

LEGISLATIVE ASSEMBLY DEBATES

(OFFICIAL REPORT)

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(11th December to 22nd 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-MAMÜN SUHRAWARDY, KT., M.L.A.

Secretary :

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Assistant of the Secretary :

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Marshal :

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Committee on Public Petitions :

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

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

MR. B. SITA MARAJU, M.L.A.

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

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

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LEGISLATIVE ASSEMBLY.

Monday, 18th 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.

STATEMENTS LAID ON THE TABLE.

The Honourable Sir Frank Noyce (Member for Industries and Labour): Sir, I lay on the table:

- (i) the information promised in reply to starred question No. 22 asked by Mr. Lalchand Navalrai on the 23rd August, 1933; and,
- (ii) the information promised in reply to starred question No. 293 asked by Mr. A. Das on the 31st August, 1933.

LLOYD BARRAGE SCHEME ON THE INDUS RIVER.

*22. (a) Yes. The scheme was submitted to the Government of India and recommended to the Secretary of State for sanction.

(b) The Government of India are aware that the Indus was a navigable river for a considerable period before the British occupation of Sind.

(c) In the years immediately preceding the British occupation of Sind and for some years subsequently the Indus was an important link between Sind and the Punjab.

(d) It is a fact that communication by the Indus was useful to the East India Company and the Government of India for administrative purposes. A Company which was formed in 1858 with assistance from Government to navigate the Indus and other rivers, with trains of barges drawn by steamers, failed in 1869. After the connection of Karachi with the Punjab by rail in 1878 the river lost its importance as a means of communication.

(e) The Government of India are aware that it was anticipated in the scheme that there would be considerable interference with such boat traffic as had in the past plied between the site of the barrage and the sea.

(f) A copy of section VIII of Volume I of the Report on the Sukkur Barrage Project (1919), is laid on the table. The Honourable Member's attention is invited to paragraph 79 in this document. The project was sent up by the Government of Bombay and sanctioned by the Secretary of State.

(g) The lock system was considered for the Barrage, but the construction of a lock was thought unnecessary for the reasons given in paragraphs 69—76 and 80 in section VIII of the Report.

(h) The attention of the Honourable Member is invited to paragraphs 73 and 79 in Section VIII of the Report. The reasons given for disregarding traffic below Sukkur appear to the Government of India to be adequate.

(i) 450 miles. The important towns are:

Larkana, Sehwan, Laki, Manjhand, Unherpur, Kotri, Jherruck, Khairo, Dero, Mehrapur, Hyderabad Sind, and Sujawal.

(j) It is a fact that the Indus was navigable throughout its length in Sind but the boat traffic below Sukkur was not important.

(k) The interference with the river traffic below Sukkur has probably diverted the transport of goods from the river to the railways; but inquiries show that the through river traffic passing Sukkur never was considerable and that local river traffic to Sukkur is still considerable. Any inconvenience caused by the diversion is much more than counterbalanced by the general benefit of irrigation from the Barrage.

(l) No. The Government of India consider that the benefit from a lock system would be quite incommensurate with the expenditure which such a system would involve.

*Copy of Section VIII of Volume I of the Report on the Sukkur Barrage Project (1919).
Navigation on the River.*

69. In the 1909, project for the barrage provision was made for a Ships' Lock for the passage of vessels through the barrage.

The necessity for this lock was questioned by the Inspector-General of Irrigation and accordingly a census was taken of boats passing Sukkur in either direction. This census was maintained from June to October, 1917 (the busiest season) and during that period not a single boat was observed to have passed through Sukkur in either direction, though hundreds came down to Sukkur from the Punjab, and returned, while a fair number came from below Sukkur and returned.

70. All Country boat traffic from the Punjab to Sind, of which there is a considerable amount, and also timber raft traffic from the Punjab, invariably ties up and unloads at the Sukkur Bunder. Sukkur is in fact a great river port and for various reasons has become the river terminus for boat traffic in either direction, and there is no through traffic.

71. Boats from the Punjab bring down principally munj rope, wheat, barley, oil seeds and various salts. Much of this freight is probably produced in lands adjacent to the Indus and Punjab rivers, and is therefore conveniently carried to the boats, but in any case, as these boats can drift and sail downstream heavily laden, river freight is cheaper than railway freight.

The reasons for their stopping at Sukkur will be shown later.

72. On the return journey to the Punjab these boats have to travel against stream and for much of the distance have to be towed by men on the banks. They are therefore not anxious for heavy loads, and many go back practically empty. The principal freights carried in this direction are kerosene oil and spices.

73. There is very little boat traffic in either direction below Sukkur.

Rice, wheat and fuel grown in the Karachi District is to some extent carried up to Kotri by boat, for distribution locally, or by train thence to Karachi. A certain amount of fuel may also go upstream from the forests below Kotri to Sukkur. Between Kotri and Sukkur there is a certain amount of boat traffic up and down stream and across the river for distributing the produce of one place to another, and especially transferring rice from the Larkana District over to the Left Bank districts of central Sind. But none of this traffic goes beyond Sukkur.

74. The reasons for this are as follows:—

- (a) In the first place, Sukkur has become a port in preference to any other place in its vicinity because it is built on rock, and the river channel never deserts it. An excellent stone bunder has been built in a length of nearly 2 miles, against which boats can lie at any season of the year. At no other place in Sind, except at Jerruck, 300 miles below, are such facilities available. Everywhere else the river banks are liable to great changes and no facilities for a port can be obtained.
- (b) Secondly, Sukkur has become a great depot and distributing centre for the produce brought to it. A very large proportion of this produce is distributed in Upper Sind and Baluchistan for which Sukkur is a most convenient centre. The balance, especially of the grain, probably comes to Karachi for overseas export. All the Karachi large exporters have depots at Sukkur, hold large stocks there, and distribute to the surrounding country, or bring from there to Karachi by train.

75. The only other traffic on the river consists of—

- (i) The vessels of inspecting officers in Sind, viz., the Commissioner in Sind and the Chief Engineer in Sind, each of whom has a steamer.
- (ii) A few small steam launches owned by the Indus River Commission. These are occasionally needed above Sukkur for survey work, but are mostly used below Sukkur.
- (iii) There are a few large steamers on the Punjab rivers used for ferry duties. These steamers used to come down to Kotri occasionally at long intervals to be overhauled in the floating dock which was formerly kept there by the Indus River Commission, but since this dock was lost at sea, on its way to Mesopotamia in 1915, these steamers have not come down, and their repairs are done in the Punjab.

76. Thus it will be seen that there is practically no through traffic at Sukkur and Government has accordingly decided to omit the provision of a ship's lock.

The cost of making such a lock would be very great, besides introducing complications in the design of the barrage, and it would be difficult to construct. The cost would probably be in the neighbourhood of Rs. 15 or Rs. 20 lakhs, while maintenance expenses would be high.

77. If it is considered necessary to have inspection steamers for Sind officials, and survey launches, above Sukkur as well as below, it would be far cheaper to build separate vessels above the barrage and keep them there permanently. The steamers in the Punjab do not need to come downstream for repairs which can be arranged for locally, and new steamers required could easily be erected in the Punjab.

78. As regards facility for boat traffic between the Punjab and Sukkur, this will be much improved by the construction of the Barrage as there will be always good deep water for 20 or 30 miles above Sukkur, while beyond that point the natural river is not affected.

At the Sukkur Bunder there will be always deep water alongside, so that boats can lie alongside the wall, and the lift for unloading will be reduced.

79. For boat traffic below the barrage, the discharge in the river will be greatly reduced in the cold season by the offtake of the canals, but it is probably that the smaller discharge then passing downstream will confine itself to two narrow channels, one at either bank commencing opposite the scouring sluices, and that these channels will scour fairly deep and thus maintain a navigable section. If not, then this boat traffic may suffer. But it is an axiom of irrigation engineering, and an obvious fact, that a limited quantity of water cannot be made available both for irrigation on the land, and for navigation in the river. There can be no question in this case as to where the water would confer the greater benefits on the people, and if necessary, it must be accepted that the comparatively small amount of navigation on the Indus must suffer.

80. The above facts constitute a further argument against the construction of a lock, since even if made, there might possibly be insufficient water in the river below the barrage to enable the larger vessels to approach the lock or use the river.

81. It may be pointed out also, that as soon as the natural river level reads 12' on the Sukkur gauge the barrage gates will be fully open, and there will then be 14' of head room, between water surface and bottom of gates, which is ample for country boats with masts lowered, or for small launches, so that these could pass through the barrage at such seasons.

POSTAL CLERKS IN EACH POSTAL CIRCLE.

* 293.

Statement.

Circle.	Number of posts in the Lower Division clerical cadre on the Postal side of the Posts and Telegraphs Department on the 30th June, 1933.	Number of posts in the Upper Division clerical cadre on the Postal side of the Posts and Telegraphs Department, converted into the Lower Division up to 30th June, 1933.	Number of posts in the Lower Division clerical cadre held by promoted postmen on the 30th June, 1933.
Bengal and Assam . . .	984	265	824
Bihar and Orissa . . .	344	102	232
Bombay . . .	545	305	305
Burma . . .	311	170	129
Central . . .	427	219	267
Madras . . .	458	273	234
Punjab and N. W. F. . .	401†	121†	341
United Provinces . . .	482	172	370
Sind and Baluchistan . .	72	24	48

†The corresponding figures in these two columns for the period up to 31st December, 1932, are 417 and 110 respectively, and not 409 and 118 as stated in the statement laid on the table on the 5th September, 1933. The decrease in the total number of Lower Division posts during the period of six months from January, to June, 1933, is due to the fact that 28 posts of Branch Postmasters, Overseers, etc., were abolished and 11 posts of Lower Division clerks were re-converted into the Upper Division while only 23 Upper Division posts were converted into the Lower Division during that period.

Mr. H. A. F. Metcalfe (Foreign Secretary): Sir, I lay on the table the information promised in reply to starred question No. 1033 asked by Mr. Gaya Prasad Singh on the 20th September, 1933.

MUNICIPAL ADMINISTRATION OF AJMER CITY.

*1033. (a) Yes.

(b) A committee has been appointed by the Honourable the Chief Commissioner of Ajmer-Merwara to enquire into the affairs of the Ajmer Municipality. The enquiry commenced on the 25th November, 1933.

