

*Friday,
21st January, 1898*

ABSTRACT OF THE PROCEEDINGS
OF THE
Council of the Governor General of India,

LAWS AND REGULATIONS

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ABSTRACT OF THE PROCEEDINGS
OF
THE COUNCIL OF THE GOVERNOR GENERAL OF INDIA
ASSEMBLED FOR THE PURPOSE OF MAKING
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Proceedings of the Council of the Governor General of India, assembled for the purpose of making Laws and Regulations under the provisions of the Indian Councils Acts, 1861 and 1892 (24 & 25 Vict., Cap. 67, and 55 & 56 Vict., Cap. 14).

The Council met at Government House, Calcutta, on Friday, the 21st January, 1898.

PRESENT :

His Excellency the Earl of Elgin, P.C., G.M.S.I., G.M.I.E., LL.D., Viceroy and Governor General of India, *presiding*.

The Hon'ble Sir J. Westland, K.C.S.I.

The Hon'ble M. D. Chalmers.

The Hon'ble Major-General Sir E. H. H. Collen, K.C.I.E., C.B.

The Hon'ble Sir A. C. Trevor, K.C.S.I.

The Hon'ble C. M. Rivaz, C.S.I.

The Hon'ble Rahimtula Muhammad Sayani, M.A., LL.B.

The Hon'ble Pandit Bishambar Nath.

The Hon'ble Joy Gobind Law.

The Hon'ble C. C. Stevens, C.S.I.

The Hon'ble Sir H. T. Prinsep, Kt.

The Hon'ble M. R. Ry. Pannappakkam Ananda Charlu, Vidia Vinodha Avargal, Rai Bahadur, C.I.E.

The Hon'ble J. J. D. LaTouche, C.S.I.

The Hon'ble F. A. Nicholson.

The Hon'ble Rai Bahadur Pandit Suraj Kaul, C.I.E.

The Hon'ble Gangadhar Rao Madhav Chitnavis, C.I.E.

The Hon'ble Allan Arthur.

QUESTION AND ANSWER.

The Hon'ble GANGADHAR RAO MADHAV CHITNAVIS asked :—

“In view of the acute famine from which the Central Provinces are just emerging and the widespread exhaustion of resources which has taken place, will the Government be pleased to suspend the operation of the new revised jamas in the worst affected districts or tracts where the settlement-operations have been recently completed or are in progress, both in the case of malguzars and tenants, until such time as the people recover from the severe blow they have received.”

[*Mr. Rivaz.*]

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The Hon'ble Mr. RIVAZ replied :—

"The Government of India do not consider it necessary to postpone the introduction of the revised assessments in tracts affected by famine in the Central Provinces where resettlement-operations have recently been completed or are in progress. Liberal suspensions and remissions of revenue and rent have been granted on account of the famine, and the Government of India are of opinion that the revised assessments form a more equitable basis than an assessment based upon the conditions of thirty years ago can form for calculating the amount of revenue and rent which should be collected or suspended or remitted."

LEPERS BILL.

The Hon'ble Mr. RIVAZ presented the Report of the Select Committee on the Bill to provide for the segregation of pauper lepers and the control of lepers following certain callings. He said :—The alterations proposed by the Select Committee are mainly in the direction of making the provisions of sections 8, 9 and 10, which deal with pauper lepers and which prohibit lepers from following certain callings or doing certain acts, more distinct and less stringent than they stood as originally drafted. We also propose to insert a new section in the Bill which will render persons who employ lepers in prohibited callings liable to punishment as well as the lepers themselves. I reserve any further remarks that I may have to make in explanation of the general scope of the Bill until the time comes for asking the Council to take the Report of the Select Committee into consideration."

STAGE-CARRIAGES ACT (1861) AMENDMENT BILL.

The Hon'ble MR. RIVAZ moved that the Report of the Select Committee on the Bill to further amend the Stage-Carriages Act, 1861, be taken into consideration. He said :—"I need not add anything to the few remarks I made in presenting the Report of the Select Committee on this Bill a fortnight ago. The purport of the Bill is merely to correct a few minor defects in the Act of 1861 and does not alter that Act on any important points."

The motion was put and agreed to.

The Hon'ble MR. RIVAZ moved that the Bill, as amended, be passed.

The motion was put and agreed to.

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INDIAN STAMP BILL.

The Hon'ble SIR JAMES WESTLAND moved that the Bill to consolidate and amend the law relating to Stamps be referred to a Select Committee consisting of the Hon'ble Mr. Chalmers, the Hon'ble Babu Joy Gobind Law, the Hon'ble Mr. Nicholson, the Hon'ble Mr. Allan Arthur and the mover.

