeated?

Mr. President (The Honourable Sir Shanmukham Chetty): All those Honourable Members who have already spoken on the principle will not intervene in the debate. (*Honourable Members*: "Yes"). There would be only a few more Honourable Members who would like to take up the trend of the discussion and then the Chair would give ample opportunity to the Finance Member to give his reply. What is the difficulty that the Finance Member anticipates in that?

The Honourable Sir George Schuster: I have two points. First of all, I thought it was desirable to save time, and, secondly, I did myself desire an opportunity to say something in reply to the good deal that has been said in the course of this discussion. It seemed to me that both those purposes would be best served by continuing this in the form of, what I might call, an omnibus discussion on all the amendments that might be moved to particular clauses later, and I thought that it would in the end probably save time and that our answer to the points made would be more effective if they were made as part of the present discussion and not added just at the end.

Mr. O. S. Ranga Iyer (Rohilkund and Kumaon Divisions: Non-Muhamadan Rural): Might I suggest by way of meeting both your point of view and the Government's and ours, that we may exhaust the discussion on the identical question now, but we may reserve the right of voting, should it be necessary, to a later stage? That means we will be able to finish our discussion and, at the same time, the amendment will be withdrawn as suggested by you and accepted by the Mover, and it will overcome the difficulties of the Government.

Mr. President (The Honourable Sir Shanmukham Chetty): The Chair is prepared to meet the convenience of the House. The result is the same. If it is the desire of the House that this discussion may be continued, then what the Chair would do is this—at the end of the discussion the Chair would see whether the Honourable Member asks for leave to withdraw. If he does not ask for the leave of the House to withdraw, the Chair would refuse to put the question on this amendment.

An Honourable Member: He has not refused to withdraw.

Mr. President (The Honourable Sir Shanmukham Chetty): If he asks for leave to withdraw and the House refuses leave,—because the Chair heard voices on this side, saying "No"—even then the Chair would refuse to put the question. According to the House of Commons practice:

"If it should appear, in the course of the discussion, that an amendment which has been allowed to be moved is out of order, the Chairman draws the Committee's attention to the fact and withdraws the amendment from the consideration of the House."

Yesterday, the Chair allowed this amendment to be in order in respect of certain objections taken by the Law Member, because the Chair held that those objections did not hold good. Subsequently, the Chair discovered that there were certain other objections which cast a doubt whether this amendment was in order or not. It is open to the Chair now to draw the attention of the House to this new aspect and to withdraw the amendment from the consideration of the House. Therefore, the only course that is

[Mr. President.]

open to the Chair, if the House does not want to give permission to the Honourable the Mover to withdraw the amendment, is to refuse to put the question on that amendment.

The Honourable Sir George Schuster: I should like to make it clear that we only said "No" when you asked whether the House agreed to withdraw the amendment, because we wanted an opportunity to raise this question.

Mr. President (The Honourable Sir Shanmukham Chetty): That is all right.

The Honourable Sir George Schuster: I wanted an opportunity to put that point of view to you, that it might be better to allow this discussion to proceed to its natural end; but, of course, if that procedure is followed, we should certainly not object to the Honourable Member withdrawing the amendment at the end of the time and, on the whole matter, we wish to take no line out of accord with the general views of the House. I merely wanted to put this point of view to you.

Mr. President (The Honourable Sir Shanmukham Chetty): Then the course that we shall follow is this. The Chair will allow this discussion to proceed. At the end of the discussion, this amendment will be withdrawn from the consideration of the House, but, later on, if the Honourable Member is so advised, he would be at liberty to move this amendment to appropriate clauses. At that stage, the Chair will not allow further discussion, but will simply put the question.

Mr. Muhammad Yamin Khan (Agra Division: Muhammadan Rural): Sir, yesterday when the debate on this clause was going on, my Honourable friend, Thakur Gaya Prasad Singh, drew the attention of the House to a certain clause in the report of the London Committee and he, in a way, objected to one of our friends in this House, Diwan Bahadur Ramaswami Mudaliar, for having put his signature to that particular clause. That is the clause about giving power to the Governor General at his discretion in making the nominations to the Board of Directors. My friend, Diwan Bahadur Ramaswami Mudaliar, instead of paying back Mr. Gaya Prasad Singh in his own coin and instead of asking why he did not take up this question in the Joint Committee, indulged in the exuberance of his language. Instead of defending himself, he tried to insinuate certain things in his ordinary eloquence and tried to throw dust on some members of the Committee whom he did not name—I see that the other Members of the Indian Legislature in this Committee, who signed simultaneously along with Diwan Bahadur Mudaliar, are Mr. Anklesaria, Sir Cowasji Jehangir, Mr. Mody, myself, Lala Ram Saran Das and Mr. C. C. Biswas. Now, Sir, as there may be a doubt about that, who these Indian Members were that spoke in the manner and to the length as my friend, Mr. Mudaliar, went, there may be certain kind of apprehension created or misunderstanding created in the Members' minds. The effect of the speech of Mr. Mudaliar is that he was the only champion fighting for the cause of Indians and the others were simply sitting and accusing the future Ministers of the Legislature who may come from Indian States and British India. He went to the length of saying that the Members said that they had no confidence in the present Executive Councillors, both Indian and European, and, in the face of Sir George Schuster, it was said that we had no confidence in him also.

Now, Sir, what was the occasion on this question of the nomination to the Directorate to drag the present Indian Executive Councillors or to drag Sir Brojendra Mitter, Sir Joseph Bhore, Mian Sir Fazl-i-Hussain, Sir Harry Haig or Sir Frank Noyce or, even to say in the face of Sir George Schuster, that there was no confidence in them? Sir, I declare on the floor of the House that the House has got full confidence in the Indian Councillors and also the British Councillors who are sitting today. There would not be one Indian Member to say a word against our present Executive Councillors, whether they are Indian or European. There is absolutely no opportunity to drag the name of these gentlemen in connection with the Directorate. My friend, in his zeal or heat to defend himself and having been cornered by Mr. Gaya Prasad Singh, started throwing dust

Diwan Bahadur A. Ramaswami Mudaliar (Madras City: Non-Muhammadan Urban): Am I to understand from the Honourable Member that the language that I used, with reference to a particular section having used those words, was never said at the London Committee in any connection?

Mr. Muhammad Yamin Khan: If my friend has got patience to listen to me as I had the patience to listen to him

Mr. President (The Honourable Sir Shanmukham Chetty): The Chair drew the attention of the House yesterday to the undesirability of dragging in the proceedings of a Committee, and it hopes the House will kindly observe the remarks that it made.

Mr. Muhammad Yamin Khan: I bow to your instructions. I would never drag in what was said in the Committee, but I am only defending those Honourable Members other than Mr. Ramaswami Mudaliar in regard to the aspersions he cast on them. As a misunderstanding has been created, I must refute it and I hope you will allow me indulgence to do so. I am not going to drag in what was said at the London Committee. What I am pointing out is that what he said on this occasion was absolutely unwarranted. Mr. Mudaliar never put up so vehemently this case. If he felt so strongly, I would have expected from a man of his position to rise to the occasion and put down a note of dissent. If he was so strongly opposed to this principle, we ought to expect from people of his position at least to be honest and put down a note of dissent without caring whether it was a compromise or not a compromise. The delegation of the Indian Members of the Legislature consisted of Sir Cowasji Jehangir, Mr. Mudaliar, Mr. Mody, Mr. Anklesaria, Lala Ram Saran Das, Sir Phiroze Sethna and Mr. C. C. Biswas and, of course, my humble self. Even though a few had been on one side and the rest had been on the other side, it was certainly for the majority view to prevail and not for the minority to carry it. This report has been signed by all the members unanimously. I may remind you, Sir, that this is an occasion when the quotation of a few words only will show you how this clause comes in:

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

We all felt unanimously that agricultural interests were the most essential elements which ought to be represented on the Board. Now, as we

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all know, Sir, whether we may like to believe it or not, when the future Constitution comes into existence, the Finance Minister will be not very easily available from amongst the agriculturist classes, but will almost certainly be a man hailing from the banking or the commercial classes, and it was, therefore, felt that it would not be advisable to leave this power in the hands of the Minister, who, after all, must be a party man and who may show the usual party inclinations in making these nominations and who must show deference to his own party in the Legislature, and who can never shut his eyes to the demands which may be put up by his own party and who may, therefore, consciously or unconsciously be led to ignore the interests, the representation of which we all want to secure; and I think my Honourable friend, Diwan Bahadur Ramaswami Mudaliar, was all along with me on this point and there was not a single dissentient vote as regards the question of nominations. We all unanimously agreed that the power of nomination should be left entirely to one man who may not be influenced by any party bias, but will be concerned to secure the representation of all elements

Diwan Bahadur A. Ramaswami Mudaliar: I can only deny that, as a matter of personal explanation.

Mr. Muhammad Yamin Khan: Now the only personality to whom we can look in future in this matter is the Governor General and there was not the least question of dragging the names of the Honourable Sir Brojendra Mitter, Sir George Schuster, Sir Joseph Bhore, Sir Frank Noyce, Sir Harry Haig or Sir Fazl-i-Husain. We have got absolute faith in them. But they will not be on these Benches in their present capacity then. There will be others whose actions in making the appointments we certainly felt doubtful about, as to whether they would act impartially or not act impartially. Can Honourable Members of this House say that they could easily act against the interests of their own parties and take into account solely the interests of other parties? No. If Honourable Members here cannot do so, where, after all, will the Ministers come from? The Ministers will be drawn from amongst these very Honourable Members. Can they point out any single non-official Member on whom the whole House has got confidence? Can they, I ask, shirk the interests of their own parties? They have to keep their own parties intact. So I think my Honourable friend's exaggeration was quite unwarranted. There was no such thing. My friend asked me whether this question did or did not happen. Well, I can say, there was some talk when the question came up about the appointment of the Governor which carries a salary of Rs. 10,000 a month, and it was doubted whether the minister would be able to stand up against his own party and the recommendations of his own party in filling up that appointment on Rs. 10,000 a month. Sir, we do not want our future Ministers to be embarrassed by the pressure of the influential members of their parties, who may possibly be recommending the appointment of their brothers-in-law or future sons-in-law. (Laughter.) For this very reason, our Executive Council does not want to take up on themselves the decision of similar questions, but have entrusted these duties to the Public Services Commission even in the matter of small appointments. Now, I ask, how many Honourable Members on those Benches are not now-a-days harassed almost every day whenever a small vacancy takes place here or there? Are they not

constantly receiving lots of recommendations from the Honourable Members of this House in the matter of small and petty appointments? Likewise, the Ministers will in future cannot escape being harassed by the influential members of their own parties. Sir, I am clearly of the opinion which I have expressed, and I firmly hold this opinion and I shall be the last person to give this power into the hands of a Minister which power may be abused since the Minister may be embarrassed in making these appointments, and may not be allowed to make the best selection. I want him to be secure and to be safe from the aggressions of his own party people. There are bound to be bitter controversies regarding selection as between Indians and Indians of certain classes.

Mr. D. K. Lahiri Chaudhury (Bengal: Landholders): Are you not casting a reflection on your own people, on your own Ministers?

Mr. Muhammad Yamin Khan: Certainly I do if people like my friend, Mr. Lahiri Chaudhury, become the Ministers.

Mr. D. K. Lahiri Chaudhury: Thank you.

Mr. Muhammad Yamin Khan: I will have no faith in men like him who may happen to become Ministers. Such men will surely be bound by their party politics, by their own inclinations, and they will certainly shut their eyes or will put up glasses on their blind eye in order to favour their own party men. (Laughter.) Sir, there is no question of Europeans *versus* Indians. There will be questions as between Indians and Indians at that time. There will be a party of Indians who will be in a majority and there will be another party of Indians which will be in a minority in the future and the aggressions of the majority over the minority have to be safeguarded. It is no question of Indians and English people. In fact there may be no English people on these Government Benches in future; they will all be Indians, and I want to save those people sitting on this side from the aggressions of those Indians who may be sitting on the other side. Sir, there are many who have got no confidence now in Indians as a whole. There are many people in this House who have similar misgivings, but that was with regard to the question of the appointment of the Governor. There is no question of this kind concerning the nominations to the Directorate. We all agreed; and I absolutely deny any of us having ever dragged in the names of the Honourable Members of the Executive Council.

Mr. B. B. Puri (West Punjab: Non-Muhammadan): Do you mean that a statement of that kind was never uttered?

Mr. Muhammad Yamin Khan: At least I was never present at such a meeting if and when it was uttered. But I had never been absent for more than five or ten minutes at a time. To my knowledge, that kind of talk about dragging in the names of Executive Councillors on the question of nominations never took place.

Mr. K. C. Neogy (Dacca Division: Non-Muhammadan Rural): Was there any other talk on the Executive Councillors?

Mr. Muhammad Yamin Khan: It was unnecessary to drag in the question of the Executive Councillors in whom we all have got such good faith. Now, my friend, Dr. Ziauddin, thought that I turned wherever Sir George Schuster turned. If the Honourable gentleman had the courage of his conviction to tell to the face of the Honourable Sir George Schuster that he has got no faith in him and he has got no faith in the Executive Council, I will admire his action. On the contrary, we have all got faith in him. There is nobody in this House who has not got faith in him.

Mr. K. O. Neogy: How do you know?

Mr. Muhammad Yamin Khan: At least I have not heard anybody doubting the honesty of purpose of the Honourable Sir George Schuster. It has been said that he is acting as an agent of some body else, but everybody knows that Sir George Schuster has tried his level best to meet the wishes of the Honourable Members of this House.

Mr. President (The Honourable Sir Shanmukham Chetty): This amendment affirms the faith that the House has in Sir George Schuster.

Mr. Muhammad Yamin Khan: This very amendment shows that the House has got full faith in Sir George Schuster and the Honourable Members of the Joint Select Committee will bear me out when I say that, in spite of his commitments which he had made in the London Committee, he was always willing to meet the wishes not of one but of every member. The very amendments which you find in the Bill, as it has emerged from the Select Committee, shows how much regard he had for the members. If he had not gone out of his way to meet the Honourable Members, probably this Bill would not have been amended in such a good way as it has been.

Now, Sir, I come to the real amendment. I would like to draw the attention of my Honourable friend to the mistake he is making by moving this amendment. His object is that in future the Governor General may not be the only person who should have this voice, but that it may be shared with him by somebody else. Who will be that person under the future Constitution? My friend wants that it should be the Finance Minister, which is the case at present. But for the future he has got some doubts. Let me tell him that he will never be able to achieve that object in this way, because the Adaptation Clause is to be made in the Constitution Act and not here. The Finance Member will be defined in the Constitution which is going to be framed in London by the Parliament and not by this House. Let us see what the White Paper scheme is. The White Paper lays down that the Governor General will have a Financial Adviser. Now, this person will not be the Finance Minister; but, quite apart from the Finance Minister, there will be a Financial Adviser to the Governor General. My Honourable friends think that by certain device they can oust the plans which the British Parliament has got in its head. If the British Government have got some kind of plan in their head, can they not meet your device later on if your Bill comes first and their Bill comes later on? They can put up a definition as you have got. If their idea is to deprive the Minister from having a voice, then, whatever you may say here is not going to compel them to give up that idea. Besides, it will be defeating your own object. You may take away the power from the Governor General, but you will place it in

the hands of the Governor General acting on the advice of his Financial Adviser. That will be the position which will be created by this amendment.

Mr. O. S. Ranga Iyer: But this amendment, under the altered Constitution, would read: Governor General acting on the advice of his Minister, and the Financial Adviser is not the Minister. The object, if I may say so, is to take away the power which, we fear, the Financial Adviser has in actual experience as the Financial Adviser has in Egypt over the Finance Member.