Mr. G. R. F. Tottenham (Army Secretary): Sir, I lay on the table the information promised in reply to unstarred questions Nos. 268, 269 and 270 asked by Mr. M. Maswood Ahmad on the 11th December, 1933.

CLERKS IN THE CLOTHING FACTORY, SHAHJAHANPUR.

268.

Statement.

	Office.	Total No. of clerks.	Number of Muslims.
(a) and (b)	Main Office	16	2
	Provision Office	10	1
	Production Office	24	9
(c)	1930-31	34 per cent.	
	1931-32	30	"
	1932-33	27	"

CLERKS DISCHARGED IN THE CLOTHING FACTORY, SHAHJAHANPUR.

269. (a) 2.

(b) 3.

CLERKS APPOINTED, RE-INSTATED OR RE-ENGAGED IN THE CLOTHING FACTORY, SHAHJAHANPUR.

270. None.

Mr. G. S. Bajpai (Secretary, Department of Education, Health and Lands): Sir, I lay on the table:

- (i) the information promised in reply to starred question No. 1245 asked by Kunwar Haji Ismail Ali Khan on the 1st December, 1933; and
- (ii) the information promised in reply to starred question No. 1246 asked by Kunwar Haji Ismail Ali Khan on the 1st December, 1933.

BAD CONDITION OF THE ROAD OUTSIDE TURKMAN GATE, DELHI.

*1245. (a) This road like other roads situated in Delhi was damaged by abnormal rainfall during the last monsoon.

(b) The road is metalled, but admittedly dusty.

(c) This road is not much used by wheeled traffic although it is important in that it connects Old and New Delhi.

(d) It has been decided that this road and the land surrounding it will shortly be transferred by the Delhi Municipal Committee to the New Delhi Municipal Committee. Repairs to the road and schemes to improve the locality generally will then be the concern of the New Delhi Municipality. The whole matter is already under the consideration of the Chief Commissioner, Delhi, whose attention has been drawn to the desirability of early action.

INSANITARY CONDITION OF THE AREA OUTSIDE TURKMAN GATE, DELHI.

*1245. (a), (b) and (c). The Honourable Member is referred to the information laid on the table of the Legislative Assembly in reply to his starred question No. 1245 on the subject.

Mr. P. R. Rau (Financial Commissioner, Railways): Sir, I lay on the table the information promised in reply to questions Nos. 566 and 567 asked by Mr. Muhammad Azhar Ali on the 4th September, 1933.

ABOLITION OF THE POST OF DISTRICT MEDICAL OFFICER ON THE ROHILKUND AND KUMAON RAILWAY.

*566. (a) The Agent, Rohilkund and Kumaon Railway reports that Civil Surgeon, Bareilly used to be paid an allowance by the Railway but with the expansion of the Railway Medical Department of the Rohilkund and Kumaon Railway it was not considered necessary to retain his services any longer and they have accordingly been dispensed with.

(b) The Rohilkund and Kumaon Railway Administration is not responsible for providing medical facilities for the general public, but so far as the Rohilkund and Kumaon Railway staff at Bareilly are concerned they are attended to by the Railway Medical Officer stationed at Izatnagar.

HALF PAY GIVEN TO THE ROHILKUND AND KUMAON RAILWAY EMPLOYEES ON SICK LIST.

*567. (i) The Agent, Rohilkund and Kumaon Railway reports that under the Rohilkund and Kumaon Railway leave rules subordinate employees on duly certified sickness may be granted leave—

- (a) up to one month at a time on full pay;
- (b) up to six months at a time on half pay;
- (c) up to three months at a time, one month on full pay and two months on half pay.

Hospital leave on full or half pay and special disability leave on half pay not debitable to the leave account may also be granted under certain circumstances.

(ii) The Agent, Rohilkund and Kumaon Railway reports that running staff are allowed a fixed percentage (50 per cent.) of pay for the purposes of calculation of leave allowances which represents their mileage and overtime allowances.

MESSAGE FROM THE COUNCIL OF STATE.

Secretary of the Assembly: Sir, the following Message has been received from the Council of State:

"I am directed to inform you that the Council of State has, at its meeting held on the 16th December 1933, agreed without any amendments to the Bill further to amend the Indian Tariff Act, 1894, the Indian Finance Act, 1931, and the Sea Customs Act, 1878, for certain purposes, which was passed by the Legislative Assembly, at its meeting held on the 12th December, 1933."

THE RESERVE BANK OF INDIA BILL.

Mr. President (The Honourable Sir Shanaukham Chetty): The House will now resume consideration of clauses 40 and 41 of the Reserve Bank of India Bill and the amendments moved thereon.

Sir Leslie Hudson (Bombay: European): Sir, I oppose this amendment and all the other amendments. Before developing my argument, I should like to refute statements of the kind that have recently come to my ears that the European Group is in the pocket of the Government or, at any rate, in that of the Finance Member. Nothing is farther from the truth.

An Honourable Member: It is the other way.

Sir Leslie Hudson: The European Group stands for stable government, for security and stability generally, and when my Honourable friends on my right occupy the benches on my left, they may feel assured that in any measure which, in our opinion, makes for stable government and security and for the benefit of India as a whole, that Government will have our support.

With regard to the issue now before the House, I will, at the outset, at the risk of being accused of repetition of matter already in its knowledge, read from paragraphs 19 and 20 of the London Committee's Report on the Bill certain passages which have an immediate bearing on the clauses of the Bill now before the House.

Paragraph 19 reads:

"The questions which arise in connection with the exchange obligations to be imposed on the Bank present special difficulty in existing circumstances. In the prevalent state of monetary disorganisation throughout the world, it is impossible to incorporate in the Bill provisions which would necessarily be suitable when monetary systems generally have been re-cast and stabilised. In these circumstances we consider that the only sound course for India is to remain on the sterling standard. On this basis the exchange obligations incorporated in the Bill must necessarily be in accord with the rupee-sterling ratio existing at the time when the Bill is introduced. This statement does not, however, imply any expression of opinion on the part of the Committee on the merits or demerits of the present ratio. The ratio provisions in the Bill are designed to make it clear that there will not be any change in the *de facto* situation by the mere coming into operation of the Reserve Bank Act.

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

We are all agreed that it should, in any case, be made clear in the Preamble that the whole question of the monetary standard best suited to India will have to be reviewed when the international monetary position has clarified itself and become sufficiently stable to make it possible to frame more permanent provisions.

80. It will be necessary in the Bill to provide limits to the range of exchange fluctuations by prescribing upper and lower points at which the Bank will be required to buy and sell on demand sterling for immediate delivery. According to the practice now prevailing upper and lower points have in fact been retained as though the

[Sir Leslie Hudson.]

rupee was still on a gold basis. As the fixing of new points would in any case have to be on an arbitrary basis, we recommend that this practice, to which the public have become accustomed, should be continued."

This report was issued over the signatures of amongst others the following Honourable Members of this House, Mr. Andlaria, Sir Cowasji Jehangir, Mr. Mody, Diwan Bahadur A. Ramaswami Mudaliar, Sir George Schuster and Mr. Yamin Khan. I have given the names in their alphabetical order

Mr. H. P. Mody (Bombay Millowners' Association: Indian Commerce): Not in the order of their importance?

Sir Leslie Hudson: and Mr. Biswas also, and the House need have no doubt that those signatures were appended after careful consideration of every aspect of the situation. It is obvious from their very wording that those clauses were the result of a compromise to which all the signatories were parties. May I ask those Honourable Members whom I have quoted whether that is not a true statement of facts? Assuming, as I must, that they will honour their signatures, may I further ask Sir Cowasji Jehangir and Mr. Mody how they justify the position which they are taking up as the chief supporters of Mr. Sarma's amendment. How can they justify their present position? Have they not agreed that India should remain linked to sterling, that the exchange obligations in the Bill must be in accord with the rupee sterling ratio existing at the time the Bill is introduced? Have they not agreed in clause 20 that it is necessary in the Bill to prescribe upper and lower points at which the Bank will have to buy and sell sterling? I shall be referring to that point later.

Let me now take Mr. Sarma's amendments in which he asks that the rate at which Government shall buy and sell gold or sterling shall be that which is in force on the day prior to the coming into force of the Reserve Bank Bill. I maintain that this will throw open a wide field of speculation to a market sensitive to every breath of rumour or suspicion. Why! Only last week, the dissemination, no doubt by interested parties, of an absolutely baseless statement that a compromise had been agreed to by Government on these clauses resulted in an immediate fall of two to three points in $3\frac{1}{2}$ per cent. paper. This means that there was an immediate flight from the rupee to sterling. Is it for nothing that those persons who view the stability of exchange as an absolute necessity demand that such possibilities should, so far as possible, be removed? Mr. Sarma's amendments do not very cleverly conceal the real intention of the Mover. Those intentions obviously are to achieve, by indirect means, such uncertain conditions as may force down the ratio to 1s. 4d. in the period intervening between the passing of this Bill and of its coming into force or, at any rate, the coming into force of these particular sections. That is the fundamental weakness of this amendment. It opens the door to a flood of speculation right up to the time of the notification by the Governor General, which date will be intelligently anticipated, with the object of forcing upon Government an alteration of the rate by unnatural means. If world conditions are such that a lower rate is necessary in the interests of India then that will come about by natural and normal means.

Mr. S. C. Mitra (Chittagong and Rajshahi Divisions: Non-Muhammadan Rural): What are "normal means"?

Sir Leslie Hudson: Sir, did my Honourable friends, Sir Cowasji Jehangir and Mr. Mody and the other Members of this Honourable House, who signed the London report, have a mental reservation in contemplation, when they signed that report

Diwan Bahadur A. Ramaswami Mudaliar (Madras City: Non-Muhammandan Urban): No, no.

Sir Leslie Hudson: I am glad to hear that. I should like to have greater regard for their signatures to a document of such importance than to believe that to have been the case.

Mr. Sarma and Mr. Ramsay Scott in their speeches charged the Finance Member with inconsistency and false representation in his statement that he had no intention of altering the existing law. Those accusations are incorrect and can be put down to ignorance only. (Hear, hear.) Let me read paragraph 20 again:

"It will be necessary in the Bill to provide limits to the rate of exchange fluctuations by prescribing upper and lower points at which the Bank will be required to buy and sell on demand sterling for immediate delivery."