The motion was put and agreed to.

INDIAN PAPER CURRENCY BILL.

The Hon'ble SIR JAMES WESTLAND moved that the Bill to provide for the issue of currency notes in exchange for gold received in England be taken into consideration. He said:—"In making this motion I have no further remark to make than to say that I am pleased to observe that the introduction of the Bill has been followed by considerable relief in the stringency of the money market, and this mere introduction therefore has attained much of the object which we sought in proposing the measure."

The motion was put and agreed to.

The Hon'ble SIR JAMES WESTLAND said:—"Before the motion be made that the Bill be passed I have two amendments to make, both of them arising out of the correspondence that has taken place between the Government of India and the Secretary of State during the past week. It was necessary that we should be in close correspondence with him, because the measures which have to be adopted in pursuance of the Bill have to be adopted on his side and not on ours. The first of these two amendments is a purely verbal one. It is that in the title and preamble of the Bill the words "in exchange for" be deleted and the words "on the security of" be substituted. Both of these expressions are used in the Currency Act as it stands. The Currency Commissioner is authorised to issue notes in exchange for coin, but afterwards, in a subsequent section, it is declared that the notes in question shall be deemed to have been issued on the security of the said coin. The amendment is not a substantial one and practically only arises from the circumstance that, in the official language which the Secretary of State has used in connection with the matter, he obviously prefers the term 'on the security of' to the term 'in exchange for'. He has not asked us to make this amendment in the Bill, but, in order that the wording should be in exact conformity with that which he prefers, I propose to make the substitution which he prefers, for the words which are to be found in the Bill as it at present stands."

The motion was put and agreed to.

The Hon'ble SIR JAMES WESTLAND said:—"The second amendment has for its object to enable the Secretary of State to carry out a transaction in respect of the gold which he receives for the notes issued here, which is exactly the same as the transactions which are carried on every day in this country. One notable example is the way in which the Bank of Bengal and the Exchange Banks finance the trade in Burma. It would be impossible for us to lay down and to keep in our Treasury rupees in Burma so as to enable the Banks in Calcutta to draw upon the Treasury and thus obtain the funds which they require for the financing of the heavy trade that takes place there during the months of February, March and April; but it is extremely easy for us to keep a large balance in the Currency Reserve in Rangoon. The money comes in to us after the trade there has ceased, and it is very easy for us to keep the money in our Currency Reserve there until the trade becomes active again in the next cold weather. So that we keep it there for the use of the Banks, and when they want the money they give money over to us in the Currency Department in Calcutta and we pay it to them out of the Currency Department in Rangoon. The transactions take place both from Treasury and from Currency, because although we have no money in the Treasury we may very easily make it available by transferring money from the Treasury to the Currency Reserve in Calcutta and thus an equal amount of the Currency Reserve for transfer to the Treasury in Rangoon. This circulation goes on all over India and facilitates very largely the distribution of coin for the necessities of trade. The exchange of money between Calcutta and Bombay and the remittance of money between Calcutta and Bombay are carried on in much the same way. Well, the Secretary of State finds that it will be convenient for him to exercise the same power in respect to gold that he receives in England. If, during the time while he is holding the gold in England and has not yet transmitted it to this country, it becomes convenient for him to use that gold by transferring it to his cash balance at the India Office in England, at present, as the Bill is drawn, he would not be able to conduct this operation; but if we give him the facility of doing so he will be able to take that gold into his Treasury at home for treasury purposes on condition of our making an equal transfer from Treasury to Currency in this country. The operation will not in the least affect the facilities which the Bill gives to trade. As I explained last Friday, all that the trade will know of the operations that are being conducted is that the Secretary of State is enabled by it to give them telegraphic transfers at a time when he would be restricted from doing so by reason of the scarcity of money in the Treasury here. That will not in any way be interfered with by any proposals regarding the subsequent disposal of

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gold at home. The object therefore of the amendment is to declare that the Secretary of State is not bound to hold the gold in actual balance until he remits it to this country, but that if intermediately, and before he remits it to this country, he requires it for his Treasury balance, he may make it available for his Treasury balance by calling upon us to pay the money into Currency in this country. I beg, therefore, to move that the following be substituted for proviso (1) to section 13A of the Indian Paper Currency Act, 1882, proposed to be added by section 2 of the Bill :—

'(1) the power conferred by this section shall not be exercised unless the Secretary of State for India shall consent to hold in gold coin or gold bullion what he shall determine to be equivalent in value to the notes so issued, as a reserve to secure the payment of such notes, until he shall transmit the same, or what he shall determine to be equivalent to the same, in gold coin or gold bullion to India, or until the Government of India shall appropriate and set apart in India, as a part of the Currency Reserve under section 19 an amount of coin of the Government of India equal in value to such notes.' "

The motion was put and agreed to.