Mr. Muhammad Yamin Khan: Quite right. That is the object which my friend, Mr. Mitra, has got in view, but can that object be achieved? My point is that this object will never be achieved, because, whatever you have got at present, can be defined by the Constitution Act and, in the Adaptation Clause, they will say that this clause may read as Governor General acting on the advice of his Financial Adviser.

Mr. O. S. Ranga Iyer: Not at all; it is the Financial Minister.

Mr. Muhammad Yamin Khan: Why should they introduce the Minister? I quite agree with my Honourable friend that it is the desire of this House that it should be the Financial Minister.

Mr. O. S. Ranga Iyer: Under the new Constitution, the Finance Member will be the Finance Minister, as the Honourable Member no doubt knows as he has read the White Paper.

Mr. Muhammad Yamin Khan: My friend may say this, but when the Adaptation Clause comes in, the Governor General in Council will read, under the future Constitution, as Governor General at his own discretion.

Mr. O. S. Ranga Iyer: But the Adaptation Clause will be put in not by this Legislature, but by the British bureaucracy on its own responsibility.

Mr. Muhammad Yamin Khan: No, it won't be put in by the British bureaucracy, but it will be put in by the British democracy.

Mr. O. S. Ranga Iyer: Democracy from the British point of view and bureaucracy from the Indian point of view. It will be the bureaucracy of Whitehall.

Mr. Muhammad Yamin Khan: It may be nothing of the kind. I am talking of the practical effects which will come in and the danger which this amendment carries with it. I do not say what our desire is, but I say what will be the result of our desire to achieve certain object. The danger lies in one respect that it will not be defined in this particular clause as Governor General acting at his own discretion, but the Adaptation Clause will be put in to read in this clause the Governor General on the advice of the Financial Adviser which will be worse than the Governor General at his own discretion. The Minister can agitate against the Governor General if he does not listen to him, but in this case you are shutting the mouth of the future Minister if you accept this amendment. This clause will be depriving the Minister of the power of counselling the

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Governor General and giving him advice if he wants to seek it. Therefore, I think this amendment is most inadvisable in the interests of India and that it will not serve our purpose, but it will serve the purpose other than what we have got in our view.

Mr. B. R. Puri: What course would you advise us to follow?

Mr. Muhammad Yamin Khan: Unfortunately we are placed in this position that the Reform Bill cannot come until we have this Reserve Bank Bill through. That is the position in the White Paper scheme. Unless you pass this Bill, you can have no advance in the Centre. It means this that even if you have all the power transferred in the provinces, the Constitution Act will not go to deal with the transfer of power in the Centre unless you pass this Reserve Bank Bill. That is our unfortunate position. After you pass this Bill, the Adaptation Clause will follow and will define what authority will mean what authority in the future. If they are bent upon this that they are going to exclude your Minister in financial matters, then no device on our part in framing this Constitution can stop them from meeting our devices in the way that they will bring their own devices. If the British Parliament is bent upon excluding our Minister, then, I say, that nothing in this Bill can affect that position. In all these clauses in the Bill, unfortunately we cannot put in the words "future Minister". If the Constitution Act had come first, it could define "the future Minister", but at present you cannot put in that expression. We are not the people to legislate as regards our future Constitution, but it is some body else who has got to legislate for us.

Mr. B. R. Puri: Then how to express our views?

Mr. Muhammad Yamin Khan: You can give expression to your views by other means and by other methods, but you cannot put in a provision in this Bill, because it is some other body that will have to transfer the power to you in the way they want to transfer.

Mr. K. C. Neogy: Why do not those people take the responsibility to legislate in this matter?

Mr. Muhammad Yamin Khan: They do not want to take responsibility for legislating the Reserve Bank Bill for us. I do not want to answer why they do not take the responsibility. It is their look-out and it is their plan. That is the scheme of the White Paper, whether it is good or bad, we have to take it. We have got our difficulties and we have got our aspirations to legislate for the future of India. There is the Secretary of State who is responsible to the British Parliament and he has got to get the Reform Bill through Parliament. He has got several opponents and he has to carry this Bill through in the teeth of great opposition. Our demand is that we want 100, but, on the other side, there are some people who do not want to give you even five. There are some other people who sincerely believe that India must get some kind of advance, but they are not ready to give 100 nor do they want to give you only five, but they want to give you fifty. They are meeting with great opposition from both sides, from people who want to get 100 and also opposition from people

who do not want to give you anything beyond five. The question is, whose opposition is more effective? We cannot ignore this fact. The Secretary of State has to take his Bill not through the Indian Legislature, but through the House of Commons and also through the House of Lords where he will meet with the greatest opposition. He knows that your demands are too high and the demands of your opponents are also on the other extreme.

Mr. B. E. Puri: What do you want us to do?

Mr. Muhammad Yamin Khan: I want that my Honourable friend, Mr. Mitra, should not press his amendment. He can never achieve his object by putting this amendment in the Bill. It will make the position worse. By putting in this amendment, you will tie the hands of the future President in his interpretation of this clause. On the other hand, if you leave the clause, as it is, there may be some loophole left which will enable the future President to interpret the clause in our favour. On the other hand, if you bring out some device, your opponents also will bring out their own device to meet you. If you put in this amendment, I am afraid, they will make the Adaptation Clause very stringent and it will not be in the interest of India. We have to discuss this amendment dispassionately without any sentiment. I think my Honourable friend will be well advised if he withdraws his amendment. Otherwise, I cannot support him. In any case, I am convinced that it is not in the interest of India and, therefore, I oppose it.

Mr. Muhammad Muazzam Sahib Bahadur (North Madras: Muhammadan): It seems to me that the amendment proposed by Mr. Mitra places the Governor General in a subsidiary position. The Governor General "as advised by the Member in charge of Finance" who will be the Finance Minister under the new constitution will have to be responsible to the Legislature. The Governor General "as advised by the Finance Minister" means that the Governor General will have to carry out the wishes of the Finance Minister whatever they may be. There are two things which we have to consider before we pass this amendment. It would be the primary duty of every one interested in the welfare of India that the credit of the Reserve Bank should be a matter of paramount importance not only in the eyes of the people of England, but also to the people of the world. It is imperative that the finances of India should command such a degree of confidence in the outside markets of the world that no one can have any suspicion with regard to their solvency. That is the main consideration and, whoever the Governor General may be in the future Constitution, it will be his primary duty to maintain the credit of the Reserve Bank of India at that level. And, if the effect of an amendment of this type is to make the position of the Governor General subsidiary to the Minister in charge, who will necessarily have to placate the Legislature and whose advice in certain circumstances may turn out to be against maintaining the financial credit of India in the eyes of the nations of the world, then, I think, this amendment will go contrary to the very object for which the Reserve Bank is being created.

Dr. P. K. DeSouza (Nominated Non-Official): Sir, I have been attempting to follow this very interesting debate with great care, but I regret to say that I have not been able to see how this amendment, if carried, will serve

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any useful purpose in practice. If the intention of this amendment is to define the position of the Governor General *vis-a-vis* his Finance Member in the Federal Constitution, then I maintain that this amendment, even if carried, would be mere waste of breath, because the position of the Governor General *vis-a-vis* his Finance Member will be defined in an Adaptation Clause of the new Constitution Act; and, as explained at great length by my Honourable friend, Mr. Yamin Khan, this morning, it is the Parliament that has the last word

Mr. D. K. Lahiri Chaudhury: Which is not known as yet.

Dr. F. X. DeSouza: If it is intended, Sir, by this amendment to define the position of the Governor General in the present Constitution in the *interim* till the new Constitution is inaugurated, then, I venture to say, that by this amendment you create a new legal *persona* consisting of the Governor General as advised by the Finance Member, and invest him with certain rights and liabilities. The law at present, as laid down in the Government of India Act, recognises only the Governor General in Council, that is, the Governor General as advised by his Cabinet of whom the Finance Member is only one. But, by this amendment, you propose to create another and a new legal *persona*, that is to say, the Governor General as advised by his Finance Member. As you ruled, Sir, it is quite within the competence of this Legislature to create a new legal *persona* and to invest him with new rights and liabilities provided those new rights and liabilities do not come into conflict with the rights and liabilities as defined by the Government of India Act. But, Sir, what would be the result of this amendment if carried? It would divest the present Cabinet of the Governor General of their collective responsibility for the financial measures of the Government of India, and the responsibility for the financial measures of the Government of India will be fastened on the Finance Member alone. What would be the result? It would relieve all the other Members of the Cabinet of all responsibility for finance; and if the Government of India propose any measure which this House condemns, the other Members of the Cabinet and more specially the Indian Members of the Cabinet will be relieved of the unpleasant necessity of having to tender their resignation if the measure which is proposed is grossly against the interests of India.

That, Sir, is not a gain, it is a distinct loss. I maintain that it is absolutely essential in the interest of sound administration that the collective responsibility of the Cabinet for the financial measures of the Government of India should be maintained and should not be whittled down as is proposed to be done by this amendment. That, I say, is a distinct loss if this amendment is carried. What is the gain? My Honourable friend, Mr. Vidya Sagar Pandya, compared the position of the Governor General and the shareholders to the not very elegant position of a big partner and a small partner smoking the same cigar. By this amendment you would only add the Finance Member to have a pull at the cigar with the result that the small partner, the shareholders, will have less chance for spitting.

The purpose of this amendment, I take it, is to prevent any pressure being brought upon the Governor General from Whitehall and the Secretary of State. Now, Sir, if the Governor General *ex hypothesi* is unable to resist the pressure which is brought upon him by the Secretary of State

and by Whitehall, is it likely that the Finance Member, under the present condition, will be in a better position to resist that pressure? Sir, I yield to none in my respect and admiration for the sturdiness and the independence of the present Finance Member, but he will have to be a superman, I think, if he is able to resist the pressure of Whitehall and of the financial magnates of the City if *ex hypothesi* the Governor General is unable to resist it.

Now, supposing the amendment is carried, how is the responsibility of the Finance Member going to be enforced? So far as this House is concerned, the Governor General, as a constitutional ruler, can do no wrong: his acts are the acts of his Minister. How then can the responsibility of the Finance Member who would be the only Minister responsible be enforced for any financial measures of Government? So far as I am aware, there are no means of ascertaining what exactly is the advice tendered by any particular Minister to the Governor General? It is guarded strictly by the Official Secrets Act. If you in this House move a vote of censure against the Finance Member, what would be the practical result? You would not

12 NOON. be able to enforce it, even if you carried it. The House will only expose its importance even more than it would under the present Constitution. For all these reasons, I am of opinion that this amendment, even if it is carried, would serve no practical purpose, and I would oppose it.

Mr. D. K. Lahiri Chaudhury: Mr. President, there are occasions when one is forced to stand on his legs; and, after the speech of the Leader of the United India Party, I am inspired to stand on my legs and to make some observations on this amendment, though I was not at all willing to speak before. The Honourable Member stood up and took the Deputy Leader of my Party, Diwan Bahadur Ramaswami Mudaliar, to task for stating that the Honourable the Leader of the United India Party did not cast any aspersions on the Executive; but, in developing his argument, he controverted the remark and stated that he had no confidence in the future Ministers who will be the next Executive. . . .

Mr. Muhammad Yamin Khan: I did not say that I had no confidence in the future Ministers. My friend, Mr. Lahiri Chaudhury, asked me a question whether I have got any confidence in the future Indian Minister, and I said that if that Indian Minister was going to be Mr. Lahiri Chaudhury, I had certainly got no confidence in him.

Mr. D. K. Lahiri Chaudhury: That does not mean that the future Indian Minister would be Mr. Lahiri Chaudhury: I can assure my friend, Mr. Yamin Khan, that Mr. Lahiri Chaudhury is not going to be the Finance Minister. He can be rest assured on that point; and, if the future Minister is reliable in the performance of his duty, we will have confidence in him. To come to the point, it is said that we have got no right to change anything and that Parliament will be the final arbiter in every matter under the new Constitution and, therefore, what is the use of making this amendment here? It has been said, there is going to be an Adaptation Clause in the coming Constitution, as declared by the Secretary of State. Now, I would tell my Honourable friend, the Leader of the United India Party, if he has got a little grain of common sense in him, he will understand that whenever any legislation is brought in this House on any point even under the present Constitution before the

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Legislature, however tame the measure may be, if it does not suit the great Mughal's pleasure, he has the power to reject the measure through his agent, the Governor General: but will that be any reason why we should not place such amendment before the House if we on this side of the House think proper? Is that any reason why we should not place our point of view and criticise the thing? If that be the case, I think it is the first lesson which the Honourable Member should learn, that it is the duty of this House and of the Opposition to make its views known. That is clear. It may be that there might be occasions when even Sir George Schuster cannot carry out his own wishes, because, as Mr. Yamin Khan himself admitted, he is not acting here on his own behalf, but on behalf of a different body which takes an entirely different view sometimes. Past experience shows that in spite of the Finance Member's good will, he could not help us though his conscience dictated otherwise for he had to abide by the dictation of the Secretary of State, who hardly understands the Indian situation here. But if we pass this amendment what its effect will be? Its effect will be that the future Finance Minister who shall have to keep the confidence in his followers to be responsible to the House and to the public criticism. Mr. Gaya Prasad Singh made it clear from the evidence of the Secretary of State that the Financial Adviser was to be free from any political control or legislative criticism; and, I say, it is for that reason that this amendment ought to be accepted in this House, because it is only in that case that the Finance Minister can be linked up with the Governor General in this matter of vital importance. The future Finance Minister can carry out the demands of the country only if he has the power. But if the elected Members of this House do not move an amendment at least at this stage to show our own individual views on this point, it would be absolutely unjustified on our part to say anything later: we must say that we have sufficient confidence in the future Finance Minister and that we want him to work in consonance with the Governor General. That is the main point. We will have no control over the Financial Adviser to the Governor General. Mr. Yamin Khan's argument was that he could not pin his faith on future Finance Ministers in giving them the powers of nominating a Governor who will draw a salary of Rs. 10,000 per mensem: but why should it not be under the control of the Finance Minister who may function in consonance with the Governor General? Is that the view that ought to be taken by the Leader of the United India Party? United India Party is a mere name: if it is to be a United India Party really, it must unite all India in the field of politics and in other fields. But everybody knows that the Leader of that Party is not uniting India, but he is dividing India; and, if he has really a grain of common sense, he will certainly bear with me on this issue particularly, that the Legislature, having got no control over the Financial Adviser, must pass this amendment so that the Secretary of State may know our views.

Mr. Muhammad Yamin Khan: On a point of personal explanation, Sir. My friend says that I am disuniting India; but, on the contrary, I am really uniting India, and not disuniting his own party. . .

Sir Gowsaji Jehangir (Bombay City: Non-Muhammadan Urban): None of us are capable of doing that: so why should you worry?

Mr. D. K. Lahiri Chaudhury: I am very sorry that the Honourable Member, who interrupted me, could not make his case strong. Everybody knows—and it is a fact that stands in the country—whether he is uniting India or dividing India: I shall leave it even to his conscience to tell him what he is doing. I say, this is an important amendment; and when you, Sir, have ruled it in order, I do not see any objection to its being moved and carried, if possible. I cannot understand how it would not have any effect in the future Constitution. I say, if this is carried, it will carry great weight, because it will show that it is the unanimous, or at least the majority, view of this House that the future control of this Bank ought to be confined to the Governor General in consultation with his Finance Minister and not the Financial Adviser who will not be responsible to this House. I say, it is better that it should be the Finance Minister over whom this House will have control rather than the Financial Adviser over whom there will be no control. The Finance Minister will certainly look after the interests of the country provided he gets support from the Legislature. Therefore, Sir, it is our duty, as elected Members of this House, to put on record our views that the management of the Bank, when it comes into existence, should be conducted by the Finance Minister in consultation with the Governor General. With these words, Sir, I wholeheartedly support this amendment.