Where is the inconsistency of the Finance Member in embodying the agreement reached in London in clause 41 of the Bill? I ask, is it honest to accuse the Finance Member of false representations? It may be politics, but I maintain it is not honest.

Sir, those only are really honest amendments to this clause which press for immediate devaluation of the rupee and who say so plainly. They at least have the merit of fair and aboveboard premises. Sir, I do not want to go into this in very great detail, but there are many objections to this course of devaluation. Firstly, the effect would be to arrest the hope for a rise of world prices. If Honourable Members will think it out, the result of a temporary increase in commodity prices in India—for it could only be temporary—would be to encourage an increased export of those commodities, which would in a very short time affect the already saturated world markets and bring about a further decline in those world prices, for, after all, the bulk of the commodities which India exports are subject to competition with supplies from elsewhere and are, therefore, subject to world prices. Then, it would mean the export of capital from India. I have already quoted the instance which occurred last week of the rush to convert rupee holdings of securities into sterling. Is that going to be a good thing for India? It would involve increased exports of gold. We have heard a great deal in this House about the export of gold. Gold is every bit as much a commodity now-a-days as wheat or cotton, and the astute dealers of India will not be slow to take advantage of what they will at once realise to be only a temporary gain. Then, devaluation will mean the upsetting of the balance of prices and wages. Every person who is on a wage-earning basis in India will be affected by the rise of the internal prices of foodstuffs, which the supporters of this policy of devaluation proclaim to be inevitable and which is their stated aim and object in endeavouring to get the rupee devalued. I hope the vast number of wage-earners in India will take a careful note of this point. Those, who have had to suffer under cuts of pay as a result of all sorts of retrenchment schemes, would not relish finding the purchasing power of their wages and salaries further diminished by 12½ per cent.

[Sir Leslie Hudson.]

Then it would injure the agricultural community and not aid it. (An Honourable Member: "How?") I will try to explain. The upsetting of the stability of exchange and of prices will not correspondingly benefit agriculture. Any increase—and I consider that any increase, under present conditions, is entirely theoretical and problematical—will not benefit the ryot, for the exporter and the middleman will get it all. (An Honourable Member: "How do you make that out?") The ryot will get no increase in the rupees he gets for his produce. May I quote from a recent article in the *London Times*?

"Today, with the restrictions which are in force on every side, the effect of the foreign exchanges on internal prices is even fainter. A rise or fall in the internal price level of a country does not necessarily cause the exchange value of its currency to fall or rise accordingly. Still less does a variation artificially produced in the foreign exchanges necessarily lead to a corresponding change in the internal price level. To attempt to raise your internal price level by manipulating the foreign exchange is almost like trying to produce lightning by imitating the noise of the thunderstorm."

(Hear, hear.)

Lastly, Sir, such a procedure would worsen the Government of India's Budget by at least five crores; and I cannot believe that the windfall, Mr. Ramsay Scott referred to, will cover that deficiency in addition to the falling off in customs duties which we are led to believe will amount this year to at least a similar sum. This could only mean further taxation and a heavier burden on the already groaning tax-payer. So, Sir, I come to my conclusions and I will state them as briefly as I can.

Firstly, the London Committee Report represented a compromise which should in common honesty be honoured, particularly by those Members of the House who are jointly responsible for it. Secondly, the door is still left open for the re-examination of the ratio when International monetary conditions settle down. I do not think the Mover of the amendment referred to this. It would not, of course, help his argument, but it is a fact and it was part and parcel of the London Committee's report. Finally, we have been told by the Finance Member that it was on the strength of this compromise which was arrived at in London over the Preamble and paragraphs 19 and 20 that the Government of India brought forward the Reserve Bank Bill as the corner-stone of that building of Indian finance and credit for the future which this House for so many weeks has been endeavouring to perfect. If that agreement and that understanding are broken and flung away, the consequences will not be the fault of the Government, but of those leaders in this House and elsewhere who are going back on their signatures.

Mr. H. P. Mody: Mr. President, I almost feel like apologising to the House for inflicting myself upon it. Being an active party to the London agreements and finding that the Select Committee had actually improved upon them, I imposed upon myself a self-denying ordinance, and in spite of being in a somewhat questionable and infectious neighbourhood, I held my tongue. The issue, however, which is now before the House is of such importance that I am compelled to break my fast, and if, on this occasion, I speak at greater length than I usually do, I hope the House will not understand that I am trying to make up for lost opportunities, but that the importance of the subject demands it.

Sir, in the first place, before I deal with the amendment, I would like to say something about the ratio. I might at one time have felt some doubt about the propriety of dealing with the subject at length, but with

the example set by my friend, Sir Leslie Hudson, those doubts have been removed, and I feel that I can, with equal confidence, put the other point of view forward before this House. What is the position with regard to the ratio? I ask my friend, Sir Leslie Hudson, and those who think with him, whether there is any important section of the commercial or industrial community in this country which thinks that this ratio is the right ratio for India. It is not, as in the matter of tariffs, for instance, a case of one section being against another: it is a case of all the economic, industrial, commercial and agricultural interests being banded together in condemning the currency policy of Government. And, what is a great deal more, the responsible leaders of the British commercial community in India are veering round to that point of view which has been put forward repeatedly in the Press and on the platform for the last six years. If I was permitted to do so, I could name a good few people whom my friends on the European Group Bench would pay the utmost respect to, who are of the definite opinion that a devaluation in the interests of the country is immediately called for.

Sir, this ratio has been wrong *ab initio*. It was forced down the throat of an unwilling and protesting India by Sir Basil Blackett with the force of the majority that is always at the back of Government. The outstanding reason for perpetuating this ratio by putting it on the Statute-book was that it was the *de facto* ratio at that time. It would take me into great depths if I were to try and place before the House the point of view which was put forward in this Legislature when the unhappy ratio was placed on the Statute-book. But I would only like to say one thing, and that is that India alone, of all the major countries, finds her currency appreciated compared to pre-war conditions. I shall give a very few figures, and I shall pick out only those currencies which have depreciated to an abnormal extent; but if you take the whole world, I doubt if there is any major country which has not devaluated its currency, whether to a larger or smaller extent. The Belgian currency today is 22 per cent. of its pre-war value, France 31 per cent., Italy 42 per cent., and Japan 59 per cent. Now, I want to know why should India, of all countries, be singled out for special treatment? We know that a great many things which are happening in the world outside and which have commended themselves to advanced opinion throughout the world are not regarded as good enough for India, because India is supposed to be a very peculiar country, but it is singularly unfortunate that, in the matter of currency, India should be regarded as something altogether apart. You will remember that this Statutory provision for 1s. 6d. ratio followed very closely upon the heels of Great Britain returning to the gold standard under the influence of Mr. Churchill. How has that policy helped Great Britain, the most powerful economic unit in the whole world? There have not been wanting economists of international repute who have condemned that return to gold standard at the pre-war parity, and who predicted disaster to Great Britain; and what has happened? After a few years struggle, during which her commerce and her economic position in the world suffered to a very considerable extent, Great Britain was pushed off the gold standard. Well, if Great Britain, with all her immense resources, could not stand up against a mistaken currency policy, does it not argue that a similar policy was a great mistake for India as well?

Sir, the case for the ratio, apart from how it came to be put on the Statute-book, is very simple. First and foremost, we demand a lower

[**Mr. H. P. Mody.**] ratio for the agricultural interests. It is a truism to say that India lives on its agriculture, and if there is one section of the community which would be primarily benefited by a lower rupee, it will be the agricultural community. Of course, attempts are being made in various parts of the country to set up one province against another, and one interest against another, but the opinion is general that it is agriculture primarily which will benefit by a devaluated rupee.

The Honourable Sir George Schuster (Finance Member): Is my Honourable friend speaking on his own amendment or on the amendment of Shaikh Sadiq Hasan?

Mr. H. P. Mody: I am sorry I could not follow my Honourable friend.

The Honourable Sir George Schuster: I would like to ask my Honourable friend whether he is supporting his own amendment which has been moved by Mr. Sarma or whether he is supporting the amendment to devalue the rupee?

Mr. H. P. Mody: If my Honourable friend has a little patience—I had a great deal of patience with him—he will know exactly what I am leading up to. I promise him that when I develop my arguments, he will find the relevance of my statements.

Sir Oowasji Jehangir (Bombay City: Non-Muhammadian Urban): May I ask the Honourable the Finance Member whom Sir Leslie Hudson was supporting? Was it Government that he was supporting?

The Honourable Sir George Schuster: He was opposing all the amendments.

Sir Oowasji Jehangir: His speech was the speech of the Honourable the Finance Member.

The Honourable Sir George Schuster: Not at all: I have got quite different things to say.

Mr. H. P. Mody: In support of what I was saying, I would like to give the House a few figures of price indices in some of the major countries of the world. Since September, 1929, up to March, 1933, the United Kingdom price level came down by 28 per cent., the United States 37 per cent., France 36 per cent., Canada 34 per cent., Australia 28 per cent., Japan 17 per cent., and India 43 per cent. The thing that is to be particularly noted in this connection is that, while the price level of exported articles fell something like 50 per cent., the price level of imported articles fell by only 27 per cent. Let me read something in this connection from the report of the Economic Intelligence Service of the League of Nations:

"The agriculturists have been affected with special severity by the fall in prices as the goods they sell have fallen more in price than the goods they buy. The terms of trade have turned sharply against States exporting crude foodstuffs and raw materials and importing finished products."

I am giving, for the benefit of my Honourable friends who represent agricultural interests, a few figures connected with the major crops of India. I find that wheat in one year has dropped from Rs. 5-5-6 to Rs. 4-6-6, castor seed from Rs. 6-9-0 to Rs. 5-4-6, cotton seed from Rs. 4-5-6

to Rs. 2-8-6 and ground-nuts from Rs. 8-0-0 to Rs. 5-7-0. I hope I have said enough to show that Indian agricultural interests have suffered enormously, have suffered out of all comparison by the over-valuation of the rupee. It has been said, it is all very well for Members of this House standing up for agricultural interests, but what about the other classes of the community, and if I remember aright, the Honourable the Finance Member said that it takes many classes to make a country. Quite true, but after all, when you have many classes making a community, it is always a striking of balance between the various communities, and if a balance is to be struck, in whose favour would you weigh it? I do not think even we, who are supposed to be hard-hearted capitalists and industrialists, will have any hesitation in saying that if the balance is to be struck, it must be in favour of agricultural interests. In connection with this, let me read something from a document which is issued under the auspices of the Government of India, namely, "India in 1931-32", laid on the table of the House of Commons. I read two extracts:

"India's whole economic position may be said to depend upon the prices obtained for the exportable surplus of her staple crops. . . . The Indian producer received Rs. 65 crores less for his exportable surplus than in the previous year whereas his expenses remained much the same, especially in the case of the agriculturist, and the price of the imported manufactured articles which he required did not fall to the same extent."