The Hon'ble SIR JAMES WESTLAND moved that the Bill, as amended, be passed. He said :—"In doing this I have one explanation to make, namely, that as soon as the Bill passes—if the Council are good enough to pass it—a notification will be issued under the terms of the Bill permitting the operation under it to take place at once. I am afraid that that notification, as it stands, will not be altogether intelligible to the public. The difficulty throughout the whole business is this : that we have had to legislate for a transaction which is really to be carried out in England and therefore lies entirely outside our legislative powers. As the Bill expresses it, it comes into operation only by reason of the consent of the Secretary of State to do certain things. We declare in this country by the Act and by notification under it, what is required to be done, but it remains for the Secretary of State to lay down the precise action which is to be taken under it. The notification therefore merely talks of gold being received and specifies the number of grains of gold that have to be received for each rupee of notes issued in this country ; but the Secretary of State will to-day issue in London a notification of which the following are the terms, and this really is, to merchants at least, the interesting part of the business. The announcement to be made in London is that the Secretary of State in Council is prepared to sell, until further notice, telegraphic transfers, on Calcutta, Madras and Bombay at a price not exceeding 16½*d.* for the rupee. I have now the honour to move that the Bill as amended be passed."

The Hon'ble Mr. ALLAN ARTHUR said:—"My Lord, in the remarks, which I had the honour to make in this Council last week, I pointed out that, while the Bill introduced by the Hon'ble Sir James Westland would be received favourably by the banking and mercantile communities, the measure would in no way tend towards fixity of exchange. I also mentioned that the effect of the present policy was to drive loanable capital out of the country. The Hon'ble Sir James Westland in reply stated that what induced the holders of sterling capital to withdraw their capital under the system which existed prior to 1893, as well as under the present policy, was the feeling of insecurity which then existed, and now exists, in regard to the improbability of realising this capital in sterling form, at anything like the value at which it was sent to this country. The legislation of 1893 has, therefore, the same defect as the system which existed prior to 1893.

"It is not for me to advocate any one scheme or another. The mercantile community call for definite fixity of exchange or something approaching fixity. This can only be attained by the adoption of the convertibility of the rupee in some form or another at a fixed rate. All economists, without exception, admit that 'exchangeability' at a fixed rate can alone give fixity of exchange.

"My Lord, I hold in my hand a statement which shows the amount of money which would have been saved if the rupee had been maintained at 1s. 4d. during the financial years of 1894-95, 1895-96 and 1896-97. The figures are as follows:—

In thousands of rupees.

Council Bills—

Year.	Amount drawn.	Actual Exchange.	Exchange at 1s. 4d.	Difference in Exchange.
1894-95 . . .	30,96,99	14,06,48	10,32,33	3,74,15
1895-96 . . .	31,08,54	13,42,09	10,36,18	3,05,91
1896-97 . . .	25,78,70	10,26,05	8,59,57	1,66,48

Exchange Compensation Allowance—

Year.	Actual charges.	Average rate of year.	Estimated amount at 1s. 4d.	Difference.
1894-95 . . .	1,24,96	1s. $1\frac{67}{128}d.$ = 16,637 %	46,94	78,02
1895-96 . . .	1,33,82	1s. $1\frac{83}{128}d.$ = 17,930 %	46,64	87,18
1896-97 . . .	94,33	1s. $2\frac{1}{16}d.$ = 12,905 %	45,68	48,65

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[Mr. Allan Arthur.]

Pay of British Soldiers—

Year.	Actual rate of Exchange fixed.	Deficiency from 1s. 4d.	Estimated saving in expenditure.
1894-95	1s. 1½d.	2½d.	37,84
1895-96	1s. 1½d.	2½d.	49,38
1896-97	1s. 1½d.	2½d.	44,25

The savings may be taken at the following amounts :—

Year.	Council Bills.	Exchange Compensation Allowance.	Pay of British Troops.*	Total.
1894-95	3,74,15	78,02	37,84	4,90,01
1895-96	3,05,91	87,18	49,38	4,42,47
1896-97	1,66,48	48,65	44,25	2,59,38

* These figures are only rough approximations.

Summary.

Rs. 4,90,01,000

„ 4,42,47,000

„ 2,59,38,000

 Rs. 11,91,86,000 @ 1s. 4d. = £7,945,733.