Raja Bahadur G. Krishnamachariar: (Tanjore *cum* Trichinopoly: Non-Muhammadan Rural): Sir, I have not had the good fortune or the misfortune of having been a member of the London Committee nor of the Joint Select Committee which sat to consider this Bill

Mr. Muhammad Yamin Khan: You refused to go.

Raja Bahadur G. Krishnamachariar: That is the cause, but the result

Sir Cowasji Jehangir: Your misfortune is your own fault.

Raja Bahadur G. Krishnamachariar: In the beginning it might have been but from what has happened both yesterday and today, I am afraid it is no fault of mine, but the misfortune is a blessing in disguise, because probably I shall have to stand up and say lots of things which, you, Sir, have ruled out of order, and yet, I find the thing comes up again and again. It seems to me, and I say it with all respect, that a good deal of unnecessary heat has been imported into this discussion. I can understand the reason for that. Sir, we all want that we should have a free hand in the management of our currency and credit. We find looming large in the distance some prospect of our being deprived of that freedom. We get angry when we see that our ideas of getting a free hand in the management of our currency and credit cannot be translated into action, and we get angry. This is but natural. It is human experience that when our anger cannot find vent, it always does with the man who is immediately in front of you. But, Sir, I hope Honourable Members of the Treasury Bench will take note of the heat that has been generated in the discussion as an indication of the depth of feeling that this House feels regarding the probable amendment of the Constitution, and I hope this will be duly communicated to the proper quarters so that they may, in coming to a final conclusion, reckon with what the Indian feeling will

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be if they do not meet it, so far as it is possible to do consistently with what they consider to be their own responsibilities. Sir, having said that, it seem to me that, if this amendment is to be considered with reference to actual conditions, my friend should not press it, and, even if he were to press it, you, Sir, have already said that you will refuse to put it to vote. Therefore, it seems to me, it is purely an academic discussion as regards the result of the amendment as a whole. The conditions under which this Bill has come into existence have not been kept in view in this discussion. Starting with the White Paper which said in paragraph 32:

"The proposals relating to responsibility for finance after Federation are based on the assumption that, before the first Federal Ministry comes into being, a Reserve Bank, free from political influences, will have been set up by the Indian Legislature and"—(*we are told*)—"successfully working."

Now, the position is, before our new Constitution with Central responsibility will come into existence, if it comes, this Reserve Bank must be brought into existence by an Act of the Indian Legislature and it should be successfully working. Now, Sir, as has been stated in the London Committee's Report the Committee that sat there was appointed in pursuance of an undertaking given by the Secretary of State after the decision of the Third Round Table Conference, and the first paragraph and also a portion of the second paragraph of the Report of that Committee says this:

"It was recommended by the Federal Structure Committee of the first Round Table Conference that with a view to ensuring confidence in the management, efforts should be made to establish a Reserve Bank free from political influences"

etc., etc.

The Financial Safeguards Committee said that steps should be taken to introduce into the Indian Legislature a Reserve Bank Bill conceived on the above lines, and the present Committee has accordingly been set up.

"We understand",

—says the second paragraph, and I would invite the attention of the House specially to it,—

"We understand that the Bill, when drafted, is to be placed before the present Indian Legislature with a view to its being brought into force before the expiry of the existing Constitution. The provisions of the Bill, therefore, will have to be designed to fit in with the existing Constitution, but, in discussing them, we have kept in view the conditions contemplated under the new Federal Constitution and endeavoured to frame proposals on lines which will require the minimum of adaptation"

and so on.

Now, the point that I wish to emphasise is, that the Reserve Bank Bill, whatever may be the changes introduced according to the Adaptation Clause after the Constitution is framed, must now be framed and passed in accordance with the existing Constitution, and it will work for sometime—we do not know for how long—under the present Constitution, and, consequently, when this Bill was framed, the condition obtaining under the present Constitution had to be considered. When the new Constitution comes into force, what will happen, I shall come to

later on. Now, the Bill was referred to a Select Committee, and the Select Committee resolved that this measure shall come into force on a day that the Governor General shall notify. Why they said that, I do not know. They wanted to bring into existence this Reserve Bank Act as early as possible, and, in view of the condition laid down in the paragraph I now read, without the Reserve Bank Bill there will be no reform or responsibility in the Centre. Why it has been put off I do not know, nor do the Select Committee give any reasons. They say:

“Although we agree that no specific date can be inserted for setting up the Bank”—

I do not know why they have said so,—but they agree, and they are probably right,—but surely we in this House ought to be given some inkling of the reasons which induced them to agree that the Bank should not come into existence immediately:

“We desire to represent strongly to the Government that the Bank should be set up with all possible speed”

—that is to say, irrespective of the date when the new Constitution will come into force. Sir, the amendment admittedly looks to the future. What it wants to bring into existence is a condition of things which will apply after the new Constitution comes into force, but the Act is intended to be brought into force immediately, and work it for some time, and work it successfully too, if you take literally the words of the paragraph that I have just now read, before you can ever think of any Constitution being brought into existence and responsibility given in the Centre. How are you going to provide for that remembering these conditions? Let us look into a few of the clauses that will work after the new Constitution comes into force. Sir, it has been stated,—I suppose more out of fun than anything else, that in 88 places the Governor General has been mentioned in the Bill

An Honourable Member: It has been mentioned in 92 places.

Raja Bahadur G. Krishnamachariar: It is said in 92 places, I stand corrected. But, Sir, if you refer to these 92 portions in the Bill, you find that most of them are of such a nature that it is absolutely indifferent whether it is the Governor General himself or whether the Governor General acting with the advice of his Ministers or whether the Governor General with all the Members of the Executive Council or at the bidding of the Secretary of State. Take, for instance, clause 17 which gives details as to how the business should be conducted. Surely, somebody or other should represent the Government of India in order to do those formal things, and what does it matter if the Governor General himself does it or the Governor General in Council does it? As a matter of fact, the whole trouble lies with clause 8, which provides for the appointment of the Governor and the Deputy Governors, and clause 15, under which the Governor General would make the appointment in the beginning. I should like to ask my Honourable friend—I have not studied the further amendments that have been put forward,—is he going to ask for an amendment to clause 15 which says that the Governor General shall make the first appointment of the Governor, the Deputy Governors and all the Directors? He ought to have asked for that consistently, and if he does not do it, now listen to what happens. He says, the Governor General acting with the Finance Member,—he does not say, Minister, as my Honourable

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friend, Mr. Ranga Iyer, wanted to correct him—acting with the Finance Member shall make this appointment. Is that correct? The position under the Government of India Act now is that the Governor General in Council shall make the appointment until the new Constitution comes into force

Mr. C. S. Ranga Iyer: I think what I was mentioning was this. We are in a very difficult position in regard to this legislation. Though it will be passed by this House and we have to introduce our amendments in the light of the existing Constitution, still our amendment is meant for the future Constitution, and, as the present Finance Member who faces us today in this House, whether he enjoys our confidence or not, is going to be split into two, namely, a Finance Minister or Finance Member on one side and a Financial Adviser on the other, we have to make it quite clear that we do not mean by Governor General in his discretion Governor General acting on the advice of his Adviser or the Secretary of State, but Governor General acting on the advice of the Finance Minister who will face us and who will be responsible to the House unlike the present Finance Minister who is not responsible as the Financial Adviser will not be responsible.

Raja Bahadur G. Krishnamachariar: I thank the Honourable Member for it, but the Bill ought to be framed on the principle, sufficient unto the day is the evil thereof. No doubt you are entitled to safeguard your rights under the new Constitution. But you have mistaken your methods. This is not the place, this is not the Bill, and these are not the methods by which you can safeguard your rights. I am entirely at one with my Honourable friend and with all the Members on this side that we want to safeguard our rights as much as possible. We want to safeguard against the position that if the Governor General at his discretion means somebody pulling him from across the seas 6,000 miles away, we do want to prevent it. But, Sir, the arguments that I have been trying to lay before the House—I am afraid I have not been able to make myself properly understood.

Mr. C. S. Ranga Iyer: I am afraid it is the quintessence of technicality and we want you to use your great legal brain to help us out of this difficulty, how to prevent the calamity that is facing us as foreshadowed in the statement of the Secretary of State before the Joint Parliamentary Committee that the Governor General will be acting at his indiscretion. (Laughter.)

Raja Bahadur G. Krishnamachariar: I had proposed to deal with it at the end of what little I meant to submit. I am afraid that that is a point on which I am not able to give any encouragement to my Honourable friend because for three days I have been thinking about it. I am going to deal with it and I have tried to invoke the assistance of the best parliamentarians and, so far I have not been able to frame an amendment which would be in order in all the relevant clauses, by which this calamity may be prevented by this House, because, unfortunately, one of the conditions upon which we are working is that we cannot lay down any provision detracting from the powers of the Imperial Parliament.

That is the only position. I am now proceeding on the assumption that if the Imperial Parliament is so minded that these powers are going to be given to the Governor General at his discretion—shall I propose an amendment here:

“Provided, however, that no provision in the Constitution Act shall be made which detracts from the power of the Governor General acting with the advice of his Ministers?”

That I want to be contained, but it is absurd, no one in his senses, standing on the floor of this House, with the limited power that this House enjoys, can make that proposal, and, unless you make that proposal, you cannot attain the object that you have in view. That, I understand, is the reason why Sir Cowasji Jehangir said, it is no good having this discussion. On three occasions all the Round Table Conference gentlemen who went from here—I have no doubt—put forward this position with great firmness and probably with a united front. Sir Cowasji Jehangir admitted that we have failed so far, because the White Paper in clause 119 makes the proposal that provisions relating to currency and coinage shall, under the existing Constitution, be brought in before the Legislature with the consent of the Governor General in Council but later with the consent of the Governor General at his discretion. That is the proposal made in the White Paper, and that probably is the thing towards which they will go. But how on earth are you going to say: “Don’t make that provision here.” That, Sir, is the reason why my Honourable friend Sir Cowasji Jehangir, said: “What is the good of troubling yourself about it?” Another power, 6,000 miles away, pulled on the one side by the Right Honourable Winston Churchill and on the other side by all our eminent friends who went from here is in a perplexity, and that is why in that statement that my Honourable friend, the Finance Member, placed before the Select Committee, he said that this matter was under consideration. And I take it that if Sir Tej Bahadur Sapru’s forecast is right, we are not going to get one portion modified unless we transfer our scene of battle to England and shout even more loudly than the Right Honourable Winston Churchill and make one last desperate attempt to see if we cannot get our object fulfilled. I know Sir Cowasji Jehangir is a great optimist; he ought to be. He was born with a golden spoon in his mouth and he has never understood what the troubles of the common folk are. He has got great faith in himself and in the country. I have got great faith too, but the time that he thinks of is a time at which unfortunately I shall not be alive and I am not at all sure that he would be alive, may God give him 120 years of age, but still I am not sure that he would be alive when that millennium arrives when a joint responsible ministry all go up to the Governor General and say: “You do not agree. All right, we walk out.” The Governor General calls in another Ministry, and those gentlemen say: “You do not agree with us. All right, we walk out”, and then the whole thing comes to a standstill. That is the position no doubt which would be created, but it takes time. All these things will come in due time. Therefore, I am afraid that I cannot agree with my Honourable friend, Sir Cowasji Jehangir, that because 150 years later, this position is going to come, I am going to allow my country to suffer for the next 150 years. That, Sir, is only by the way. But, as I said, I thank my Honourable friend for the compliment, or whether he intended it otherwise I do not know.

Mr. C. S. Ranga Iyer: I intended it genuinely as a compliment.

Raja Bahadur G. Krishnamachariar: Thanks very much. I hope I deserve that compliment, but, as a matter of fact, legal brain or no legal brain, I have been trying to find out if there is any way by which we can circumvent those gentlemen over there and get an amendment made here which will make the London City interests, which they say are behind all this camouflage of a Governor General at his discretion, blink and say: "Hallo, here is something which outdoes us." Unfortunately I have not been able to do so and I assure my friends that I have not confined my attempts to merely thinking it over, but I have consulted some of my friends who always pretend that they are masters of parliamentary procedure just to instruct me how I should go on. I do not think I will be successful, because the position is plain. As I said, the whole trouble is with reference to the appointment. Now, in the beginning all the Directors are going to be appointed by the Governor General in Council as they exist. I should be sorry to enter into the question of confidence or no confidence. Sir, I have had some experience of Englishmen who have been in very high positions, of course in a backward place, but I give it as my experience in this House that when once an Englishman undertakes service, you have not got a more loyal servant. He serves you irrespective of what comes to him and, therefore, whether anybody has or has not any confidence, this question of the appointment of the first Directorate may safely be left to the Governor General in Council, and if you are not going to do it, what are you going to do? Are you going to give it only to the Governor General and to the Member in charge of Finance? You say you don't have any faith in Sir George Schuster, but unfortunately you cannot dismiss him. If you pass this amendment, and, I am glad to say, it is not going to be put, the appointment will be in the hands of the Governor General as advised by the Member in charge of Finance, who is Sir George Schuster for the time being, in whom you say you have no confidence. That, Sir, if I may respectfully say so, is the absurd position to which they reduce themselves and, as for the Governor General appointing these people with or without the advice of the Council, I am not sure that all the appointments made by the Governor General in Council have turned out to be very bad. The Secretary of State, I believe, selected Sir Frederick Whyte as the first President of the Assembly and although some persons whispered at the time that this was not a right thing to do and that we should have been allowed to elect our own President, after all that appointment did not prove to be a misfortune to the country. I believe he did introduce some very sound conventions and traditions for this House to follow. Consequently, I think that in view of the conditions necessary for bringing into existence a Reserve Bank and make it work successfully if you want to work on business principles, then, in the first instance, I think it could be safely left in the hands of the Governor General and the Governor and the Deputy Governor, or if there are two, and I hope there will not be two, will be appointed by the Governor General. If these gentlemen are going to be incompetent, they will soon be got rid of or they will get away. I have the highest opinion of the intelligence of our people. They have occupied the most distinguished positions and, coming as I do from one of the Indian States, I can say, it is there that the full extent of the statesmanship of an Indian is displayed and exercised to the chagrin of the authorities in British India. Instead of taking one big jump into what is unknown, I would very strongly advise that the Governor and the Deputy Governor should be appointed for some time at least by a person

who, according to the elegant phrase of my friend, Mr. Yamin Khan, would be above the aggression of relations, sisters-in-law and brothers-in-law. Therefore, as I said, the whole trouble arises over the appointment, I think for God's sake, we shall not trouble ourselves about the appointment. I take it that we want a Reserve Bank with all its faults and, if we wait till the whole thing is perfect, I am afraid, according to the language that we use in the vernacular, you must wait for the day after the doomsday. If we had established this Reserve Bank six years ago, we should not be fighting here whether it should be the Governor General or the Governor General at his discretion and all that sort of thing. We should have gone far ahead. If this amendment is accepted by this Honourable House, you come to a *reductio ad absurdum*, because, under the existing Constitution, you cannot make a provision of this kind even if it is desirable to do so and, in the future Constitution, it is not possible for you to anticipate what will be done. There has been some little heat to which I referred in the beginning of my observations and I think I can come to the rescue of all these gentlemen who have shown such strong feeling regarding this power, whether it should be the Governor General in Council or as advised by the Finance Member. Proposal No. 119 was staring them in their face. I know that proposal No. 119 is given only as a proposal. The Secretary of State or, whoever is responsible for the White Paper, says in the introduction:

"It should be made plain at the outset"

and so on, and later on it says:

"Nor must it be assumed that the present proposals are in all respects so complete and final that a Bill would contain nothing which is not covered by this White Paper. At the same time it is hoped that it would help to clarify"

and so on. Sir, I do not want to claim the role of a prophet in this House, for it is always wise to follow the dictum "Never prophesy unless you know". As I said in my own humble way, although this bait is thrown to us, the White Paper is not going to be modified. Now, we should all be thankful if at least the White Paper proposals are passed, considering the opposition it has raised and the howl that has been made by Mr. Winston Churchill and Company. I suppose we must be thankful if we get at least the White Paper proposals, and Sir Tej Bahadur Sapru has said that we are not going to get one step further beyond the White Paper and it is also the opinion of Sir Cowasji Jehangir, although I do not know what exactly it is going to be. According to these proposals, as I said, in future, the control over finance would be, that is to say, the introduction of any measure regarding currency and credit, would be with the previous assent of the Governor General at his discretion. Those gentlemen, who met in Committee, being confronted with the proposal No. 119, said so. There is no reason to get angry over it. I believe it is the procedure in the Judicial Committee of His Majesty's Privy Council that whether there be any dissentient or not, there is only one judgment. This much is sure that at least the majority agreed and it is brought out as one judgment in which every Judge who took part agreed. On that analogy, I consider that the proposal made in the Committee in London, whether it represents anybody or there were dissentients, had to be made in connection with the existing conditions that were placed before them, and one important condition was this clause 119. I think I have made the position clear as to why, even if this amendment

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should be allowed to go to the vote it would land us in an *impasse*. So far as the existing Constitution is concerned, it would not be desirable or advisable to have this sort of thing, and, as for the future, I would only crave leave to invite attention to this last portion of the Secretary of State's statement made through the mouth of the Honourable the Finance Member and which is printed at page 19 of the Select Committee Report. Now, there can be no doubt and my friends cannot doubt the fact that, in view of the position that I have tried respectfully to lay before this House, namely, that as this Bill ought to be framed and has been framed to suit the existing Constitution, there ought to be an Adaptation Clause. The Finance Member says:

"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, and if, in future, it were desired by agreement that any particular power or powers thus provided should be exercised by the Governor General on the advice of his Ministers and not at his discretion, then legislation giving effect to it would be an amendment of the Constitution Act."