Another quotation, again, from an official publication "The Review of the Trade of India, 1932-33":

"India, it may once again be mentioned, is mainly an agricultural country and it has been shown above that the prices of agricultural commodities have fallen to a much larger extent than those of manufactured goods. This great fall in the prices of agricultural goods has affected India's national income which has shrunk considerably as a result."

Then, figures are given which go to show that the total production of the principal crops has dwindled in value from over 1,000 crores in 1928-29 to 500 odd crores in 1931-32.

The question arises, why should we not in this matter follow the example of other countries? Amongst the countries which devaluated their currency in recent times are Australia, New Zealand and Denmark. I have before me the monthly review of one of the Big Five in England, namely, the Midland Bank. Dealing with Australia, this review says:

"These measures contributed in varying degrees to the recuperation which began two years ago, but it is beyond doubt that Australia's task was facilitated by the depreciation of the pound sterling in terms of gold and the inauguration here of a more liberal monetary policy than could have been pursued while we remained on the gold standard. Primary commodity prices in Australia have risen substantially until in August last the index number was well above the level of a year ago and slightly higher than the average for 1931. The effect on the budget and on business conditions generally has been marked. The last financial year closed with a surplus, permitting the remission of part of the extra tax burden imposed in the years of stringency."

Dealing with New Zealand, the review says:

"Indeed, conditions did not begin definitely to mend until the current year, when the position of primary producers was eased, first by the depreciation of the New Zealand pound in terms of sterling to about the same level as the Australian, and secondly by the recovery in export prices. Between January, and August, 1933, the wholesale price index rose by about five per cent., mainly as the result of exchange depreciation."

[Mr. H. P. Mody.]

Finally about Denmark:

"The critical position of the agrarian population led to a further depreciation of the krone, in January last, to 22½ to the pound, as against the old parity of 18 1/8 and the new quotation has thereafter been steadily maintained. Since that time the wholesale price index has moved up to a level higher than that of a year or two years ago."

Sir, I will leave quotations alone, and shall ask a question. Supposing you are of the definite opinion that devaluation is a discredited experiment, that it is not likely to do India any good—my Honourable friend, Sir Leslie Hudson, just gave a few arguments in support of that view—are you or are you not going to devalue our currency as a measure of self-protection against the devaluation of other countries? After all, when the whole world is devaluating its currency, what is the use of your saying that India alone should remain firmly anchored to sterling at the same old ratio of 1s. 6d. Now I can understand that this sort of retaliation can be carried to excess. If you put up tariffs, every country does the same thing in self-defence, and so the vicious circle moves about. So with regard to the valuation of currency. But while the whole world is going ahead, I say, it would be foolish for India to stand still and say no, we will not do it, we will not venture into the realm of the unknown. It might be said, after all what do the agitators want? Have they not secured a very substantial devaluation in September, 1931? It is perfectly true that that has happened through our departure from the gold standard, but it must also be remembered at the same time that, on account of the rupee being linked with sterling which serves an enormous area throughout the world, the advantage to India is of a very limited character. It must be remembered in this connection that the identical position exists with regard to Empire countries, and the Empire countries have devaluated their currency apart from breaking away from gold, and, therefore, to the extent to which they have done this, the Empire countries in the markets of Great Britain enjoy a certain advantage over India. There is only one thing more to be said in this connection and that is that the price movements in the United Kingdom and India during the last year or two would repay study. They would show that while in the United Kingdom, as in other countries, the price level has moved up, so far as India is concerned, it has not moved up, and if it has moved, not to anything like the same extent.

Having said so much about the ratio, I should like to tell the House how it has been kept up. This ratio has been kept up by two things; first of all, an enormous contraction of the currency of the country, dislocating trade and industry, and keeping up a very high bank rate. My Honourable friend shakes his head. Of course I cannot contradict him on facts, but occasionally I might be so foolhardy as to even venture upon that. I say that currency was contracted to a very considerable extent. I remember, of course, what my Honourable friend said a short while ago, with regard to the volume of currency having kept level with the price levels in this country. But there is no doubt about it that side by side with this contraction of currency a very high bank rate existed, and while money was cheap in the markets of the world, India had to pay an enormous rate of interest, seven or eight per cent. It went up even to nine per cent. The effect upon the trade and industry of the country can well be imagined. Those conditions have changed and now we have gold exports, and well over 100 crores of gold have gone out of this country. Of course I admit that it is quite easy to say that this is all distress gold, just as easy as it is for my Honourable friends on the opposite Benches to say,

that it is all gold which was exported for profit. I am not suggesting anything. I only want to know from my Honourable friend how he can explain the fact that, with such enormous quantities of gold going out of the country and our still having an exportable surplus, though considerably shrunk, trade and industry have not benefited. I have an idea, Sir, without saying whether it is distress gold or not, that a good deal of it went in paying off obligations, in paying land revenue and in discharging other like obligations. In this connection, a financial paper to which my Honourable friend, the Finance Member, paid a handsome compliment a couple of years ago, I mean the *Indian Finance*, is said to have made an inquiry, and found that something like 90 per cent. of the gold was distress gold. I cannot say whether it is a correct conclusion to be drawn and whether the inquiry was of a sufficiently satisfactory character. All that I want to know is what inquiries have Government made? Are they in a position to tell us whether it is distress gold, or whether it is largely gold which is being taken out of the hoards which are supposed to be in this country and sold for profit? The question arises whether the Government of India have done wisely in ignoring altogether the opportunity presented to them for acquiring a part, at any rate, of this gold. The age-long complaint against India is that it is a sink of the precious metals. But when the sink threw up its precious contents to a very considerable extent (*Diwan Bahadur A. Ramaswami Mudaliar*: "When others were hoarding"), when others were hoarding, as my friend, the Diwan Bahadur, very rightly says, why was the opportunity thrown away? In this place, I would like to refer, if I may, to an observation made by my Honourable friend on Saturday last, in dealing with an amendment moved from the Government Bench,—I am sorry I was not here; but I have been told that my Honourable friend actually advanced this thesis—that gold was more speculative or more unreliable than sterling.

The Honourable Sir George Schuster: As a currency reserve for India which has its obligations in sterling.

Mr. H. P. Mody: What I was going to say was that I have very great respect for my Honourable friend, and, having that respect for his capacity and character, I can only come to two conclusions from that remark. Either my Honourable friend thought that anything would pass muster in this House and, therefore, it did not matter what he said, or being tired of listening to very dull speeches and sometimes making them himself he thought he would crack a little joke. (Laughter.)

The Honourable Sir George Schuster: The only conclusion that I can draw is that my Honourable friend has not understood my remark. (Laughter.)

Mr. H. P. Mody: As I had not heard the remarks myself, if I did not understand them, I would have some justification. But I might tell my Honourable friend that I heard this remark from many people, who were supposed to have a little intelligence, and they also misunderstood it in the same way. If there is anything wrong with the understanding of anybody, it must be wrong with their understanding, not mine.

Well, Sir, what I was going to say was that along with the rest of the unthinking world we have set up the idol of gold; and unless this idol comes to be disgraced and discredited throughout the world and broken up, we shall continue to offer *puja* to it.

[Mr. H. P. Mody.]

Coming to another point, what are Government doing in connection with the price level? The vehement agitation of six years has left them unmoved. The point of view from which that agitation has been conducted is that we want the prices of our commodities to go up. Supposing you do not agree with that prescription which we have put before you, what is your own prescription? Have you got anything in your own pharmacopœia to remedy the ills from which this country is suffering? The opinion is being increasingly held in responsible quarters that, after all, it is not the exchange value of currency which counts for so much as the stability of the internal price level. We want this stability of the internal price level. Sir Basil Blackett is one of the foremost exponents of this point of view; the Ottawa Conference and the World Economic Conference stressed the necessity of an improvement of the level of prices. I want to know what Government are doing in this connection. President Roosevelt ordered the World Economic Conference and said that he was not going in for stabilisation of the international monetary standard. He said, prices must improve in the country itself before there can be a general agreement among the nations in respect of a stable international monetary exchange; and he started upon a certain policy. I think the whole world more or less is looking aghast at the experiments which are being made in the United States. But, after all, something is being attempted, and it is something which is not altogether to be discredited. It has received the benediction of no less a competent critic than Sir Basil Blackett himself. It is rather an irony of fate that I should be quoting Sir Basil Blackett so often, the author of all this mischief (Laughter), but that only shows I am a fair-minded man! Now, Sir, I ask Government, what is their policy? It is true that they have provided cheap money and credit,—all credit to them. I shall be the last to detract from the value of my Honourable friend's work in that connection. But let it not be forgotten,—and many economists in Great Britain have pointed it out repeatedly,—what is cheap money and credit due to. It is due very largely to the simple fact that there is no avenue of employment of capital anywhere, and, therefore, all this money is flowing into the coffers of Government. Then there is another method by which Governments can help, and that is by starting public works. Certain countries are embarking upon that experiment. I am not in a position to say how far such expedients are justified, or whether they have met with success in any country. All that I can say is, here are various measures by which you can raise the country to something like the prosperity which it enjoyed before the slump came on. Which of these things are you tackling?

Mr. F. E. James (Madras: European): What about raising wages and shortening hours?