“ This sum would have paid interest on a conversion fund of £88 millions sterling, which is equal to 132 crores of rupees. Mr. F. C. Harrison, who is an authority on the subject, estimates the total rupees in circulation at 120 crores. While giving these figures, I have no intention of hazarding an opinion as to what sum is required to form an adequate conversion fund. I think it sufficient to point out that one of two things must be faced—

(a) either an automatic machinery which will fix exchange and may cost something, or

(b) a decline in exchange sooner or later.

Which of these courses, I would ask, would be the more costly? It is needless to ask which is the more beneficial. It is argued that it is impossible to estimate to what extent a conversion fund would be drawn upon, and that therefore the amount required to form a conversion fund is indefinite. Equally indefinite is the loss which will be occasioned by a decline in exchange. The cause is precisely the same in both cases. The unfavourable balance of indebtedness that would lead to large demands on a conversion fund would

[*Mr. Allan Arthur ; Pandit Bishambar Nath ; Sir James* [21ST JANUARY,
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equally cause a decline in exchange. The figures which I have given would seem to show that it would be better in the interests of the finances of India to fix on a sound conversion scheme than to continue the policy of waiting with all its uncertainties, its disastrous fluctuations in exchange and its periods of excessive monetary stringency."

The Hon'ble PANDIT BISHAMBAR NATH said :—"While expressing my consent to the motion, I should like to say a word touching it. When a Bill is proposed to be passed only within a short interval of, or a week after, its introduction, without its even being referred to a Select Committee for consideration, the outside public generally view such an abrupt procedure with a certain degree of mistrust. It is simply to guard against any misconception of the kind that I consider it proper to explain how the matter stands. The Bill is purely of a technical and special character. It is a short and simple enabling measure hardly requiring any consideration by a Select Committee. Its object, as explained by the Hon'ble Mover, is evidently to provide an effectual means of relief against the extreme stringency through which the Indian money market is at present passing. The measure is, moreover, of a temporary nature, and, when passed into law, it is proposed to continue it in force only for the short period of six months, during which time, if the Secretary of State is required to draw on the Indian Treasury, beyond the limit to which its funds are available, he will, I understand, set apart the money received in England in the form of gold, and will take steps to transmit it to this country. It is obviously with the object of providing speedy relief for the banking and commercial communities that the Bill is to be passed without delay."

The Hon'ble SIR JAMES WESTLAND said :—"I am sure that my Hon'ble friend Mr. Allan Arthur will not consider that I in any way under-value his criticism of the measure before the Council and of the general measures to be taken by Government in the matter of exchange if I say that I am unable at the present juncture to enter upon a public discussion of the question. A Finance Minister speaks in this matter from a position of greater responsibility, and less freedom, than even a President of a Chamber of Commerce, and, however greatly we may value the criticisms that have been received from the mercantile community, I hope that they will not think that we in any way refrain from giving them our utmost attention, because we are unable to reply to them by giving any indication of our opinions on the matters under discussion. In fact, during the last week I have seen so many attempts in the newspapers to read between the lines and

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[*Sir James Westland.*]

round the corners of what I said last Friday, that I feel that I must be extremely careful in any expression I use in a discussion on the matter. Until, therefore, the Government of India and the Secretary of State make some pronouncement of their opinion and of their intentions with reference to the question of exchange, I trust that I may be excused from stating any preliminary opinions as opinions that are either held by myself or held by the Government of India. I am glad to understand from the observations which have been made by the Hon'ble Pandit Bishambar Nath that the measure we have taken in asking the Council to pass the Bill within one week of its introduction commends itself to other members who do not profess to belong to the mercantile community. So far as the opinions of the mercantile community are known to me, I think they would have had no objection to the Bill being passed on the day on which it was introduced. The Government saw no occasion for promoting legislation in such a hurry, and we see one advantage of the short postponement in my having an opportunity of placing before the Council one amendment which renders the measure to be taken under the Bill in some respects more easy than it would have been under the Bill as it was first introduced; but the mercantile community, both in Calcutta and in Bombay, has, so far as I see, thoroughly approved of the Bill which is before the Council, and as a non-mercantile member, the Hon'ble Pandit Bishambar Nath, who last spoke, has indicated his approval of the proposal of Government that the Bill be taken into consideration and passed to-day, I hope that I may move with confidence that the Bill be now passed."

The motion was put and agreed to.

The Council adjourned to Friday, the 4th February, 1898.

CALCUTTA ;
The 21st January, 1898. }

J. M. MACPHERSON,
Secretary to the Government of India,
Legislative Department.