Now, what is the flaw in that? I am not here to defend the Secretary of State or the Government of India. The Government of India are quite strong enough to take care of themselves and when reason fails to get what they like through their official bloc. But this position, as a matter of law, as a matter of legislation, as a matter of bringing into existence a new Constitution with reference to enactments already passed is absolutely unimpeachable. The conditions laid down by the Secretary of State, although they may be all eye-wash, that is, although he says that the Joint Committee if they agree, and His Majesty's Government if they agree, and the House of Commons if they agree, with the certainty that they would agree to it, yet the legal position is as stated by the Secretary of State. I know that if these proposals are made the huge majority that the Cabinet now commands, the House of Commons will not go behind their advice notwithstanding the shouts of all those gentlemen who bring about dramatic scenes outside in the country. That may be so, but even the Secretary of State, even if he was the master of the situation, has, even if he knew these things would come to pass, to say this. How much then can we, less powerful than he, do to ensure that set of circumstances? While, therefore, it is perfectly clear that we do not want this provision at present and, in connection with this Bill, I confess to my inability to see that either this amendment will carry into effect our object or in fact any amendment of any nature would, so far as I have been able to understand. That, Sir, is all I have to say.

Mr. C. S. Ranga Iyer: Sir, I do not find my friend, Mr. Yamin Khan, in his seat and I am sorry, for he had made a very strong speech and I thought that when he so vigorously defended not only the particular provision to which we take such strong exception, but also everything that they did in London, he would have liked to listen to the reply. Sir, so far as the personal part of the controversy is concerned, I could have never imagined that my very innocent-looking friend, the Honourable Member from Bihar, Mr. Gaya Prasad Singh, was capable of causing so much disturbance on the floor of this House.

Mr. Gaya Prasad Singh (Muzaffarpur *cum* Champaran: Non-Muhamadan): Why do you say "innocent-looking". Why not "innocent"?

Mr. C. S. Ranga Iyer: I accept the amendment. He looks so innocent, because he is innocent (Laughter); and a very innocent observation created almost a chaos in "this Honourable House" as my friend, Sir Cowasji Jehangir, is so fond of saying. Sir, I thought we were almost passing the bounds of honour when one Member started saying to another Member:

"His honour rooted in dishonour stood,
And faith unfaithful kept h'm falsely true."

An Honourable Member: Wait for Mr. Yamin Khan.

Mr. C. S. Ranga Iyer: I think I must accept the advice of the Leader of the Opposition that I should not go ahead further and must await the return of the prodigal son, but who then is the fatted calf. (Laughter.) Without taking sides, I can only say that Mr. Gaya Prasad Singh revealed how the shadow of a starless night was thrown over the world in which my friend, Diwan Bahadur Mudaliar, moved alone. He almost threatened to repudiate his own signature the very moment his colleague, the Leader of the Opposition, said that if this motion were pressed to a division, he proposed to honour his signature. Fortunately, Sir, your ruling saved a situation which even we, however close or distant spectators of the doings of a great Committee, would not have liked to see, for scenical situations on occasions like this should be avoided. My friend, Mr. B. Das, would perhaps have something to say on scenical situations; because he is capable of creating them, but I never thought that the neighbourhood of Orissa was so infectious to Bihar. (Laughter.)

Sir, the Honourable the Finance Member almost cautioned us in one of his earlier speeches that he disliked eloquence on occasions of this kind. Probably, in a political House strictly legal speeches, like the one that preceded this, might be more welcome to him, but he understands not his own eloquence, for every phrase of his, every thought of his is delivered with the polish, if restrained because he sits on those Benches, and the eloquence of a very great orator. (Hear, hear.) He only does not raise his voice, because he has attended the school of elocution in England; at any rate, without attending that school, he has attained eloquence which, had his role not been differently written, might have been shown in the House of Commons itself. Now, Sir, that he is going back, may I wish him the career that he once aspired for and which would lead him very far indeed, almost to the position, why not the position itself, of the Chancellor of the Exchequer. (Loud Applause.) We only hope that in this country we will have a Finance Member in the future, an Indian who will fight our battles with the ability with which the Honourable Sir George Schuster has been fighting the battles of the Government; and if we could be confident that we could have a Finance Member like that who would stand no nonsense from the Financial Officer of the Governor General, then there would have been no necessity for this amendment. Unfortunately, we cannot see through the chaos of the White Paper Constitution, what with the provision of one-third nominated Members from Indian States because the latter have not yet reached the stage which the provinces have reached, and the other provision of a Financial Adviser whose functions, when the Constitution in legal language

[Mr. C. S. Ranga Iyer.]

is drawn up, will justify the moving of this amendment. In this connexion, we have had sufficient indication in the speech of Sir Samuel Hoare, the Secretary of State. I blame him not; he is more "responsible" than the Honourable the Finance Member. The Honourable the Finance Member does not enjoy the confidence of this House; the Honourable the Secretary of State does enjoy the confidence of the House of Commons: and when I say 'confidence', I use it not in a personal but in a parliamentary sense. If we defeat the Honourable the Finance Member, as we have defeated him in the past on a first class issue, he does not resign and seek re-election or resign his job altogether. If he does not enjoy our confidence, it is because his Government including every Indian Member sitting on the Treasury Benches, do not enjoy our confidence. We are elected Members; they are nominated and inevitably nominated, because they are part of the system; that system cannot be separated from them. Honourable men, gentlemen, able men, we adore them; we admire them; but we are here dealing with them as the Members of a Government against which we have been waging war day after day in and outside this House. (*A Voice*: "A wordy war.") Yes, a wordy war, a constitutional war so far as this House is concerned. But so far as outside this House is concerned, something has gone beyond words and has taken the shape of deeds. Whether those deeds are approved by us or not, a war is raging. In response to that war, the British Government have made an earnest attempt to rally the Moderates. But trying to rallying the Moderates here, the Government are being harried by their own extremists there. That being the case, the Secretary of State is between the devil and the deep sea. A conservative himself, he has produced and is producing a Constitution which he likes, but which we do not like. Let there be no mistake about it and I tell Raja Bahadur Krishnamachari, with all the strength that I can command, that we do not like this White Paper scheme.

Raja Bahadur G. Krishnamachariar: I have never said you do.

Mr. C. S. Ranga Iyer: He did not say that he liked the White Paper scheme and I never said that, but I was going to say that he wants us to accept, by not moving this amendment, the implications and the complications of the White Paper scheme. One fact has, however, arisen from the White Paper scheme, namely, that the Viceregal Government is decorated with extraordinary powers unknown to any other Constitution in the civilized world. As that Government is to continue to be a subordinate branch, as Lord Curzon chastely described on a former occasion, of the Imperial administration, even so this Legislature must be a subordinate of the British Parliament.

Raja Bahadur G. Krishnamachariar: Lord Morley said that and not Lord Curzon.

Mr. C. S. Ranga Iyer: My friend, the Raja Bahadur, can never be inaccurate. He is perfectly right when he said that Lord Morley used that phrase. I only say that Lord Curzon improved it on a historic occasion and made it classical when a little row took place between the Viceroy here and Lord Curzon there as a Member of the Cabinet. Lord Curzon was not original; he was only building upon the liberal wisdom

of John Morley. So far as British politics are concerned, I have come to consider from recent knowledge of England that it is completely doped and when Raja Bahadur Krishnamachariar said: "Carry on an agitation in England"—I can only say what I may not have said seven years ago that as there is a seething antipathy against Englishmen in India, even so Churchill, the *Daily Mail* and the *Daily Express* have succeeded in creating antipathy against Indians. I deplore it. Wise men on both sides deplore it.

Mr. B. Das (Orissa Division: Non-Muhammedan): I do not deplore it.

Mr. President (The Honourable Sir Shanmukham Chetty): He said wise men deplore it. (Laughter.)

Mr. O. S. Ranga Iyer: I know that Mr. B. Das and men of his way of thinking welcome it. The extremes, as I was saying, meet. I am not, however, speaking about the meteness of extremes. All that I have got to say is this. That being the case, if we miss an opportunity on the floor of the House to have our say in regard to this provision, we will be allowing judgment to go by default. My friend, Mr. Yamin Khan, was confident. He spoke with a certain amount of optimism. I know he is an incorrigible optimist. That is his strength, but that may also be his weakness, for in the Railway Committee—and here I am not disclosing private matters for the report of that Committee has been published—when the question arose as to whether we should give a *carte blanche* to the Governor General in the future, Governor General acting in his discretion, Members of this Legislature spoke almost with one voice and one mind as recorded in their minute of dissent. They wanted the Governor General *acting on the advice of the Minister in charge*. There were experts, legal and railway and other, in the India Office and in the neighbourhood of the Committee and in the Committee itself, and not one of them objected to our saying so in regard to the future constitution. I, therefore, cannot understand legal experts with all their legal knowledge standing on the floor of this House and saying: No, Mr. Mitra's amendment must not be passed, for, as the Raja Bahadur pointed out, it is not strictly legal. There is a legal difficulty about it. I know my lawyer friends are in the habit of getting into cobwebs of their own creation. The Raja Bahadur was trying to get out of it, but would not help us, because he did not think that this was quite the occasion to help us. He started upon premises which we attack: his foundation was this: "Accept the superiority of the British Parliament." We cannot accept it any more than the South African people can accept it, and the future Constitution of India will be interpreted in action as the future alone can show. The future Constitution of India will be interpreted in the light of the Statute of Westminster. Let there be no doubt about it.

1 P. M.

Raja Bahadur G. Krishnamachariar: I thought my Honourable friend said the other day: "Why fight, take what you get now", but today I think he has changed his mind or what.

Mr. O. S. Ranga Iyer: Not at all. That shows that my Honourable friend did not listen to the whole of my speech. I said: "Fight, continue the fight and lay the foundation of the fight here for the future, but do not unnecessarily go further than is necessary to fight". That is all what I said.

Mr. F. E. James (Madras: European): Do not bang your head against a stone wall.

Mr. C. S. Ranga Iyer: My Honourable friend, Mr. James, and his countrymen are banging their heads against the stone wall, namely, safeguards, and they are banging their heads too much and too unwisely and he will find in the near future too disastrously. For, can you work a Government by safeguards? The guards will be found to be not sufficiently safe when the men against whom the safeguards are put come into the Legislature, when the men against whom the safeguards are created occupy the Treasury Benches and when the Financial Adviser gives one advice to the Governor General and the Finance Minister gives another advice on the floor of the House. Whatever might happen in regard to this motion, it may be withdrawn or it may not be withdrawn, that leaves me cold, but I want to make it very clear on the floor of the House that we, the representatives of the people, do not propose to miss every little opportunity to secure for our country its indefeasible right of unfettered financial autonomy. We have been asking for it for years, from the Industrial Conference platforms representing the industrial patriots of the land, from Commercial Congresses—leave alone the National Congress—every commercial patriot and every industrial patriot has been asking for fiscal control and financial autonomy, and if all this is going to be left in the discretion or in the indiscretion of a Governor General, the nominee of a foreign Government and responsible to foreign authority protected by all the authority, by all the privileges and by all the rights that White Paper scheme gives, if we are to bow to the mandate or the ukase of the Governor General of the future, I will say that we will be writing the epitaph of Indian Nationalism. (Hear, hear.) We are not banging our head against a stone wall, we ask you to remove that stone wall with the help of which you, protected for the time being temporarily, thwart the Indian people from coming into their own. (Hear, hear.) Well, Sir, stone walls do not, to them, a prison make and I must only make it quite clear that these stone walls like the walls of Jericho will fall (Hear, hear), these stone walls will fall because of the imposition of these safeguards, fall after a fight—the frenzy and fury of an infuriated nation—with the Governor General, on the one side armed with the advice of the Financial Adviser, and the Finance Minister on the other, armed with the opinion of the authority to which he will be responsible. (Hear, hear.) We want to avoid this chaos, we want Indian nationalism to evolve itself in an understanding spirit, we have had enough of those troublous days, many of us have passed through them; Mr. James is a new man to this Legislature, he did not have the opportunity of going through those unfortunate struggles. Do you want to see them repeated on the floor of the House? I have had enough of it all, I do not even look forward to a legislative career in this country, I am pretty fed up with it, I hope to retire to my own little village and do some literary work leaving it to Mr. James on the one hand and (A Voice: “Mr. Yamin Khan”) those gentlemen (Interruption)—please do not interrupt me—my Honourable friend was saying “Mr. Yamin Khan”. I am not haunted by Mr. Yamin Khan every minute of my speech. Let me have my say. I was saying, Sir, before the disappointing interruption from an interested if personally inclined Member sitting in my neighbourhood, I was trying to say that we do not want to pass through those unhappy days again, for safeguards mean fight; safeguards mean sowing the dragon's teeth and, if things were to be as they have been, Mr.

James on the one hand and the National Congress representatives on the other can fight it out here on the floor of the House the repercussions of which agitation he can reap outside, I say the dragon's teeth are being sown in these safeguards, as if Mr. James and his countrymen would say :

"Our offspring, like the seed of dragon's teeth
Shall issue armed and fight themselves to death."

That is the spirit when he said : "Bang your head against a stone wall". But, that is also the spirit of the people who say : "We welcome these safeguards, we want these safeguards". "They want a revolution, we do not want a revolution, we want a peaceful evolution. Sir, the road to revolution is these safeguards. If, on the contrary, moderate men like Diwan Bahadur Mudaliar, for instance, who, as he told us, broke his heart for this in Committee, like Sir Cowasji Jehangir who, he said, put up a great fight in the Round Table Conference, if these men could be conciliated, what follows? We could go to the country and fight the extremists. The extremists will not be content with mere financial autonomy, they want autonomy complete, they want independence. Their slogan is : "Up, up the flag of the Congress or Independence, and down, down the Union Jack". This represents all they work for. What we aspire for on the other hand is some right, some power with which we can go to our countrymen and say : "We have got this, let us work this Constitution". That is the spirit in which we approach this debate as I was saying when I was told that you are banging your head against a stone wall. That is what Mr. Winston Churchill has been telling us all these days. I would ask my Honourable friend, Mr. James, to go and join Mr. Churchill in England instead of banging his head against a stone wall here.