Mr. H. P. Mody: I will reply to that just now. In this connection I would like to urge upon my Honourable friend, if he is determined to do nothing at all, at any rate to set up as soon as he possibly can, an economic inquiry committee. Let the position of the country be examined. If this experiment of devaluation does not appeal to him, let him set up a committee which will come to certain definite conclusions, after due inquiry, as to what can be done to raise the price-level and how it can be best achieved. Have the Government taken any steps in this connection? It may be that no brilliant success has been achieved in any country in the world. The whole world is now groping in the dark; but we are not even

groping in the dark in this country, and we are doing nothing at all. Sir Basil Blackett—I may be forgiven for quoting him again—said in Malaya very recently that it was all very well to condemn experiments which were being made in other countries; but one cannot do anything by merely sitting back in one's arm chair. I urge very strongly upon my Honourable friend to move in the direction I have suggested. If he will not do anything with the currency, let him set up a committee which will go into the whole question, which will consider best how the level of prices can be raised, how this country can be put on a competitive level with other countries and how some approach to normality may be achieved in the course of the next few years.

I come now to the actual purpose which I have in making this speech, namely, to support the amendment which stands in the name of my friend, Mr. Sarma, and myself. I am unable to understand all this froth and foam about this amendment. It is perfectly true—and my speech was in the same tenor—it is perfectly true that we are all for a devaluated rupee, but we are not asking the Government by this amendment to devalue the rupee straightaway.

Mr. F. E. James: You want a blank cheque!

Mr. H. P. Mody: There is no blank cheque nor a filled one; any cheque that has come to us from the other side has always been dishonoured in some way. The other day the Associated Press sent out a message to the effect that there was a possibility of the Government coming to some sort of compromise over this question. I do not know why so much fuss was made over that message. After all, the news agency, when its attention was drawn to it, immediately contradicted it, and no great harm was done.

Mr. S. C. Mitra: Speculation was done causing immense harm!

Mr. H. P. Mody: My friend, Mr. Mitra, says and I think my friend, Sir Leslie Hudson, also said, that there was speculation. As I have said in another place, we in Bombay and Calcutta do not want much encouragement for speculation! If my Honourable friend wants to know how many times during the last six years we have speculated upon the ratio going off, I can produce before him facts and figures within my own knowledge. A few months ago, tons of money went out of this country, because people felt that the ratio could not be held. After all, speculation can only be to a very limited extent: cash has to be produced in order that remittances may take place, and cash cannot be produced in any large quantities. But speculation is not induced merely by rumours that the ratio is going off: speculation is induced because there is a great deal of uncertainty in the public mind in regard to the holding capacity of this ratio; and so long as there is no public confidence in the ratio, so long as there is a large mass of responsible opinion in this country, both British and Indian, which thinks that this ratio is an ill-starred one, that it is not justified, and that it cannot be held except by bringing a convulsion upon this country, so long as the public believe on these lines, speculation will be there; and, therefore, it is idle to say that this amendment, if it is passed, would open the flood gates for speculation. I say, even if you defeat this amendment, within the next 12 or 18 months during which the Reserve Bank is being set up, there will be speculation every time it is felt that the ratio is tottering, or that the trade and industry of the country cannot any longer stand its ravages; therefore, Sir, do not push this argument of speculation too far—not at

[Mr. H. P. Mody.]

any rate to the extent of denying to this Legislature an opportunity of having a say with regard to what is the right policy for the country.

My friend, Sir Leslie Hudson, said: "What about Sir Cowasji Jehangir and Mr. Mody and other friends changing their attitude in this matter?" But, to what extent have we changed our attitude? If I remember aright, we distinctly said in London that it was for the Government and the Legislature to come to a right conclusion about the ratio. One of my Honourable friends put forward the proposition in London that the Legislature had no right to do anything with the ratio. I remember countering that immediately: the Legislature has every right: it is only a question of the propriety of seeking this particular Bill as an excuse for doing anything with the ratio

The Honourable Sir George Schuster: Which of your friends was it?

Mr. H. P. Mody: Does not my Honourable friend know?

The Honourable Sir George Schuster: No.

Mr. H. P. Mody: I think it was my friend, Sir Cowasji Jehangir, who said that the Legislature had no right to alter it

Sir Cowasji Jehangir: I never said that: I think there is some confusion. I never said at any time that the Legislature had no right to change the ratio; what I did say was that just now the most advisable thing to do was for Government to change the ratio overnight and bring it to the Legislature at the very earliest opportunity for ratification. That is what I said and that is what I have repeated in this House over and over again.

Mr. H. P. Mody: But unfortunately Government do not do anything overnight

Mr. President (The Honourable Sir Shanmukham Chetty): The Legislature sits only in the day time! (Laughter.)

Mr. H. P. Mody: But surely sometimes my friends on the official Benches are awake even at night, and that they can, if they want to apply their minds to this question overnight, do so! To proceed, you say to the Legislature, "Hands off the ratio", if it wants immediate devaluation; even if it wants to consider it at some stage, you say the same thing. Then what I want to know is what is the remedy of this country?

An Honourable Member: Damnation!

Mr. H. P. Mody: I hope not. The only remedy left is a remedy which is most obnoxious to my Honourable friends on the official Benches, namely, agitation in the country. What else is left to us? Here is the ratio against which for six long years we have fought, a ratio which has brought untold harm to the country, a ratio which we feel Government should have changed long ago. The Government will do nothing. What else is left, I ask my Honourable friend, to us but to agitate against it? My Honourable friend fails to appreciate that in supporting this amendment, we are trying to meet the Government point of view

Mr. F. E. James: Why did you sign the report then?

Mr. H. P. Mody: My Honourable friend, Mr. Ramaswami Mudaliar, will answer that. We are trying to meet the Government point of view: all we ask is an opportunity for the Legislature to say at some time the country thinks about its currency. As every one knows, there were various occasions which were provided to the Government in all these years when they could have done something. Immediately before Great Britain was pushed off the gold standard, the difficulties of India became enormous. Surely, if Government had been alive to their responsibilities, it was open to them to do something in those days. Nothing was done. It was only when a sort of cataclysm took place in Great Britain that we also went off the gold standard. The Heavens did not fall then; nothing happened. Of course, there was some dislocation for the first few weeks, but that is always to be expected; beyond that nothing very serious happened. The point is that a Government which goes on neglecting opportunities which were presented so often and particularly when Great Britain went off the gold standard, how can we expect that Government to do anything unaided, so to speak, by the voice which is uttered in this House and outside? Everybody knows what the constitutional position is. We cannot do anything with the currency without the consent of the Governor General. Under the new dispensation, it is not going to be any different. It may even be a little more difficult. In what other manner can the Legislature ever have an opportunity to discuss the matter? Therefore, while it may be that my friends do not exactly like the form of agitation which is going on in the country, I submit, there is no other remedy left in the hands of the representatives of the commercial, industrial and agricultural classes than to go on agitating.

There is only one thing more I want to say. For the very unfortunate and anomalous position in which we find ourselves, there are obvious remedies in western countries. Governments which are found to be misplaced are immediately displaced. I do not know how or at what stage that very happy state of affairs will come about. I do not know when it will be, when my friend, Dr. Ziauddin Ahmad, will cross over to the Treasury Benches, and my friend, Sir George Schuster, will attack the Doctor's financial and currency policy. I do not know when my friend, Sir Frank Noyce, will be found occupying one of the non-official Benches and violently denouncing my friend, Mr. Joshi's labour and industrial policy. I do not know, Sir, when that happy day will come when my friend, Sir Joseph Bhoré, will get up in the seat which I occupy, and attack my tariff policy. Sir, with all these handicaps from which we suffer, what else can we be expected to do but to utilise every opportunity that we get for bringing home to Government the point of view of the representatives of the people. Take a classic example. In 1931, we threw out the whole special Budget. What happened? Nothing. Perhaps my friends were at one of those weekly Executive Dinners that very night. I do not know how they live these days, what standard they maintain, whether it is a Champaigne or a Ginger Beer standard, but, at any rate, I am certain, whatever they were having in those days, they probably took an extra glass of, because they had at any rate got rid of us, even though in departing we had thrown out the whole Budget. That being the constitutional position, it is only by these opportunities, which are presented to us that we can make the voice of the country heard. I want again to impress upon my friend, the Finance Member, that this amendment does not seek to force the hands of the Government to immediately devalue the rupee. If they do it, of course we shall be only too

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happy. All that this amendment says is that if no devaluation of the currency takes place before the Reserve Bank comes into being, this Legislature should have an opportunity of pronouncing its verdict. That verdict, my friend should know, will not be lightly given; it will be supported by economic facts and figures which even the Government would not be able to refute. I repeat, it is a very unfortunate position that the House should be denied all opportunities of giving its verdict on this momentous issue. The Government must realise the fact that their currency policy has not satisfied any section of the public in this country, and the least they can do is to come to this House for fixing the upper and lower points, and thus enable it to present before the Government the view-point of the whole country.

Lala Rameshwar Prasad Bagla (Cities of the United Provinces: Non-Muhammadian Urban): Sir, in speaking on the amendments moved by my Honourable friend, Mr. R. S. Sarma, I wish to make my position clear at the very outset.

I come from a great industrial centre in which you have a unique phenomenon of the European and Indian business communities standing on a common platform, so far as the question of the depreciation of the currency is concerned. We wish to see the rupee devaluated at the earliest possible moment. We cannot agree with the Honourable the Finance Member when he says that the ratio is not part and parcel of the Reserve Bank proposal. We are definitely of the view that, as remittance operations of the Government will be conducted by the Reserve Bank and as the Bank will have to maintain the external parity of the rupee, the ratio is a factor of prime importance for the successful functioning of the Bank. We have not the slightest doubt in our mind that the pretext that the ratio does not arise on the present occasion is wrong and without foundation. We hold this view with a degree of unanimity which clearly shows that those Europeans, who are interested in productive enterprises in India, are bound to agree with the Indian opinion in this matter.

Holding this view, I am disappointed that the amendment of Mr. Sarma does not afford an immediate solution for the ratio problem. But I am glad to note that the passing of this amendment would mean that the Government would have to come to the Legislature at a very early date for the modification of the Currency Act with a view to establishing the upper point. That occasion will afford an opportunity for a full-dress debate on the ratio. It is in this hope and it is with this feeling that it is better late than never, that I support the amendment.

As Mr. Sarma has made it clear, it is the Government that should be grateful to him for having devised a formula which carries out the declared intentions and objectives of the Finance Member. Clauses 40 and 41, as they stand today, belie the assurance of Sir George Schuster. If his assurances mean anything and if they are given in all seriousness, I cannot understand why even to this simple measure the Government should raise an objection.

If a ratio referendum be taken amongst the members of the various Chambers of Commerce in India, Professors of Economics, Members of Central and Provincial Legislatures and leading public men, I have not the slightest doubt that the votes of the order of anything like 95 per cent. would be cast in favour of an immediate and substantial depreciation of the rupee. I understand that the *Indian Finance* is issuing a referendum in this matter

and, I am sure, that this should provide a final and conclusive testimony to the strength of feeling in the country.

Meantime there cannot be any doubt except to those who refuse to be convinced, that every section of the population, barring only an infinitesimal minority, is today persuaded that it is the ratio that has aggravated in a special degree the troubles and travails of India. It is true that there is depression in the other countries of the world. But despite the specious arguments of Sir George, I for one know that the depression in India has been of a particularly intensive character. It is the altogether devastating effects of 18d. that account for the extreme acuteness of economic distress in India. With a ratio on a more suitable basis, we would have been spared from the full wrath of the depression. With a revision of the ratio in proper time, we could even have managed to enjoy a measure of well-being during the period when the rest of the world was in the grip of serious and acute trouble.

India is a self-contained country in many ways. With a correct economic policy, it should be possible for India to be immune from the shocks of international finance. But India has never had a national economic policy. Nowhere have our authorities been more callous to Indian interests than in regard to ratio policy.

A two-shilling ratio was forced upon us in 1920 in the teeth of universal opposition. Crores of rupees were lost in the futile attempt to maintain an impossible ratio. Our thrice powerful Government could not maintain this ratio for more than six months in spite of the throwing of millions of gold and sterling securities into a bottomless pit. The Finance Member of that time threw up his hands in despair and said that he realised that he had not done what every one had been telling him.

I know sincere repentance is enough atonement for any crime. But do our authorities sincerely repent? They do not. For they, again in the same callous way and with the same indifference to the public opinion, foisted on us the 18d. ratio in 1928-27. Again, millions of sterling securities and gold were frittered. The country has parted with one hundred and fifty crores worth of gold, apart from what has been used up by the Government from their stocks of sterling securities.

If an economist were to make a careful study of the relevant statistics and a correct analysis of the facts and figures, it may well be that he finds that the efforts to maintain exchange at rates higher than the correct rate have cost this country an amount running into hundreds of crores.

This is how we feel on this matter. We have on every possible occasion indicated to the Government how we feel in this matter. If this is a responsible or responsive Government, could they have remained adamant and stubborn in spite of such strong and universal opinion from the Indian population? To say that the only wise men on the ratio question are in the Executive Government and that the Indian public do not understand what is good for themselves is an assumption which is not in accord with the experience that I have referred to, namely, the Finance Member throwing up his hands in despair and owning his defeat as regards the maintenance of the two-shilling ratio.

We know we are in the right. We equally know that the Government are in the wrong. But I must in despair confess that there is no machinery whereby we who are in the right can set right those who are in the wrong.

The Secretary of State and the Finance Member would be deluding themselves if they think that they can defy with impunity the Indian public.

[Lala Rameshwar Prasad Bagla.]

opinion in this matter for long. This is the warning with which, Sir, I shall conclude my observations in supporting the amendment of Mr. Sarma.

Shaikh Sadiq Hasan (East Central Punjab: Muhammadan): Sir, the policy of stabilising the currency is a very laudable one, but the main point is whether the rupee should be stabilised at 1s. 6d. or at 1s. 4d. I would prefer much lower exchange in the interests of my country, but it is not possible as it is directly against the interests of England and British officials in India; so, as a compromise, I would suggest 1s. 4d.

It is a momentous question involving the prosperity or financial decay of India. So I would like to examine it most impartially. Before I discuss the question on its merits, I would like to say that all great Indian economists, business men and well wishers of India are of the opinion that devaluation of the rupee is essential in order to avert great economic losses and that the 1s. 6d. ratio is ruining the agricultural population and the industrial community of India. In this connection let us also see the tendency of the other countries in the world, whether they are overvaluing or devaluing their currency. I would content myself by giving examples of a few of the most important countries in the world which have depreciated their currencies. Take the case of France, a great Power and a wealthy nation. Before the War, there used to be 25 francs for a pound, now there are about 80 francs to the pound. The same is the case with Italy. The United States of America, although a creditor nation, has with great efforts devalued its dollar. Japan has also done the same. Take the case of British colonies like Australia and New Zealand, mainly agricultural and pastoral countries. They have also devalued their currencies by 25 per cent. I could quote also scores of examples of smaller countries like Austria, Turkey, and Egypt; all these countries have done the same. Do the Governments of these countries consist of fools? Even the Treasury Benches would agree that such is not the case, perhaps the House may think that if Governments which have and are deliberately reducing the value of their currencies are not foolish, do I insinuate that the Government of India are acting foolishly in this matter? No, Sir. I emphatically say "No". I consider that the Government of India are selfish, and that for their own sake and in the interests of England, they are acting against the best interests of India. Their masters in Whitehall expect it and they have to dance according to their tune.

Sir, efforts had been made by the Government of India, as far back as 1876, to raise the value of the rupee, and it has been gradually done by clever manipulations from 13d. to 16d., and then to 18d. In 1920, by a desperate effort the price of the rupee was raised to 2 shillings, and although India suffered heavy losses, what mattered it to the Treasury Benches? But, however, as the saying goes, it broke the camel's back, and we find that in 1923 the exchange was again at 1s. 4d. In 1927, a subservient House again fixed the exchange at 1s. 6d. The Government are always talking of the stability of the ratio, and I agree with them. But where was that question of stability when the rate was suddenly and artificially raised to 2s. for a rupee and even to 18d. which was brought about by manipulation by the Government of India? I do admit, the stability of ratio is essential, violent fluctuations would do harm to the trade of a country, but when the rupee has been over-valued by sheer

injustice of the Government of India, it would only be fair if the over-valued rupee is restored to its position of pre-war exchange and we are put on an equal footing to compete with other countries of the world which have depreciated their currencies.

Now, let me explain to the House who are benefited by the 1s. 6d. ratio, because there must be some potent reasons why the Government of India are so keen about it. Firstly, it benefits the English officials, high and low, in this country, because they get 12½ per cent. more when making remittances to England. Secondly, it helps English manufacturers who can successfully compete with Indian manufacturers. It helps companies sending dividends to England, and incidentally it also helps Indian capitalists and usurers. Government claim themselves to be the protectors of the dumb masses. How they can justify themselves in this role by helping the strong against the weak, the rich against the poor, passes my comprehension. Sir, another result of over-valuing the rupee is that imports are cheaper in terms of rupees, and Japan has dealt a very severe blow to Indian industries. It might be said, on the other hand, that every cultivator and labourer would be benefited by lower prices of foreign commodities, but the necessities of life of these poor people are so simple that these can be supplied in this country without being imported from foreign countries. In short high exchange is going to help India's creditors, Government's European civil servants and British industries and other foreign exporters at the expense of agriculturists who form the bulk of the population and the industrial community in India. Now, let us see who would be benefited if the rupee is depreciated and brought to its original position. First of all, agriculturists, who are the backbone of India. Without a prosperous peasantry, neither the Government can be rich nor the industries of India can thrive and, for the benefit of my zamindar friends, I will briefly explain how the 16d. ratio would help them. In these days of easy communications and transport, the world is one big market and India has to compete against Australian and Canadian wheat, American cotton and Australian and Argentine wool. So the prices paid in English sterling or American dollars would be competitive and we would not get more money in English currency or American dollars, but certainly with devalued currency would get more rupees, say, 12½ per cent. more which would ultimately go to the cultivator, than what we are getting now and as the prices of agricultural products would rise, so the peasants, after paying the heavy Government revenue, would have some money left to buy the Indian commodities and thus reduce unemployment in India. It would be killing two birds with one stone. The Government would be increasing the prosperity of cultivators and landowners and giving work to industrial labourers. In this connection I would say that the Government, despite their professions of looking after the interests of the masses, are doing nothing to help them. Sir, I am sure, with the depreciated rupee, India's export trade would revive. Your 18d. ratio has dealt a serious blow to indigenous industries and export of foods and raw products, such as rice, tea, oilseeds, cotton hides and skins and has resulted in serious diminution of our export trade. We have already lost more gold than was ever looted by ten Taimurs and Nadirshahs. By higher ratio you have already diminished the buying capacity of a cultivator. He is already ruined and can pay land revenue only with great difficulty. The Government also, by their selfish policy, increased the indebtedness of peasants and cultivators by 12½ per cent. and decreased the value of their

[Shahk Shadiq Hasan.]

produce by the same percentage. The land settlements were made on the basis of 16d. for the rupee in the days when the prices of raw products were high. Is it just that you should ruin the peasantry by this device which also increases the indebtedness of the peasants and cultivators, and you are compelled to remit revenue. Past Governments used to take one-fourth of the produce of the land. Your Government take considerably more than that and leave very little to agriculturists. I challenge your supporters who own land to deny it. Some of them are supporting you in this matter and, for their own paltry benefits, they are sacrificing the interest of millions of their countrymen. I would urge you in the interests of India, which you profess to serve, to raise the buying power of agriculturists by changing the ratio and you would make the country prosperous, because rise in prices will stimulate trade and industry.