Sir, I have only to refer now to the speech of my Honourable friend, Mr. Puri. When Mr. Puri concluded, hope withered and fled and when my Honourable friend, Mr. Aggarwal, began, mercy said farewell. They were polite in representing the wish of their countrymen and the will of the people. I would be dishonest if I do not admit that every word that they uttered is the opinion of the people whom we are supposed to represent on the floor of the House. Mr. Bhuput Singh, with a refreshing satire, seemed to say ; "All hope abandon ye! who enter here". I think he had the White Paper Constitution and not Mr. Mitra's amendment in front of him. Mr. Gaya Prasad Singh, I have already said, created all the heat that is occasionally necessary, for, when members of the Committee fall out, there will be some people to enjoy the fun. Now, I must come to my Honourable and learned friend from Lucknow, Mr. Azhar Ali, who has been fighting in the Congress and in the Muslim League the good fight of the country and who came into this House and said : "Beware, if you do not stand by me when I go into the lobby, woe befall you, in the next election". He can never imagine, Sir, all the arrows that you had concealed up your sleeve which you presented to us this morning preventing this motion going to a division. But I must say that so far as Mr. Azhar Ali is concerned, I do not accept his warning. If I find myself in opposition to my constituents, I will oppose them if I support my own convictions. I have done it in the past, I will do it in the future, for a man who does not stand for his own opinions and convictions will not be respected by his own constituency. We have had fairly good opinion of each other having represented them in this House

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for three successive Legislatures and every time fighting—though at the last time my opponents “funked”—fighting formidable foes, and I refuse to take my Honourable friend, Mr. Azhar Ali’s advice, in regard to my duty to myself the inner voice, which I exalt above my duty to my own constituents. Sir, so far as pressing motions to a division in this House is concerned, split as it is almost like a house, less of parties and more of individualists, it will have no more effect than what is contained in the slogan:

“The King of France with twenty thousand men
Went up the hill and then came down again.”

That would be a useless futility. We must miss no opportunity of speaking out our mind and to lay down here a message to our people that, because of their folly of boycott, this Legislature was incapable of any better action than speeches. But we have this satisfaction that:

“A song that stirs a nation’s heart
Is in itself a deed.”

(Applause.)

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.

The Honourable Sir George Schnster: Sir, before I start my speech on this motion, I should like to correct one misapprehension. My Honourable friend, Mr. Ranga Iyer, told the House that I had expressed disapproval of eloquence or oratory. I have not ventured to express any such opinion to the House, and I should like to tell my Honourable friend that I always enjoy listening to his eloquence and oratory, more particularly when it is not turned directly against myself but on very exceptional occasions embellishing sentiments in my favour. I should like indeed to thank my Honourable friend for the very kind things which he said.

Turning to the motion, I felt, listening to the debate, that one must regard it as aiming at two purposes; first as providing an occasion for protesting against the anticipated constitutional position after the new Government of India Act is passed, and secondly, as an attempt to provide practical means for defeating certain features which it is anticipated will be introduced by that Constitution. So far as the first purpose is concerned, we can appreciate very fully the feelings of Honourable Members who have sought to advance it. I shall have something more to say on that subject later. But, so far as the second purpose is concerned, I am afraid that I must take the line that the actual amendment proposed would in fact be entirely ineffective. I had looked forward to pointing out some matters to which you yourself, Sir, have called attention. I had at first thought it was rather a nice idea—this new little body consisting of the Governor General and myself settling all these matters without reference to our colleagues; but as you, Sir, also did, I found on

examining the matter that there were other sides to the idea, and I pictured myself when I came to advise His Excellency as to how he should perform the obligations under clause 35, saying to him: "There it is; you have to transfer all your gold, Sir"; and he might have said to me: "I have handed everything: do you think I need put in this signet ring of mine which I value very much?"; and I would have had to say: "I think you must fulfil your statutory obligations." (Laughter.) We might perhaps have got out that difficulty, but, I confess, when I came to clause 46, where His Excellency had to provide five crores of Government securities, I felt that we should be involved in a complete impasse. (Laughter.)

Sir, you have made all that part of my speech unnecessary: And it is not only on those grounds that this amendment is ineffective: other grounds have been very ably pointed out already by various speakers. Even if this new authority could be set up, nevertheless as you, Sir, yourself pointed out in your ruling, it could not exercise its powers in a way which would trench upon the powers of the Governor General in Council as provided for in the Government of India Act, and, therefore, in anything that it could do, it would be subject to the overriding control of the Governor General in Council. That affects the position so far as the present Constitution is concerned; and, as regards the future, as my Honourable friend, the Raja Bahadur, pointed out, nothing that we can do here can alter the effect of the Adaptation clause in the new Constitution Act. But, quite apart from that, I think Honourable Members will recognise that, if it were really to be effective, it would be an undesirable provision, because, in the future Constitution, it would completely undermine the whole principle of joint ministerial responsibility; and that, I feel sure, is a principle which Honourable Members on all sides of the House would wish to have maintained. I am indeed a little puzzled as to why this amendment was suggested in exactly its present form, as to why in fact it was not stated straight out that it must mean the Governor General acting on the advice of his Ministers, for that, after all, is a definite constitutional position and an expression which has a definitely understood constitutional meaning. However, even if it had been put forward in that form, it would, of course, have been a clause to which no effective power can be given by this House in the new Constitution. I think that is all now generally recognised, and, therefore, I want to turn to the few remarks which I have to make on what I described as the first of the two purposes which must have been behind those who moved this amendment. I have already said that I fully appreciate the feelings of Honourable Members who say to themselves: "Here is this measure which we are asked to pass, and now that we are dealing with it, we do not know what are to be the terms of the new Constitution Act: we do not know what authority is to succeed under each clause to the Governor General in Council, and, therefore, until we see the Constitution Act, we would rather not proceed with this measure." I can also fully appreciate the point of view of those Honourable Members like my Honourable friend, Mr. Neogy, who say: "If we are not to be free to legislate in this matter, if our powers of legislation are to be restricted in order that they may fulfil the requirements which will be laid down by Parliament as regards this particular constitutional safeguard, then we would rather take no responsibility in the matter at all: we would rather say to Parliament 'If you wish to call the tune, then let the Parliament be the authority which passes this legislation'." I can understand both

[Sir George Schuster.]

those points of view, but the practical result after full reflection on that in my mind is one which differs from my Honourable friends who have spoken in that sense. I feel that it is so important that this measure should be passed at once, so that we may have practical experience of the working of this Bank, that in spite of all the objections they feel it is the right policy for this House to pass the measure, and, in answer to my friend, Mr. Neogy, I would say that although certain conditions must be fulfilled, nevertheless this House has so much latitude within which to alter the measure that it is really valuable that it should be considered here, and that, in fact, it could not possibly be considered adequately by the British Parliament. Sir, on that point, I entirely differ from the line taken by my Honourable friend, Mr. Puri, who spoke yesterday. He said in fact that India was asked to provide the cloth with which to make a certain coat, and that having done that, they were to make that coat according to a certain pattern. I think what has happened in the various stages through which this measure has passed and still has to pass, Honourable Members will be able to see that very wide powers are left to the Indian Legislature in this matter. I would say, in fact, that His Majesty's Government have said: "You make yourselves a coat, cut it on any pattern that you like, but the only thing on which we must insist is that it is a serviceable coat, it must be a coat which will protect you from certain things". That, Sir, I think, is a much fairer pictorial account of the position than that given by my friend, Mr. Puri.

Then, Sir, there is one other remark which has been made in the course of this debate on which I wish to hang a few observations. My friend, Mr. Gaya Prasad Singh, said that we ought to see in this Resolution the crystallisation of all the suspicions which are felt by Honourable Members opposite. Sir, I think that is a very unhappy idea. At this stage we do not want to crystallise suspicions, we want to dissolve them. And if we are talking in metaphors, and talking about suspicions, I think possibly a biological metaphor may be more suitable than a geological one. Suspicions breed suspicions, and I would tell my friend that every suspicion which is born on this side in India a whole family of suspicions is given birth to on the other side. . . .

Mr. K. C. Neogy: And *vice versa*.

The Honourable Sir George Schuster: I would tell my friend that there are crowds of people on both sides, prowling about like the hosts of Midian, full of suspicions, waiting to fall upon the constitutional plan which is now being evolved. I would tell my friend that in between those two undesirable hosts, there is at work now a devoted set of men, both from India and from England, who are really determined to produce a measure which will give India what she wants. I would tell my friend that those who are really of value to India today—those who show real courage,—are not those who harbour these suspicions, but those who are trying to find out some way of producing a constructive plan which will command assent on both sides and in both countries. Sir, when people talk about butting their heads into a brick wall, I think, that again is a very misleading metaphor. What we have got to remember in this case is that there are necessarily two parties to this constitutional transaction which

we are trying to evolve. It cannot be evolved entirely by India as a unilateral operation on her side. There must be some measure of agreement, and that measure must command support, political support, in England. That is a necessary result of the history which has led up to the present state of affairs. It is not, therefore, a question of butting one's head against a brick wall, it is a question of finding some means of satisfying the legitimate point of view which may be held on the other side. And I say again that those who are showing real courage and really serving India, are those who are helping to find some basis of common agreement.

We have had a good deal said about this London Committee, and I was very unhappy myself that any sort of controversy should have arisen out of anything that was said as regards the discussions that took place in London, because I had hoped myself, and I still intend to do it, to pay a tribute to those who took part in those London discussions. My friend, Diwan Bahadur Mudaliar, needs no defence from me. He is perfectly able to defend himself. My friend, Mr. Yamin Khan, also needs no defence from me. He is quite able to tell the House what sort of man he is and what he stands for, but, Sir, about both of them,—and I will not mention any more names, although I have in mind all those who took part in the discussions in London,—I would say about both of them and about all the rest to this House, that they really have done a very great service to India (Applause), and in going some way to meet the demands of the other side and in helping to find a common basis of agreements, they have served this country far better than some Honourable Members appear to realise. At times like the present when we have got to the stage where the British Parliament is working out a constitutional plan, what helps India is anything from this side which will help to allay the suspicions, quite unreasonable suspicions, no doubt, that are held on the other side, and in the last two years I can testify from my own experience and my own knowledge of the reactions in England that this Legislature has done a very great deal to create confidence in England and to allay suspicions.

A good deal of criticism has been uttered in this House on a matter like the Ottawa Conference and the Ottawa Agreement. I can assure Honourable Members that no single incident has done more to help the constitutional discussions in England than the credit which the Indian delegates earned for themselves at Ottawa and the way in which this Assembly dealt with that Agreement afterwards. And now, there may be ranked in almost equal importance with that, the impression created by the Indian representatives who took part in those discussions about the Reserve Bank in London. It is so easy for Honourable Members over here to parade as patriots the people who are at all times intransigent and who will never give way; but, Sir, people of that kind are accomplishing nothing for India at the present stage, and those who are ready to try and find common ground are, as I have already said, doing real service. I know,—because I know the other side of the picture and have seen it and been behind the scenes,—I know that many concessions were made, many positions were accepted on the British side in those financial discussions with extreme reluctance and with a good deal of misgiving, but they had to accept them, because the Indians who were present there at all times discussed these matters in such an essentially reasonable spirit that it was impossible to find ground for continuing suspicions or for refusing to go some way to meet them. That, Sir, I think should be recorded as a real service.

[Sir George Schuster.]

Then, I have only one other subject on which I wish to touch, and that is as regards the future. We have heard a great deal said in terms of suspicion about what the attitude of the Governor General in future will be—the Governor General acting at his discretion. Sir, I class myself among the optimists like Sir Cowasji Jehangir and not among the pessimists like my Honourable friend, the Raja Bahadur. I am convinced that Sir Cowasji Jehangir's appreciation of the position is the right one. I am convinced that on all future occasions where the Governor General has to exercise his discretion in these matters, he will inevitably consult his Ministers and he will inevitably be guided by their opinion. And I go further and say, if those powers are exercised in a way which does not command the support of Indian opinion, then the whole Constitution will break down. As regards this Reserve Bank in particular, if it cannot establish itself in a position which commands the confidence of Indian opinion, it will become a completely useless instrument.

Now, Sir, I think Honourable Members should rely on those facts. They should have some confidence in the future, and having reached this stage they should say: "Give us this Constitution and let us work it." If I might offer a humble opinion today, my words of advice would be: "Take this Constitution. Go forward and work it. Take this Bank, give it a chance of being started, and prove to the people on the other side both that their suspicions are ungrounded and that safeguards are unnecessary." That, Sir, is the sane view of the position. There are, of course, times when attempts at accommodation are not the method to achieve what one wants and when, if justice is not done, some more drastic action may be required. But this is not the time for that sort of thing.

Now, Sir, I have been speaking of what I have called one of the purposes that I feel underlines the attitude of Honourable Members opposite. They wish that it should be realised that they view the unfettered discretion of the Governor General to intervene, as they fear, possibly not in the interests of India in the appointments, and so on, and under all the other heads where he has power to exercise his discretion in connection with this Bank—they feel that that is a situation which they cannot with self-respect accept. They wish that what they have said on this matter should be appreciated by His Majesty's Government and Members of Parliament on the other side. Although I have said that in my view all the suspicions which they hold are ungrounded and that in practice they will find things working very differently, nevertheless we shall certainly regard it as a duty lying upon us to convey all that has been said in the course of these debates to the Secretary of State so that it may be appreciated by His Majesty's Government. (Cheers.) And we will make a special point of calling attention to what has been said in the course of this particular discussion on this particular amendment. I think, Sir, that that ought to satisfy Honourable Members who have spoken that they have not spoken in vain, and I hope that whatever they may say now, they may feel that in this measure they have something as regards which they have taken by far the greatest share in framing its form, and, again, that in this measure they have something which is going to help towards the realisation of those ideals which we have all in view. (Applause.)

Mr. N. N. Anklesaria (Bombay Northern Division: Non-Muhammadan-Rural): May I put a question to the Honourable Member before we take

leave of this subject? On the 13th September, 1933, I said on the floor of the House as follows

Mr. President (The Honourable Sir Shanmukham Chetty): The Honourable Member might put the question,

Mr. N. N. Anklesaria: The question involves a quotation from my speech, and I wanted to ask the Honourable Member whether he will bear me out or contradict me on the floor of the House today.

Mr. President (The Honourable Sir Shanmukham Chetty): What the Honourable Member has said is on record and he need not be contradicted or confirmed by any other Honourable Member in this House.

Mr. S. C. Mitra: May I put a question to the Finance Member? May I enquire from him how far the Secretary of State has accepted the compromises that were agreed to by the London Conference itself, particularly about the application of the term "Governor General", as to the occasions where it should mean "Governor General at his discretion", and as to other occasions where it should mean "Governor General as advised by his responsible Ministers"?

The Honourable Sir George Schuster: I am glad that my Honourable friend has reminded me. I had meant to deal with that in speaking, because my Honourable friend, Mr. Mudaliar, asked me if I was in a position to give the House any assurances on those points. I think my Honourable friend must have appreciated that neither I nor indeed the Secretary of State himself could give any assurances on those points. All I can say is that the Secretary of State will put or has already put the report of the London Committee before the Joint Select Committee. As far as I know, that has not been considered in any detail yet by the Joint Select Committee, and I should imagine that the Secretary of State would feel himself unable to give any definite assurances in advance of consideration of these matters by Parliament. So that, I am afraid, I can give no definite answer to my Honourable friend. But, as he has particularly asked this question, we will now put that point definitely to the Secretary of State and find out at what stage he thinks these matters will be considered in detail by the Joint Select Committee, and we shall add a very strong recommendation that the recommendations of the London Committee at least must be fully honoured and observed. (Cheers.)