Sir, a word about industries. As an industrialist, I know how the high ratio has hit us. A few years ago, North Indian carpets and Persian carpets used to be sold on an average of 1½ dollars per sq. foot, c.i.f. New York. Now, while the Indian carpets, on account of cheapness of material, etc., can be sold at 1½ dollar per sq. foot, the Persian carpets, owing to depreciated tuman, are sold ½ dollar per sq. foot c.i.f. New York and, despite the slump, U. S. A. still buy about 50 to 90 thousand sq. yards of Persian carpets monthly as compared to from nil to 500 sq. yards of North Indian carpets per month. The whole industry is practically destroyed and thousands of men are out of work on the other hand and there is absolutely no duty on Persian carpets by land route in India. Do you think a just Government would look with equanimity on such a state of affairs? As regards other industries, they are also, though not ruined, yet in a deplorable condition. One great way to help them is to protect them from depreciated currencies of other countries, especially of Japan which is smothering India. If you had the real interests of India at heart, you should make a law like Persians that no country can get payment in gold for its goods imported into India, but only can take in exchange commodities, foodstuffs and raw products from this country. It would be a complicated system, but the export trade would revive and the price of agricultural products would rise. India has been a great industrial country in the past, its teeming millions cannot be supported by agriculture alone, ways must be found to give employment to millions of the unemployed who leave the villages and keep on crowding the cities, thus growing a menace to the future Governments of India. The interests of England and India are not identical. England, being a manufacturing country, naturally wants to get raw materials and foodstuff at the cheapest price, but, on the other hand, the interests of India, chiefly an agricultural country, are to get more rupees for her products and also, in order to give employment to her teeming population, the imported goods should be more costly so that our industries may be revived which would give employment to starving millions. There is disastrous depression in the country. How are you fighting it except by inactivity? How can there be employment unless industries revive. If the country grows rich and the peasantry are prosperous, Government can get more money, but if the country grows poorer every day, where will the money come from to fill the coffers of Government? I again emphatically repeat, don't kill the goose that lays the golden eggs. Your very credit will be your undoing. It is a shame that an enlightened but autocratic Government like yours do not reflect

upon the terrible condition of the poor. Finally, I would say, if 18d. ratio is the price of the Reserve Bank, which is, after all, going to be under the control of the Governor General, it is too high a price. We will have a toy and lost the substance, the wealth and prosperity of the country. On the floor of this House, I accuse the Government of India and their satellites for not looking to the interests of India, but of England and their own, at the expense of the teeming millions of India. Sir, I will conclude by saying that if this Bill is once passed, it will be practically impossible to change the ratio afterwards, for, in future, changes in the currency policy will be decided by the British Parliament alone. Therefore, let all well-wishers of India join hands in overthrowing this iniquitous clause.

Mr. Lalchand Navalrai (Sind: Non-Muhammadan Rural): Sir, I must at the outset express my regret that, on this important and very vital question which affects the whole country, the commercial, the agricultural and in fact all other sections of the peoples of India, there should be, in this House, at present, only a minimum of quorum to consider this question. Sir, this is a question on which the attendance in the House should be very strong. It is not a question affecting any particular community. It affects the entire country. Sir, you know how this question was voted upon in this House in 1927 and, even though the result was that the ratio was fixed by a majority of two members, yet the question has agitated the country so much that from all corners you hear the opinion of the people that the country is being ruined by this ratio. Therefore, I regret this thin attendance and I hope that better sense will prevail and that this question of the ratio will be considered in its true perspective. Sir, I am glad, however, to find that at least on this question there is no difference of opinion between this side and some of those in the European Group.

Sir, the Honourable Mr. Ramsay Scott has put his case quite clearly, and in that I am glad to notice that the opinion on the European side has also changed and that they do recognise that when they are in this country and are engaged in the export business, just as the Honourable Mr. Scott is doing in Cawnpore, this ratio is detrimental to the interests of all.

Sir, there are, I find, now three questions before the House. The first question is whether we should enact this law relating to the Reserve Bank by keeping and fixing the ratio at 1s. 6d. The second question is whether we should reduce it to 1s. 4d., on the ground that before it was made into 1s. 6d., the effects of 1s. 4d. were certainly better than have been the effects of 1s. 6d. Now, if there was the opinion of the country and of some experts, I would have said probably, "we will run the risk of bringing it down to 1s. 4d. but at present the third question which is before us is one which does not commit anybody, and that question is that the ratio should be fixed on the date prior to the day on which the Bill comes into force by the notification of the Governor General in Council. Sir, on that point, if the Government are not going to agree, I must say, with all respect to them, that the country will not be satisfied, and that as the country is at present suffering so much there will be a great volume of discontent which wise men should not allow to prevail in the country. With regard to this question, Sir, I do not think there is any controversy in the country now. Of course there was great controversy in 1927, but, since then, the opinion of the country has crystallised and the entire

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country has come to a particular conclusion as a result of experience. The conclusion of the country is, therefore, not the result of any fancies or whims. As a result of actual operation of the ratio during these six years, the country has come to the conclusion that the ratio of 1s. 6d. is harmful to the country. Therefore, we are not proceeding on assumptions. We are not proceeding on any presumptions, we are proceeding on solid facts, and I would ask the Government not to have this ratio fixed in this Reserve Bank Bill. I would again repeat, Sir, that I would have advocated the cause of 1s. 4d., but considering the opinion of the mercantile community and the agricultural community based on expert opinion, I hesitate, and it is, therefore, that I have risen now to support this amendment. I cannot for myself agree that the Government are correct in saying that they are not altering the law. There is no doubt about it, but they are doing it in a side-way, they are doing it in this Bill in such a way that it will amount to this. Suppose we pass this Bill now and the exchange rate comes to be fixed at 1s. 6d., in the Reserve Bank, then what will the country and people elsewhere say. They will say: "Look, here are people who objected to the 1s. 6d. ratio when the Bill of 1927 was on the anvil; now, they give sanction to it and admit that they were wrong then". Sir, it is more or less contrived to secure our sanction for 1s. 6d. which, I hope, no man, who has got any regard for his own country, will accord to.

Sir, there is another matter for which everybody, at least the Legislature, should be sorry and that is that while we come here to legislate, the Honourable the Finance Member from the very start begins to throw at our face the threat by saying that "if you do not agree to this ratio, this Bill will be withdrawn". Is that fair, I ask. Coming as we do to this House to legislate, our opinion should be unrestricted, and uninfluenced by any threat or any intimidation. For my part, I must say that I never fear such threats (Hear, hear); we know that we are quite used to such threats. I ask, should the Government come forward before us with that attitude. That is their bullying attitude in every important Bill, because they know very well that they are the masters of the situation. Supposing the Honourable the Finance Member was speaking in the British Parliament. Dare he get up and say such things in the British Parliament that if they were not going to pass this Bill, the Bill would be withdrawn? I do not think so. Therefore, we should not, on the ground of that threat alone, succumb; we must stick to our guns and do what the country wants. The question then arises, what is the implication of this threat that has been expressed in this House? To threaten that unless the Reserve Bank is established, you will not get Central responsibility! Sir, I myself am very pessimistic about getting that Central responsibility. You know, Sir, that this question of responsibility is not a new one. It has been raised since 1920 or 1921 and the promises that were given have not been complied with. Therefore, it is for a long time that we have been asking for this Central responsibility. I ask, if it has come now in the year 1933? At any rate, an instalment of the reform was overdue. Not only that instalment, but even the second instalment is just at a place where we should have got it. Therefore, do not be frightened by the threat that this Central responsibility will not be given to you. If it is to be given, it will be given by agitation. If it is to be given, it will be given, I daresay, by the will of the people of India. What do you see at present? Do you see that the Federal

responsibility is in your view? Gentlemen who went to England and for whom I have a great deal of respect gave their opinion according to their light. Even they do not expect that the Federal responsibility is coming to you soon. The very fact that the elections for this House at least will take place in 1934 clearly shows that the Federal responsibility is still far off in the minds of the British Government. I am even doubtful about the provincial autonomy, whether it is coming in 1935 or not. Therefore, do not be frightened by that threat. Coming to the subject under discussion, I would say, Sir, that the proper way for deciding this issue is to decide it by expert opinions in India and by the conditions which are now prevailing in India which will show how much depression there has been and how much the agriculturists and the industrialists have suffered and are suffering. Judge it from that point, and you will come to the conclusion that the rupee must be devaluated. On this point if I were to give my opinion and if I were to say that I have studied the literature on it, it may not be deemed to be sufficient, because I admit that I am neither a banker nor a commercial man. Therefore, it would be much better if I were to place before the House certain opinions of those persons whose opinions will have a great weight. If I do that, I think I would have done my duty of placing before the House the whole picture on this question of the ratio. I will, therefore, refer to certain quotations from those Associations and experts who have given their thought to it. I would, in the first place, take the opinion of Mr. Nalini Ranjan Sarkar, President of the Federation of the Indian Chambers of Commerce and Industries and a member of the Executive Committee of the Currency League of India. His opinion cannot be lightly thrown away. His opinion will convince the House that this question of the ratio which is being considered now by this amendment cannot be harmful in the interests of the country and, therefore, it should be tried. I know, Sir, that the Bombay millowners are always criticised, but we should be fair even to them, because we find that in this case the interests of the Bombay millowners and those of the agriculturists and consumers are all alike. Referring to these much maligned Bombay millowners, this is what Mr. Nalini Ranjan Sarkar has said:

"It is asserted that the move for the devaluation of rupee is being taken to give indirect protection to the Bombay millowners. The question naturally arises: why this singling out of the Bombay millowners alone? After all, any indirect protection given by devaluation will be shared by all millowners, be they in Bombay, Ahmedabad, Nagpur, Cawnpore or Bengal."

He further goes on to say:

"It will give protection not only to the millowners, but to all Indian manufacturers whose products have to face foreign competition wherever they may be situated. One could understand the meaning of the distinction if Bombay millowners were the only parties advocating devaluation. (*The House must pay attention to this that this is not the question of Bombay millowners only.*) But we all know that the millowners and manufacturers all over the country, irrespective of the province they come from, have with one voice demanded it year after year. The Federation of the Indian Chambers, consisting of varied Indian industrial and commercial interests, have passed unanimous resolutions condemning the over-valuation of the rupee. The press and the public have equally unanimously and persistently protested against it and emphasised the necessity of lowering the value of the rupee. In fact, in recent years, if there was a single economic question on which there was more or less complete unanimity in India, it was on the question of the over-valuation of the rupee."

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What I submit to the House is that here is an authority which has supported this question. (Dr. Ziauddin Ahmad: "What book are you reading from?") I am reading from the Currency League of India Bulletin No. 10, page 4.

Now, Sir, I come to the second question which is also placed before the House in this discussion. It is whether the devaluation of the rupee will really raise the price of the commodities in India. Sir, on that point, considering the present depression, we cannot be very optimistic, nor can we be very definite in giving a conclusive verdict, but we think that the conclusions of those gentlemen who have been dealing with this question should be respected.

Sir, at page 17 of the same pamphlet, the gentleman says:

"It has also been stated that, as a consequence of the devaluation, prices of agricultural commodities will not rise. That devaluation will not raise prices of agricultural commodities is as novel as it is contrary to all theory and practice. Devaluation must raise prices, other things being equal. The following figures will prove that it did raise prices in India.

Index of Prices.