Mr. Vidya Sagar Pandya (Madras: Indian Commerce): May I put another question? I understand that the Secretary of State did deal with these matters and that he was preparing a list of where the Governor General "will exercise his powers at his discretion" and where he "will exercise them in consultation with the Members of his Cabinet". May I know whether that list is ready, and we can get some idea as to reason for and cases in which the differentiation is proposed to be made?

The Honourable Sir George Schuster: I have seen no list; the Government of India have seen no list; and I do not think that any one has got down to considering these matters in detail.

Mr. F. E. James: Before this question is actually put to the vote . . . (An Honourable Member: "It will not have to be voted"), would you

[Mr. F. E. James.]

permit me to make a personal explanation of a matter which arose during discussion? Some reference has been made by my Honourable friend, Mr. Ranga Iyer, and the Finance Member to a casual interruption which I made during Mr. Ranga Iyer's speech, and the phrase, knocking your head against a stone wall, has been I think misinterpreted

Sir Cowasji Jehangir: I am responsible for it. I first mentioned that expression.

Mr. F. E. James: because of the turn which that interruption gave to the discussion.

The Honourable Sir George Schuster: I should like to make it clear that I was not referring to the Honourable Member's interruption at all.

Mr. F. E. James: As my Honourable friend, Mr. Ranga Iyer, referred to it in some detail, I feel I ought to explain the position. My interruption,—and I think those who are near me will corroborate me—referred to some words used in another connection by Mr. Ranga Iyer himself, and I did not use the words in any sense as a challenge to Mr. Ranga Iyer when he was speaking on that particular amendment. In view of the fact that these proceedings are to be sent to another quarter,

P.M. I am particularly anxious that this explanation should be made. I must apologise to the House for not having made the explanation earlier, but quite frankly I was spell bound by the eloquence of my friend, Mr. Ranga Iyer, and I missed my opportunity, but I do want to assure my Honourable friend and the House generally that the interruption I made was not made in the sense which unfortunately was interpreted and not without reason by my Honourable friend, Mr. Ranga Iyer. I explained to him immediately after recess the exact words which I had actually used.

Mr. C. S. Ranga Iyer: I am very grateful to the Honourable Member for meeting me and saying to me what he has said just now and for the explanation which he has given. I must further emphasize my gratitude to him for his interruption which has enabled me to bring out a point of view which he has appreciated himself.

Mr. President (The Honourable Sir Shanmukham Chetty): As it has appeared, in the course of the discussion, that the amendment in its present form would lead to anomalous results and would in any case be ineffective in many parts and for that reason is not in order, the Chair draws the attention of the House to this fact and withdraws the amendment from further consideration.

The next amendment is in the name of Mr. Pandya. Before the Honourable Member wants to move his amendment, the Chair would ask him to say how this amendment is in order because, in one part of it, he seeks to legislate for a future Constitution which is not in existence and, in another part, he seeks to restrict or take away the powers of the Secretary of State over the Governor General acting with his Councillors as conferred by the Government of India Act.

Mr. Vidya Sagar Pandya: If some portions are objectionable, I am prepared to delete them.

Mr. President (The Honourable Sir Shanmukham Chetty): The whole of it is objectionable.

Mr. Vidya Sagar Pandya: Then I bow to your decision.

Mr. President (The Honourable Sir Shanmukham Chetty): As the Chair explained when clause 2 was taken up, it shall defer putting the question to a later stage when Mr. Vidya Sagar Pandya would be given an opportunity of moving amendment No. 10 which stands in his name. We shall now go to clause 3. There are no amendments to clause 3.

The question is that clause 3 stand part of the Bill.

The motion was adopted.

Clause 3 was added to the Bill.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is that clause 4 stand part of the Bill.

Amendment No. 15, which stands in the name of Mr. Mitra, directly raises the issue whether the capital is to be subscribed by private shareholders or by Government. The Chair would allow the Honourable Member to move his amendment and, if it is accepted by the House, then all the consequential amendments would be moved, but if it is negatived, then all these amendments relating to the subscription of the capital by the State fall.

Mr. S. C. Mitra: Sir, I move:

"That for clause 4 of the Bill, the following be substituted:

'4. The original share capital of the Bank shall be five crores of rupees which shall be fully subscribed by Government'."

The purpose of my amendment is that the Central Bank for India should be a State Bank. This question was discussed threadbare in this House and what may be said in favour of a Shareholders' Bank has been very elaborately put forward by my friend, Diwan Bahadur Ramaswami Mudaliar, and I think it has been amply and very ably answered on behalf of those, who support a State Bank, by my Honourable friend, Mr. Neogy. So I do not like to deal in detail with the points already covered. At the very outset, I should like to make it clear that there is honest difference of opinion amongst the Members of this House as regards the advantages of a Shareholders Bank *versus* the advantages of a State Bank and, on account of that, our Party have left the matter to the free vote of the Members. I know on the Government side there may be Members who are supporters of a State Bank and I hope Government will see to the reasonableness of allowing the Members adorning the Treasury Benches and their habitual supporters to vote freely if it is possible.

The Honourable Sir George Schuster: Does my Honourable friend refer to differences of opinion among Government Members on the front Bench?

Mr. S. C. Mitra: There may be. I do not know. I expect the Honourable the Law Member, who comes from Bengal, always represents our views. Whatever may be the differences it must also be admitted that in the country at large the vast majority is for a State Bank. I see Sir Leslie Hudson is shaking his head. What I am saying is that the vast majority of those of our countrymen, whose views are expressed in the press and on the platform, prefer a State Bank. I further agree that there is not much in a name, whether you call it a State Bank or a Shareholders Bank. What we are to see is the scheme itself. A shareholders' scheme may be worse than

[Mr. S. C. Mitra.]

that of a State Bank. That is one of the reasons why I am suggesting this present scheme. So far as I can understand, the main argument for a shareholders' scheme as has been ably put forward by my friend, Diwan Bahadur Mudaliar, is that it gives the shareholders more control over the election of the Directorate and, through them, on the policy of the whole Bank. In our present scheme, the shareholders are entitled to a dividend of six per cent. and that is one of the reasons why the shareholders may not be as much alert as they are in other limited joint stock concerns.

Mr. K. C. Neogy: It is also a sure dividend.

Mr. S. C. Mitra: As my friend points out, it is a sure dividend. They are absolutely certain whether they make any effort or not to get six per cent. dividend.

The Honourable Sir George Schuster: May I point out to my Honourable friend that it is not a correct statement of the position. They will be assured of a certain minimum dividend, but whether that will rise to a maximum of six per cent. is quite a different matter.

Mr. S. C. Mitra: Sir, the Honourable the Finance Member knows that the whole of the reserve fund will be secured by Government from the very beginning and the income from the Issue Department alone is more than a crore and a half. So, unless there is something very very unnatural, there is no apprehension that the dividend of the shareholders will be less than five per cent. The other point that was made much of was the example of other countries in the world. It has been said that from China to Peru, everywhere, they are having a Shareholders' Bank. To that I can only ask in reply: "The conditions of what other country can be compared to those of this country—a vast country whose financial and political control is absolutely in alien hands"? So I strongly hold that it is a dangerous fallacy to compare our conditions with those of other countries. The circumstances of other countries and those of ours are radically different. My friend, Diwan Bahadur Mudaliar, referred to two or three of the essential conditions that obtain in the Central Banking Institution of Australia and those that are provided for in our present scheme of a Shareholders' Bank. Reference was also made to the fact that the Governor General has to decide on essential matters in the case of the Australian Bank. But may I ask my friend to compare the position of the constitutional Governor General of Australia with that of our own Governor General who is invested with autocratic powers, once enjoyed only by the Czars of Russia? That was the reason why in my previous amendment I wanted to make that position clear. If it can be ensured that the Governor General will be a constitutional Governor General and will be always advised by responsible Ministers, I know that many of the difficulties on this side of the House which is for a State Bank will be minimised. Sir, as against the State Bank, the main argument that I could find out was that it would be impossible to get a proper Board of Directors. I think that was the reason why in our 1927 scheme also in a dissentient note Sir Basil Blackett objected to a State Bank. He said in his minute of dissent;

"We were willing to consider the possibility of tolerating this anomaly if we could be convinced that a suitable electorate could be framed for the selection of a majority of the Directors. (it being essential that the majority should not owe their place to Government nomination) without recourse to the device of private shareholders and that a suitable Directorate could thus be created independent of Government and the Legislature and likely to work well in practice."

That was Sir Basil's argument for not accepting a State Bank. But, subsequently, as the Bill proceeded in the Legislature, I think he was satisfied; otherwise there is no reason why they agreed to pass clause 4 of that Bill which was for a State Bank. So, I think, it is not impossible to conceive that at least on that occasion Government also conceded that a Directorate could be suggested which might not be subject to the day to day interference of the Government or of the Legislature. In our note of dissent, we have also said that it may be easily obtained, because, in the case of the highest judiciary in this land, nobody has any misconception that they are influenced by the executive and are not functioning properly and independently, and that if the Directors once appointed are not interfered with, we expect they will be free to act as they think proper, not being influenced by any political consideration. Even under this Bill, for the first three crucial years, we are having for the first year, all nominated Directors, in the second year, there will be only two elected Directors out of fourteen and, in the third year, there will be only four. In the fourth year, there will be six elected Directors and, in the fifth year alone, there will be a majority of elected Directors. So, I see that even Government are not averse to putting in Directors who, they think, will be able to discharge their duties properly, being uninfluenced by political considerations in the initial stage; so there can be no fundamental objection from the Government point of view that a Directorate, though nominated or devised under other schemes, is impossible. As a matter of fact, I have suggested a scheme and my other friends have also suggested schemes of a Directorate if the House sees its way to accept a scheme for a State Bank. Sir, it has been said on many an occasion and there is a strong apprehension in the minds of Members on this side of the House that if we pass the scheme for a State Bank, the Secretary of State from his place will order the withdrawal of the Shareholders Bill and that is one of the reasons why some of the Members on this side are hesitant whether they should support a State Bank scheme, though they believe that it is the better scheme under the present circumstances. It is true that we are really working under a menace, but I appeal to this Honourable House that we should decide as we think best for the country. If, in their superior wisdom, the Secretary of State or the British people, through their Parliament and their Ministry, withdraws the whole Bill, the responsibility will be theirs, as has been very ably put by my Honourable friend, Mr. Neogy. If the British people want it, if the Secretary of State is anxious to legislate according to his designs, and if we are merely to carry out whatever he wants us to carry out, then it should fairly and honestly be done by them. We should have no misgivings in giving our own views. Those, who honestly and sincerely believe that at present the shareholders scheme is the better, may by all means support that scheme, but the argument that is often being repeated in this House that, if we proceed in a certain way, the Secretary of State will have this Bill withdrawn, should be no ground why this House should not come to its own independent decision. It has been repeated so many times that we are not a sovereign Legislature. We know our humiliating position and we know the humiliating position of the Government Benches as well. We ultimately shall have to accept whatever may, through the kindness of the Secretary of State, be vouchsafed to us. We feel, Sir, that the political relations between the Government of India and the Secretary of State have undergone a great change. We remember the days of Lord Curzon, Lord Hardinge or even of Lord Irwin who tried manfully to exert their own influence and to express their own considered judgments, but

[Mr. S. C. Mitra.]

now, as I said the other day also, the Government of India are a mere post office, blindly distributing and unhesitatingly carrying out whatever comes from the Secretary of State. But, I think, even to do bare justice to the Secretary of State, he is entitled to know what India thinks about the scheme. I have no grievance against the Secretary of State personally. Sir Samuel Hoare may be the ablest of men, as Mr. Ghuznavi and Sir Hari Singh Gour are anxious to tell us, but I want to press on the House that he is not here, and he has no chance to understand Indian feelings. We found that even the Select Committee Chairman, Sir George Schuster, in spite of his own inclinations, very generously yielded to many of our arguments. Now, had the Secretary of State been present here, I personally believe that he would have been influenced very much by the arguments and the trend of feeling amongst our people here. Unfortunately, there is no chance for the Secretary of State even to properly gauge the strong Indian feeling in these matters. So, let us be free in our own way to consider and decide what we think to be the best for India, and we should in no way be guided by considerations as to what its fate ultimately will be. So, I hope, the Members who will vote on this issue will be guided only by their independent judgment. If they are for a Shareholders Bank, let them by all means support it, but those who think with the vast majority in India that we should have a State Bank, let them have no hesitation in voting for it. As I said, though in name it is a Shareholders Bank, it is practically a State Bank, because, as has been so well put by Diwan Bahadur Mudaliar, all the three points that are to be found in the State Bank of Australia are more or less to be found here. In my amendment I say that five crores of the share capital should be subscribed by the Government of India. The House well knows that for the creation of the reserve fund of this Reserve Bank, the Government of India are providing five crores from the very beginning. So, the question of money is no consideration. It is only in name that there is so much objection. As regards the question of suspicion, the Honourable the Finance Member said that suspicion breeds suspicion. I can only say, from the number of innumerable safeguards that have been suggested in the White Paper, and from those that have been invented with each edition of the Round Table Conference, that it is those which have bred suspicion in India. It is the attitude of some of the witnesses before the Joint Select Committee and the number of safeguards forged by the three Round Table Conferences and incorporated in the White Paper scheme that really have created this distrust.

The Honourable Sir Brojendra Mitter (Law Member): What of the cross-examination?

Mr. S. C. Mitra: It may be asked, why we on this side should at all ask for a State Bank. We have made it clear that, though we fully agree that the Legislature should not in any way interfere with the day to day administration of the Bank, we certainly claim that as regards its public function of controlling the credit and currency of India, the representatives of the people should have some voice. In my previous amendment, as I suggested, if the Governor General of India is a constitutional Governor General, advised and controlled by a responsible Ministry or the responsible Minister, then much of my argument for a State Bank may

not hold good. But, now, the House is in a position to judge for itself in how many matters the Governor General will be influenced by his responsible Ministers under the White Paper scheme and on how many occasions he will be dictated to by the Grand Mughal from the Whitehall. On these grounds, Sir, I move that the Reserve Bank of India should be a State Bank:

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That for clause 4 of the Bill, the following be substituted:

"4. The original share capital of the Bank shall be five crores of rupees which shall be fully subscribed by Government."

Mr. Vidya Sagar Pandya: Sir, when my Honourable friend, Diwan Bahadur A. Ramaswami Mudaliar, began speaking, I was rubbing my eyes and wanted to know whether I was awake or I was asleep. I never thought that a gentleman like Mr. Ramaswami Mudaliar will be led away in his judgment by the atmosphere in which he had to work in London. He has been looking at things through the London glasses, and, as he is a trained lawyer, he knows how to put another man's case better than his own. The result is that we have got the case put on behalf of the Government or rather on behalf of the opposite Benches better than what they themselves could do. Now, the question is: Is he really for having a Shareholders Bank? Sir, we have a Hindustani proverb "*Muddai sust gawah chust*", that is to say, the plaintiff is not so keen to establish his case as the witnesses who are invited to give evidence. Mr. Ramaswami Mudaliar has overdone his case and, if he were present in the House when we last met at Simla and when I gave an account of how the Shareholders Bank was actually worked in practice in this country, I am sure he would have changed his views. I must similarly say about our other Members who went to the London Committee. All of them have taken it upon themselves to make out a case for the establishment of a Shareholders Bank. The Honourable the Finance Member has given them credit for their very nice arguments and sagacity and they feel that the Finance Member has put the best scheme. It is practically each scratching the back of the other. I am reminded of a Sanskrit sloka in which it is said:

"*Ucst inām grihe lagnam rāśabhāḥ śānti pāthakāḥ, Parasparam praśamsanti aho roopam, aho dhvanihi.*"

When translated, it means, there was a marriage in the house or a family of camels and the donkeys were invited there to chant hymnal songs and they began mutual praising; the result was that the donkeys spoke of the camels: "What a fine and beautiful stature!" and the camels responded: "What a sweet and melodious voice!" Similarly, the London Committee Members say "What a grand scheme of Shareholders Bank!" and the Finance Member says: "What wise discernment!"

Sir Cowasji Jehangir: Who is the donkey and who is the camel here?

[At this stage, Mr. President (The Honourable Sir Shanmukham Chetty) vacated the Chair which was then occupied by Sir Leslie Hudson, one of the Panel of Chairmen.]

Mr. Vidya Sagar Pandya: Let those whom the caps fit in wear them as they like. Apart from these things, we must view this question from the point of view of the country. I think it was Lord Morley who once spoke of the fur-coat policy. He said, what was good for England was not necessarily good for India. I may also say that what may be good

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for other countries—where they have got self-government and where the Government is under popular control and accountable to the Legislature—may not be good for us; and if Shareholders Banks are established in such countries, public opinion can assert itself and the scheme may be tried there. But even there as has been pointed out by some of the Members—even in some advanced countries,—they are thinking and considering whether after all a Shareholders Bank is really the best kind of institution. In some countries they have worked them all right, but in other countries they are thinking of a revision. Never mind what they do in other countries, we have to take into consideration our own conditions. Probably the House will be surprised that I—who has run joint stock banks or shareholders banks for the last 30 years—that I should, of all people, come forward here to plead for a State Bank in this case as opposed to the Shareholders Bank; but I must confess that we have not yet acquired that experience and that practical knowledge and training and all other qualifications which are necessary to run a Central Bank of shareholders, with success. In this matter, some of the leading banks in India have not yet worked in such a manner as to inspire complete public confidence. Besides my experience in India, I have had the opportunity of going to England and, through the courtesy of the India Office, I had the good fortune of looking into the practical working of the leading five banks and some of the big banks in Scotland. I had the opportunity of comparing the working of the banks both in India and in England. I may here pay a tribute to the directors of the various banks in Great Britain as to how well they conduct their banking institutions and, if we had also created a class of trained gentlemen who had devoted their lives to banking, it would have been possible to run a Shareholders' Central or Reserve Bank. There, in England, we find the Chairmen of the banks go and attend the office for two or three hours daily. The Deputy Chairmen go and attend the bank for a number of hours and a number of committees of Directors, who know their business, also meet almost daily. The result is that the Directors themselves are trained bankers and know what the business they are about is. The Chairman draws about £5,000 a year. In some cases the Board of Directors draw about £40,000 or £50,000 to £60,000 a year. They devote a great deal of their time and attention to the working of the bank and they are trained people. Then they are not debarred from becoming Directors of the Bank of England. It had been one of the traditions of the Bank of England not to have any one connected with any of the leading joint stock London banks to serve as Directors, but, during the war and after it, the Bank of England found it absolutely necessary to secure their help and co-operation in order to tide over the crisis during the war and also for the better governance of the Bank.

The Honourable Sir George Schuster: Can my Honourable friend give me any instance of a Director of one of the big five Banks who is now the Director of the Bank of England?

Mr. Vidya Sagar Pandya: I do not know whether there are any at the present moment. Formerly there were Mr. Goodenough of the Barclays Bank Ltd., and Mr. Eddis.

The Honourable Sir George Schuster: What I asked was whether the Honourable Member could give any instance at present if Directors of the five big Banks were Directors of the Bank of England.

Mr. Vidya Sagar Pandya: Mr. Goodenough belonged to Barclays, one of the five big Banks. I do not say now there are any Directors of the big five who are on the Bank of England. What I meant was that the Bank of England had Directors from the other leading institutions even from one or two of the five big Banks.

The Honourable Sir George Schuster: Not now.

Mr. Vidya Sagar Pandya: When they found it necessary, they had them. I can quote the names if you want. Before 1913, there was not a single woman employed in any bank in England. Up to 1913, except in the note issue department for counting currency notes in the Bank of England there was not a single woman taken in the banking circles in their service. Similarly, the Bank of England took Directors from other banks only during the war, even now they can do so if they want. In some years, in the Bank of England, out of 26 Directors, there have been 15 Directors connected with banking and financing houses of the London City on the board of the Bank of England.

The Honourable Sir George Schuster: I quite agree that the finance houses are represented, but not the big five Banks.

Mr. Vidya Sagar Pandya: It may not be of all the five Banks. They try to make a distinction between the five Banks and other banks. There are the Colonial banks, the Dominion banks and the Directors of the Bank of England are on the boards of these Colonial and Dominion banks which have got their offices in London. Here every banker is treated like an untouchable, as if he is a pariah, as if he is an enemy of the Bank. This is a most preposterous part of the Bill to keep them out under that pretext and even when it is suggested that an active Director need not be put on the Bank and when the Banks are called upon to contribute five per cent.—formerly it was $7\frac{1}{2}$ per cent., but now it has been reduced to five per cent. on demand liabilities and two per cent. on time liabilities,—would it not be possible for them to provide a representative who will be elected by these banks and who will not in any way be actively connected with any bank either in India or outside? Even such a proposal is turned down. Similarly the Members of the Legislature are not allowed to sit on the board of this new institution. There is no provision in the Bank of England Act or the Charter to debar any Member of Parliament, and I have actually seen in the old lists some Members of Parliament sitting on the Board of the Bank of England. Then, another funny part of it is this. The Imperial Bank of India has been a semi-Government Central Bank so far and Government themselves have been nominating Directors of other banks on the Board of the Imperial Bank of India. For instance, Sir Dinshaw Wacha, who was on the Board of the Central Bank of India, the Honourable Raja Sir Annamalai Chettivar and some other gentlemen were nominated who were connected with other banks.

Mr. H. P. Mody (Bombay Millowners' Association: Indian Commerce): Not as Directors.

Mr. Vidya Sagar Pandya: I am absolutely certain that in the past gentlemen who were on the boards of other banks have been nominated by Government on the Central Board of the Imperial Bank of India and I am quite prepared to prove it.

Mr. H. P. Mody: So far as the Bombay branch is concerned, I am not aware of the Director of any other Bank being on the Imperial Bank, for some years past at any rate.

Mr. Vidya Sagar Pandya: They have been on the Central Board. The thing is that, under the Imperial Bank Act, no Director connected with any other Bank can sit on the local board, but on the Central Board there is no such prohibition against any Director connected with any other Bank being a Director on the Central Board of the Imperial Bank of India; and I will give you instances if you like.

Mr. H. P. Mody: That may be, but they meet once in six months.

Mr. Vidya Sagar Pandya: If they meet once in six months, you demolish your case for shareholders Directors. What is the use of having Directors who meet once in six months? Are these the kind of gentlemen who are to be entrusted with the large funds of India?

Mr. H. P. Mody: They are not Directors, that is the point.

Mr. Vidya Sagar Pandya: They are on the Central Board, they are voting Directors; and the result is that Government have been nominating these gentlemen connected with other Banks, and the heavens have not fallen. I do not see why the banking institutions of the country should not be allowed a representative if they choose a gentleman who is not actively connected with the banking institutions on account of their having a large stake in the Reserve Bank in the form of compulsory deposits. And, it has been calculated by the Eastern Exchange Banks in one of their memoranda which they have submitted to Government that the amount so collected may amount from six crores to nearly 30 crores. Now, the banking institutions, whose funds may amount even up to 30 crores, are deprived of any representation while a person who takes two shares has got a vote to elect representatives. But we will leave that aside; I do not wish to repeat all that I said on the previous occasion. But I wish to point out, as I have conclusively proved by giving facts and figures and by quoting names, all the Boards of the three Presidency Banks, as well as the Board of the Imperial Bank of India which was substituted for them, have been close boroughs. In Calcutta, Bombay, Madras, in all places, the Board of Directors who have been elected have been elected only out of some favoured firms ranging from seven to ten firms for a long number of years, and there have been occasions on which they have kept even the seats vacant rather than allow any outsider to be elected on the board. I have proved that in the statements which I produced on the last occasion. Now, once a set of people get hold of an institution, they naturally try to retain their seats as long as they can, and the result is that they will not allow anybody from outside to get on the board. That is our practical experience. I do not blame the Imperial Bank entirely for it; there are similar other institutions in the country, managed by both Europeans and Indians alike, where the Directors, who were originally appointed, have, under the plea of experience or continuity of experience, continued to remain on the Board till only an act of God removes them.

Now, Sir, under the new Constitution we have practically the first Board nominated by Government; they will have the first innings. The result

will be that, practically even at the time of the elections, these very gentlemen will think that they are so indispensable that their ripe experience should not be lost to the Bank. Another question which arises is this. I can understand Directors who have got some banking experience being put on the Board. They may not be connected with another institution; they may have retired from there and might join a new institution. But these here will be elected by the gamble of the ballot-box and everybody who is clever at securing or manipulating those votes will have a chance to be elected and we know how some people get elected to municipalities and district boards, how they are incompetent to run the institutions and how they make a mess of them. The result will be that we will get a set of men who will know practically very little about banking and the Governor and the Deputy Governors will be practically running the show without any help or useful advice from such Directors. It is just possible that some of the areas may by chance send some good people; but I have not much faith in election by the ballot-box. As such it would not be safe to entrust the large funds of India to such Directors—there will be five crores of the shareholders money, there will be about 10 to 30 crores of the Banks, there will be Reserves of about 180 crores of the Correny Department: they will look after the public debt and floating loans: the question is, whether where such large interests are involved, we can entrust the working to such amateurs. My idea of a State Bank or any Central Bank is, for instance, the American model. I will state it briefly: I will not go into too much details.

The Federal Reserve Board of the United States consists of eight members—the Secretary of the Treasury and the Controller of the Currency *ex-officio*, and six members appointed by the President with the approval of the Senate, not more than one of whom to come from any one Federal Reserve District: in making the selection the President to have regard to fair representation of financial, agricultural, industrial, commercial interests, and geographical divisions of the country: the six members to be full time officers and to be salaried 12,000 dollars per annum: term of office, 10 years: one of the six appointee members to be designated by the President as Governor, the active Executive Officer, and one as Vice-Governor of the Federal Reserve Board; the Secretary of the Treasury to be *ex-officio* Chairman of the Board. All the members of the Board to take oath of office; the expenses of the Board to be met from a levy on Federal Reserve Banks in proportion to their capital stock and surplus: no Members of the Board to be officers or directors of or stock holders in a bank: the Secretary of the Treasury and the Controller of the Currency to be ineligible while in office and for two years after to hold any office in a member bank; this applies also to other members of the board who resign prior to the expiration of their appointed term; the Board to make annually a full report for information of the Congress. Then we have got the constitution of the boards of local directors—where they have got each of them representative of the stock holding banks, three at the time of election actively engaged in their district in commerce, agriculture or other industry, three designated by the Federal Reserve Board, and so on: and it is made compulsory that all national banking associations should subscribe to the capital stock of the Federal Reserve Bank in their district in gold certificates, etc., etc. Under this scheme, there are at present nearly 1,200 State Banks which are member banks. Now, I can understand, as in the case of this institution where six people, with some practical experience, are put there for some definite period and they help the Governor and Deputy

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Governor and others in the discharge of their duties. They are appointed by the President. These are all the safeguards to impress their responsibility on these Directors. The question here is whether, under our new scheme, a Director who comes only for a short period on the gamble of the ballot-box without any experience, we should entrust our funds in charge of gentlemen like these. That is why I press that the best way would be for the Government which own the capital to make the necessary arrangements for getting the best men to represent all the interests and put them as whole time men drawing proper salaries and accountable for their work. Now, what happens under the constitution as at present? As my friend, Mr. Mody, has said, they meet once in six months

Diwan Bahadur A. Ramaswami Mudaliar: No, no; once in two months.

Mr. Vidya Sagar Pandya: We had a representation from the Imperial Bank asking us to change the number of meetings in a year as they find that they do not get enough Directors to attend and they have to hold some meetings only to comply with the formalities of the Act. What is the use of Directors who only attend meetings to complying with the formalities of the Act? There have been instances in the case of the Imperial Bank, where the Board consists of about 16 Directors, and four form a quorum, where we have three Secretaries and two Managing Governors as members, it is possible for the Managing Governors and the Secretaries to hold a meeting among themselves with the help of one or two other Directors; and the same set of Directors rarely meet again or are in touch with what has transpired previously; and the constitution which we are now following is practically on the same lines with some modifications. So what I wish to impress upon this Honourable House is, whether the machinery we are providing is the proper machinery. A good machinery on the lines of the American model can be provided only by the Government. Once they are appointed, they know that they are for a definite period as my Honourable friend, Mr. Mudaliar, has pointed out to secure independence: there will not be much difficulty in the matter. But, as matters stand at present, the present system is such that the control and direction of the Bank is vested in a group of men responsible to nobody but themselves, without any effective supervision and check by the shareholders, whose interest does not go beyond fat dividends. The Directors at the shareholders meetings are practically left to pass accounts submitted by themselves to re-elect themselves or the partners of the firms to which they belong or their successors and this applies to several institutions.

Now, Sir, much has been made of that the shareholders will have effective control on the Board. With regard to that, I should like
 4 P.M. to read out, because some Members were not present on the last occasion, the attendance of the shareholders at the general meetings. I will take the Imperial Bank as my model, because that is our Central Bank at present and we are all expected to follow that good model. In the year 1921, a meeting was held in Calcutta, and only 11 shareholders were present. At the Joint Committee meeting we tried to find out what was the total number of shareholders in the Imperial Bank of India, but no definite idea was given; but I think I may take it safely that the number of shareholders cannot be less than 5,000. Now, Sir, out of 5,000 shareholders in Calcutta, only 11 people attended. Next year, in Bombay, 38

shareholders attended, in Madras 41, Calcutta 16, Bombay 34, Madras 13, Calcutta 36, and so on. But another funny part is at the special meeting of the shareholders which was convened in 1927, to consider the constitution of the Reserve Bank and the consequent amendment of the Imperial Bank of India Act, when only 37 shareholders were present out of 5,000.

Mr. Jagan Nath Aggarwal: How many of them were Directors?

Mr. Vidya Sagar Pandya: There were Directors, ex-Directors and there were officers of the Bank, there were brokers, their friends and others. There were Secretaries also present. Now, Sir, the House will understand that, when the whole question of the constitution of the Bank was under consideration, out of nearly 5,000 shareholders, only 37 attended. Another funny part of it is,—probably the Imperial Bank this time, when the constitution is being amended, have not taken the trouble to call any meeting of the shareholders at all to put the scheme before them and get their sanction,—probably they depend upon the scheme which was approved of by the shareholders six years ago, and they take it that it still holds good. We have made some important alterations, Sir, in the Imperial Bank Act, and it was necessary that the shareholders should have been called and the scheme placed before them, but the Directors probably think that they are acting in the best interests of the Bank and so there is no necessity for the shareholders to be consulted

Mr. K. C. Neogy: If my Honourable friend does not mind an interruption, I should like to know what proportion of the elected Directors of the Imperial Bank are Indians, because my friend will remember that it was stated by the Honourable the Finance Member on the authority of Mr. Shroff that as many as 65 per cent. of the shares in the Imperial Bank were held by Indians. I should like to know what proportion of the elected Directors of the Imperial Bank are Indians.

Mr. Vidya Sagar Pandya: There are now two or three Indians on the Local Boards of seven members. Well, Sir, as regards the elected Directors, if we go into the history from the very beginning, I may say that the Bank of Bengal was registered, if I am not mistaken, in 1905. From 1805 to 1917 or probably 1919, there was not a single Bengalee on the Bank of Bengal. (*Several Honourable Members from Bengal:* "Very good.") Then, Sir, taking the Bank of Madras, it was established in 1842 or 1843. Till 1917, and till I brought the matter to the notice of the Royal Commission in 1913, there was not a single Madrasi on the Board. But, in Bombay, I am glad to say, there have been two or three Indians out of seven on the Board. From 1917 onwards, on the representations made by the Southern India Chamber of Commerce, two Indians, out of seven Directors, were taken on the Board of the Bank of Madras. The Bombay Board of two or three Indians continued, and, in Bengal, they first put one gentleman and then they have two now and I may also add that, only recently, in the Bank of Madras, we had for the first time a majority of Indians on the Local Board.

Mr. K. C. Neogy: All elected, I suppose?

Mr. Vidya Sagar Pandya: They were elected at the sweet will or mercy of the shareholders under the control of the Bank.

An Honourable Member: What do you mean? It is a complicated thing.

Mr. Vidya Sagar Pandya: I do not know exactly what is the proportion of shareholders of Indians and Europeans on the Madras Register, but when the matter was pressed on the Government, they were compelled to take some people, and the Directors who are elected are always afraid that they may not be re-elected if they do or say anything which the other Directors may not like or show any independence in expressing their views in regard to the working of the institution. Now, Sir, take for instance the constitution of the Imperial Bank at the centre. Under the constitution, two of the Directors, the President and the Vice-President of the Bank at the Local Boards, have to be *ex-officio* Directors of the Central Board. Unfortunately it has so happened for a number of years, that no Indians are appointed President or Vice-Presidents of the Local Board. Of course, things have been set right now to some extent as a result of the representations made by the Chamber to the Honourable the Finance Member, and I must thank him for the interest he took in getting a change made,—but in the first seven or eight years, if I am not mistaken, no Indian was elected as President or Vice-President in Madras, and the indirect representation of the Indian Directors from the Madras Presidency on the Central Board was not given effect to. Similarly, only in very rare instances, say three or four times Indians were made President or Vice-President in Bengal. But I must say that in the case of Bombay, there have been occasions, though they have been rare, when both President and Vice-President were Indians. Therefore, the number of Indian Directors, who can be sent from the Local Boards to the Central Board, has been practically at the minimum. The result is that Indian interests have not got adequate representation, as it should have received. I hope, I have answered the point of my friend, the Honourable Mr. Neogy, and if he wants any further information or if he puts any more questions, I shall be glad to answer them.

Mr. K. C. Neogy: Not just now.

Mr. Vidya Sagar Pandya: I was referring to the attendance of the shareholders at the general meetings of the Imperial Bank of India, and now I come to it again.

In 1928, in Bombay 32 shareholders attended.

In 1929, in Madras, 22 shareholders attended.

In 1930, in Calcutta, 12 shareholders attended.

Next year, in Bombay, in the year 1931, there were 176 shareholders present. That was the largest number. There was trouble at the meeting, there was a walk-out by 100 shareholders, there were apologies, and there was some *golmal* at that meeting.

Mr. Muhammad Yamin Khan: What was the *golmal*?

Mr. Vidya Sagar Pandya: I don't think it is necessary to go into such details here. Then, in Madras, in 1932, there were 19 shareholders present. Now, what happens is that under the Act it is possible for a couple of people to hold proxies from absent shareholders and conduct a meeting, and there have been occasions on which meetings were over even before some of the Directors were able to attend them! (Laughter.) Now,

the number of proxies which were whipped up on these occasions were, 665, 881, 1621, 908, 841, 788, 807, 815, 812, 788, 740, 954 and 1,198 from the years 1921 to 1932 respectively. The shareholders present were only a few including the Directors, Secretaries and the Managing Governors, but the proxies held by them, in several cases, were too many—I am glad that we have amended the Reserve Bank Bill in such a way that we are not going to allow proxies to play such a large part. A number of absentee shareholders living outside India had given standing proxies to the officers of the Bank. Now, the Imperial Bank has applied to the Government to declare that these proxies need not be taken from one office to another, but if the Secretary gives a certificate that the proxies are held at a particular office they need not be brought to the meeting.

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

Mr. K. O. Neogy: When, in the western countries, years ago, even marriages used to take place by proxy, why does my Honourable friend object to this? (Laughter.)

Mr. Vidya Sagar Pandya: If it is marriage, it concerns only the husband and the wife, but here we are concerned with solvency or insolvency of India. If we come to the attendance at the local meetings, we find in Calcutta in 1921, seven shareholders were present in person from the Bengal Circle, eight in 1922, nine in 1923, eleven in 1924, eight in 1925, ten in 1926, fifteen in 1927, eight in 1928, ten in 1929, ten again in 1930, twenty-one in 1931, and eighteen in 1932. I do not wish to weary the House with much of these figures. Comments have been made by some of the Anglo-Indian newspapers about these poor attendances. I will read one typical newspaper comment about the shareholders' meeting which I had the honour of presenting to the Royal Commission some years ago but things have not improved much since then:

"The Annual General Meeting attended by only one shareholder and held in a room in which the temperature was registering 95 degrees is probably unique in the annals of banking. Such were two of the best remarkable features of yesterday's annual meeting of the Bank of Madras. Of the temperature we prefer to say nothing. Heat, we are told, generates heat, and it would be impossible to refer to the subject coolly. As regards the presence of only a solitary shareholder we consider that a greater compliment could not be paid to the Board of Directors and the executive staff. It proves that the shareholders as a body consider that the affairs of the bank are being conducted in the best possible manner and that there is no fault to be found anywhere or with anybody."

"Mr. Decaster, the only representative of the shareholders present, when he found that he was unable to pass his vote of confidence and congratulations on account of there being no seconder, must have felt himself in a rather awkward predicament, but the intention was no doubt accepted with the same pleasure that it would have been had it been possible to embody it."

"The Chairman's speech, though addressed to practically empty chairs, will no doubt be read in print by the majority of the shareholders."

Now, Sir, we come to the Bombay register. There, again, we have got a lot of proxies. The attendance in Bombay from the year 1921 to 1930 was as follows: 32, 18, 25, 20, 16, 18, 17, 13, 19, 21, and, in the year 1931, 97 and, at an adjourning meeting, 43, and 47 in 1932. I come to my own Madras Province and I hope Diwan Bahadur Ramaswami Mudaliar will kindly listen to this more attentively. Eleven shareholders

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were present in 1921, next years, seven, fifteen, ten, ten, and particularly in 1926 only four people were present, nine in the next year and then, 14, 12, 13, 11, and 13 from 1927 to 1932. This is the amount of interest that shareholders take in the Bank, and I ask whether an appointment made by them can be considered as appointment by the shareholders and whether it would be a proper appointment.

Before I proceed to other matters connected with this typical Bank. I will now refer to the control of the shareholders on some of the banks in other countries which are quoted as a model for us:

"Ownership of the Bank of France. The bank is entirely owned by its stockholders. For many years none of its stock has been held by the State, that which was originally purchased having been disposed of to the public. The stock is 182,500,000 francs divided on December 24, 1921, among 33,781 stockholders. The par value of the shares is 1,000 francs, equal at par of exchange to 200 dollars. Its market value at the close of 1921 was 5,530 francs—say 1,106 dollars. There were then 11,952 stockholders holding only one share of stock each. There were 7,398 persons who had only two shares and 7,509 who held between three and five shares. Thus 10.6 per cent. of the stock was held by those who owned two shares or less, and over 20 per cent. by those who owned five shares or less. That means that probably 30 per cent. had no right of voting. A very large percentage of the stockholders are women. That is, out of the 33,781 stockholders a very large proportion are women. Only the 200 largest stockholders have a voice in the management of the bank."

Diwan Bahadur A. Ramaswami Mudaliar: May I tell my Honourable friend that it is not a question of only 200 having a practical voice in the management, but by far the 200 largest stockholders can alone vote at the general meeting. That is by law.

Mr. Vidya Sagar Pandya: It is by law, and we also have it by law here that people holding less than five shares shall not vote, and the result will be that many of our shareholders will be deprived of their vote.

Mr. K. C. Neogy: Hope for the best!

Diwan Bahadur A. Ramaswami Mudaliar: You have the present nominated Governors of the Imperial Bank who, you say, do not attend. It is equally bad.

Mr. Vidya Sagar Pandya: Absolutely. In 1927, when we had a discussion on the Reserve Bank of India Bill, the Honourable the President himself said as follows:

"I would still have some objection to such a clause. I do not want that on an important concern like this vested interests should be created, for we all know as a result of the experience of almost every joint stock concern not merely in India but all over the world that the control exercised by the small shareholders is absolutely negligible, if not non-existent. The managing agents or directors of any joint stock company will tell you how ineffective and unreal the general control of the shareholders over the affairs of a corporation is."

Now, Sir, then we turn to the appointment of Directors in the Bank of England. Hartley Withers, in his book "Meaning of Money", page 215, says:

"The bank court (Bank of England) is a committee recruited chiefly from the ranks of the accepting houses and merchant firms and its members are nominated by itself subject to the purely formal confirmation of the shareholders."

Now, Sir, practically there is no control. So much so that in some of the leading five Banks the Directors have now provided in the Articles themselves that no person, not being a retiring Director, shall, unless recommended by the Directors for election, be eligible for election to the office of Director unless a previous notice is given within a specified time. The result is that the same set of Directors are practically re-nominated.

Now, Sir, coming back to what I was saying, it may be said that I have taken bad examples and I am making much of them. Here is another instance. In the case of the Alliance Bank of Simla, Limited, I have seen some of the shareholders lists some years before it failed. We had a galaxy of Europeans, high officials, including Viceroys, Commanders in-Chief, Members of Council, Secretaries to Government, etc., among the shareholders. What interest did they take in the Bank as shareholders? And that bank failed right under the nose of the Government of India, and some of the Directors retired as Knights.

Mr. E. O. Neogy: Before the failure or after the failure?

Mr. Vidya Sagar Pandya: Before the failure, of course.

An Honourable Member: Was any Finance Member a shareholder?

Mr. Vidya Sagar Pandya: I have not looked into the list for him. You must ask the Official Liquidator in the matter. Then, about the attendance at the meetings of the Imperial Bank at Madras, they are poorly attended in spite of special personal invitations to some of the title holders and some of the borrowers of the Bank to assemble at the meeting to pass the resolution for vote of congratulations and to pass the accounts. What I feel is that the shareholders do not take any real interest. This is also the case in other places. Then, why create a body and make it a Shareholders Bank where practically they will have no control? Besides that, I may say another thing.

The Government of India were run by the East India Company which was a shareholders' concern. Then we have got the experience of the Indian railways being run as shareholders concerns and, after several years of agitation, we have got them converted into State Railways. Now, are we, after this prolonged agitation and bitter experience, going back to the shareholders institution? I am sure, my friend, the Diwan Bahadur, was not aware of these things. I have got a very high regard about his judgment, his capacity, his burning patriotism, as the Leader of an important party. He is a responsible gentleman and a real patriot in every sense. I could have understood if these things had come from another type of patriots, we have sometimes, and as a result of the tussle we had between Mr. Yamin Khan and Mr. Mudaliar we have come to know something more of what transpired behind the scenes. We seem to have some gentlemen amongst us who think they are patriots, but their patriotism is of a kind that they love every country in the world except their own. They say they have no confidence in Indians and they want Europeans to decide everything for them. I was very much pained when I saw my worthy friend pleading for the Shareholders Bank, as he did not then know about these matters.

Well, it has been suggested—I do not know how far it is feasible—that some method must be found for making the shareholders attend meetings. I am told some of the railway companies in some other countries give free passes to their shareholders to attend their annual

[Mr. Vidya Sagar Pandya.]

meetings. I wonder if the Commerce Department or the Reserve Bank will make some such arrangements. I know of cases of some banks which are able to get better attendance by arranging tea parties. But generally what happens is that, as long as the shareholders get their fat dividends, they do not care. In fact, the Imperial Bank was running very smoothly and the trouble arose in Bombay only when the dividends were reduced from 16 per cent. to 12 per cent., and that busy body, the Bombay Shareholders' Association, took a great deal of interest and the result was that there were some changes made and something done. Ordinarily, the shareholders do not take any interest . . .

Mr. B. Das: But now the Bombay Shareholders' Association seems to be satisfied with the management of the Imperial Bank?

Mr. Vidya Sagar Pandya: It is not a question of any outside body's satisfaction, it is a question of the satisfaction of those who hold the shares in the Bank. Now, as the shareholders will not take any interest in these matters, the officials of the Bank will practically do what they like. The Directors will be nominated, and they will be re-elected or re-nominated, the recommendations of the Bank Governor will go to the Government, and they will go on merrily doing things as they like practically without any control by the shareholders. Especially when we take into consideration the fact that the shareholders will be distributed all over the continent of India, you cannot expect shareholders holding two and five shares to come all the way from Rangoon to attend meetings at Madras or Madras people coming to Delhi, and so on. The geographical conditions, then, are such that it is very difficult to constitute an institution where the shareholders can really exercise proper check and control and can properly elect Directors to represent their interests. Now, Sir, it is said that other countries have got on all right with a Shareholders' Bank, and it is asked why in India such a thing should not be started. The real thing is that the traditions and the experience of working of the joint stock institutions have been in existence for a considerable time and we have a class of gentlemen who take a real interest in their work and who know their business. Besides that, in the case of the Reserve Bank in other places, the Directors there have to take care of the public opinion, and they being persons of the same nationality and working for their own country, if they make mistakes, they only make honest mistakes and they pay for it themselves; but here the conditions are quite different. Powers are given to the Governor General who is dictated to by the Secretary of State and the London financiers and we have not got that confidence as we should have in our own Government. Under the circumstances, it is best that we should have a Bank in respect of which we can hold the Directors responsible. If it is a State Bank, it would be open to the Legislature to review the working. As in the case of the American model, the report there is submitted to Congress. Here, whenever there will be any question about any matter or any information is asked, we will be told that it is a private institution and information could not be got on the matter, and so on and so forth. I think, Sir, I have sufficiently shown from the practical experience not only of the Imperial Bank but even in the case of other Banks that as long as the shareholders get fat dividends, they do not care, and one fine morning they find that the Directors have mismanaged affairs. The Directors sometimes give dividends even out of capital,—and such cases

are known where they have given dividends out of capital, even when the accounts are certified by the auditors. As I have just mentioned about the Directors being confined to particular firms, the auditors also are drawn from particular firms. Now, the partners of the same firm are practically appointed from year to year. The Directors meet and they re-elect themselves and the same auditors are elected by the Directors to check their own accounts, and there are no shareholders to control them or to criticise them, so that the business is practically reduced to a farce. As long as the men at the top are honest and capable, things are all right. As such, if the Government wish to start a Reserve Bank, let them by all means do it. Let them take the full responsibility in the matter, and, following the model of the American type, they might constitute a Board which will be really a good Board and we can hold them responsible for it and the Government should not act under the screen of the Directors appointed by the so-called shareholders and go on with the business just to suit the London interests. As such, I would earnestly appeal to the Honourable the Finance Member to reconsider the matter and have a Bank where the Directors will know their business and will be responsible to somebody and not to shareholders who practically leave everything to the Directors. Sir, I have dealt with the matter within the limited time at my disposal, but, if there are any further questions, I shall be very glad to answer them. With these remarks, I support the proposition of my friend to constitute a State Bank.

STATEMENT OF BUSINESS.

The Honourable Sir Brojendra Mitter (Leader of the House): With your permission, Sir, I desire to make a statement as to the probable course of Government business next week. From Tuesday onwards, we shall proceed with the detailed consideration of the Reserve Bank of India Bill, and we shall ask you, Sir, to supplement your original direction by a further direction that the House shall sit on the 7th, 8th and 9th December. As soon as opportunity offers, after Thursday the 7th, that is to say, on the conclusion of the Reserve Bank of India Bill, or if, for any reason, the progress of the Reserve Bank of India Bill is interrupted, we shall take up the Indian Tariff (Second Amendment) Bill, the Select Committee's report on which was presented to this House yesterday. The Bill to amend the Imperial Bank of India Act will also be on the agenda; but it will be taken after the Tariff Amendment Bill.

The Assembly then adjourned till Eleven of the Clock on Tuesday, the 5th December, 1933.