	Jute Raw.	Manufactures.	Tea.	Rice.
1931 June	45	67	64	74
„ July	44	65	72	76
„ August	46	68	65	76
„ September	51	69	63	73
„ October	62	80	68	77
„ November	60	83	75	76
„ December	58	87	68	78

It will be noted that immediately the Rupee was devaluated in terms of gold in September, 1931, prices rose. But the advantage has not been quite so well maintained, but because, even though the Rupee was devaluated in relation to gold, it remained overvalued in relation to Sterling at 15%.

Then, on these two points, the opinion should be upheld and it should guide us in coming to certain conclusion. Then I would refer to the opinion of Sir Purshotamdas Thakurdas.

Mr. President (The Honourable Sir Shanmukham Chetty): Inordinate quotations are not allowed on the floor of the House. The Honourable Member cannot simply take certain publications and read them at length.

Mr. Lalchand Navalrai: If I do that, I will read the whole book, but I am reading only small portions and I hope I am entitled to give the opinion of other people before the House so that the House may decide which opinion it would follow. If the Chair so desires, I will simply say that Sir Purshotamdas Thakurdas has expressed similar opinion and it is a valuable opinion. We know that Sir Purshotamdas Thakurdas has

wide commercial and banking experience and his opinion is that the present exchange rate is harming the country. We must accept his opinion. Next, I will quote from what Karachi has said. For the information of those Honourable Members, who have not visited Sind, I can inform them that Sind with its Sukkur Barrage is much more an agricultural country as any other province. I hope the opinion of Sind will be considered to be of the same value as the opinion of other provinces. The Indian Association of Merchants at Karachi have passed a resolution to say that the ratio of 1s. 6d. is adverse to the commercial interests of Sind. Then I am glad to say that even some of the members of the European Chamber of Commerce of Karachi have given their opinion and I find the opinion of a well respected and important man like Sir Montagu Webb expressed thus:

"India has been forced to accept a wholly unjustifiable 1s. 6d. rupee."

—This is an opinion which is much more important than that of Mr. Ramsay Scott—

"Whilst her internal price level has been allowed to drop by 50 per cent. to the partial ruin of agriculture and industries and the very great inconvenience of Railways and Port Trusts and local bodies and Governments and of the Government of India itself, it is high time that sanity and fair play be re-established in India."

Sir, I think the Government should be sensible. He further says:

"The passage of clauses 40 and 41 of the Bill contemplates the rivetting of India's good silver rupee to England's uncertain paper pound at approximately 1s. 6d. per pound at which rate the Banks will be compelled to buy and sell paper pound in unlimited quantities. These clauses must not be allowed to become law."

Now I will not refer to any further quotations, but I must inform the House that I am in possession of the views of the Marwari Chamber of Commerce and they also want the rejection of these clauses and they have explained their view point in the resolution which they have passed. I submit from the above views that it is quite plain that this question of ratio is justly exercising the minds of people and that Government ought not to be persistent, I will not say, obstinate, specially when we are not asking them to commit themselves on this point. I submit, this is the view of the whole of India. Even taking it broadly, considering it not from any scientific point of view or even a mathematical point of view, as my Honourable friend, Dr. Ziauddin Ahmad

Dr. Ziauddin Ahmad (United Provinces Southern Divisions: Muhammadan Rural): I am not Honourable.

Mr. Lalchand Navalrai: Sir, in my estimation he is very honourable. I submit that when my Honourable friend has trained several students and turned out some economists in the field of education, his opinion is of great value. Sir, considering it broadly, the question of the exports

of India is the first essential. No one will deny that when we export certain things, we do not get as much as we ought to get, and for a pound we get only Rs. 13-8-0, but if we reduce the value of the sterling to 1s. 4d., we will get Rs. 15. So this shows that our exports are suffering. Then comes the question of imports. I want to be fair to the British people as well and I realise that, when their exports come to India, they also get Rs. 13-8-0. But are they gainers or are they losers? On the face of it, it seems they are losers in getting Rs. 13-8-0, for a pound,

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but when they will have a chance of sending more commodities to India they will get much more money if there is more purchasing power amongst the people. But, on account of this depression, the purchasing power of the people has tremendously gone down. Therefore, it is not the ratio which affects them; they must make India more prosperous so that people may have more purchasing power and then they will get more money. At present there is no sympathy for them and you see so much of Swadeshim and boycott, etc., in the country. If you always keep the ratio at 1s. 6d., you will never get the sympathies of the people and they will remain always against you. Therefore, you should realise that you want here a better market and a greater market than you have got now. I have been reading in these pamphlets that the British people are getting less value for their machinery on account of this ratio. But will the Finance Member or the Honourable Member for Industries and Labour find out if the machinery is being imported now to the same extent? Well, we do want their machinery, but if they devalue the price of the rupee, they can import more machinery. Therefore, considering it from any point of view, it is advantageous for Government and the British people to comply with the wishes of the people. There is an amendment that a Committee should be appointed. If they are not satisfied with that, we are offering a blank cheque that on a particular day the price of the sterling should be fixed. They should realise that this question of ratio is causing a good deal of agitation in the country.

There is one other point. I said that, on account of the diminished purchasing power of the Indian people, the imports of Britain were suffering. But there is another reason also for it and that is the competition of other countries with India. Japan has shown what she can do and we are getting Japanese things at ridiculous prices. In Chandni Chowk, Delhi, you find handkerchiefs selling at two pice each. That is because the Government in that country help the agriculturists and the manufacturers, devalue their currency and make it easy for things to be sold at a lower price and fight with the British lion. Of course I expect there will be better speakers than myself on this point. We sit behind those magnates of the front Benches who will present their case and I trust the House will be benefited by their observations. I believe there is full support for this amendment moved by my Honourable friend, Mr. Sarma. We generally know Mr. Sarma's extraordinary views, but on this question he thinks that this amendment should be accepted and I hope his Party will solidly support him as also this side and the European Group as well. I hope they will appreciate the views, which I have placed before them, of European gentlemen like Sir Montagu Webb and of others. I trust they will consider these and give their votes in favour of this amendment.

Kumar Gopika Romon Roy (Surma Valley *cum* Shillong: Non-Muham-madan): Sir, it is of no interest to me nor it will be of any interest to my constituency if I discuss here the rights and privileges which exist between the two epithets, "Governor General at his discretion" and "Governor General in Council", because, these controversies improve matters very little. I find, when Indians go from these Benches to those Benches, *i.e.*, the Treasury Benches, they turn more autocrats than the Europeans who usually adore those Benches,—so, why fight? Our fate is to find autocrat in the Treasury Benches, be he an Indian or an European, and our turn is to bow before their wishes and commands with

smiling protest at times, if at all. So it is quite immaterial to us, the Indians, whether Governor General exercises his discretion at the dictation of the Whitehall or in consultation with his Indian Finance Ministers, as, in either case, it will be dictation from Whitehall. As soon as Indians will rise to the exalted position of the Financial Minister of His Excellency the Governor General, there will exist in him the most unperceptible line of demarcation between Whitehall of London and Whitehall of India (i.e., the Secretariat at Delhi). Hence, we the Indians have the lot of a cow; be it owned by the real owner or by a thief, the assimilation of grass is the only concern to a milch cow. Hence, the above controversy is of no interest to us, at least in my humble opinion.

Let us, Sir, just consider for a while how much substance we are going to get by this "Reserve Bank Bill". Let us examine for a while how much real benefit is being given by the "Reserve Bank Bill" to the Indians. Let us for a moment calmly consider what sort of country India is. What do we find in India? One part is the land-owner and the other part is the tenant. Let me, Sir, develop this point. Where is India's money growing? Is it growing in the Clive Street? Or is it growing from the smokes that flow through the chimneys of mills at Calcutta and Bombay? (*Honourable Members*: "No.") The reply must be and which I have received is "No". As I have said, let us consider for a moment what the chief resources which have stabilized the financial condition of India are. Can anyone deny that it is agriculture? (*Honourable Members*: "No.") Hence agriculturists must get preponderance over every thing. If agriculture goes, industry goes, commerce and trade tell a woeful tale and Government will not thrive in the funeral ashes of the agriculturists. (Hear, hear.) But what is this Reserve Bank Bill going to give to the agriculturists? A beggar's alm has been proposed through the medium of the so-called co-operative societies, which means that the agriculturists' lot will be in India what is called in English idiom—"From the frying pan into the fire". And I do not understand why a branch has not been suggested for purchasing the raw products of the country direct from the agriculturists. The agriculturists in that case would have obtained first-hand profit and would have been saved from the sixth-hand, seventh-hand and sometimes eighth-hand profits. Would that help in any way the "Reserve Bank"? No. Has the Honourable the Chancellor of the Indian Exchequer or the Right Honourable the Secretary of State for India at Whitehall ever laboured to enquire what percentage of interest these agriculturists are paying? (*Cries of "No" and "Yes"*.) Have they ever enquired how the bulk of the agricultural products are transferred from the hands of the agriculturists to the hands of the unscrupulous money-lenders? No. Has the Honourable the Chancellor of the Indian Exchequer ever dreamt of the 25 per cent. per mensem interest which the agriculturists do often pay to the unscrupulous money-lenders?

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

The Assembly then adjourned for Lunch till Two of the clock.

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

Kumar Gopika Romon Roy: Has the Honourable Member ever given his thought as to how much relief is going to be extended to the huts and hamlets of the agriculturists?

Dr. Ziauddin Ahmad: No, he has never thought of it.

Kumar Gopika Bomon Boy: If no direct relief is sought to be given to the agriculturists by this Bill, then this Bill is not for India, (Hear, hear), and we, rather I myself, as a representative of the agriculturists, have no concern with this Bill. It has no concern with the Indian Homes. It might have some concern with the millionaires and multi-millionaires who are eager to purchase 75 per cent. shares of the proposed "Reserve Bank". But, I have no interest, neither anyone who has surveyed the internal condition of the country will have any interest or anxiety for the purchase of such shares. Sir, not to speak of the villages, not to speak of the huts and hamlets of the agriculturists, I will cite a true picture in this town of Delhi, the metropolis of India. At the Chandni Chowk Bazar, I could not procure from as many as ten shops change for a ten rupee note last evening. What a hopeful and encouraging picture for the Honourable the Chancellor of the Indian Exchequer? You have now legislated that the Bank is not bound to give smaller coins.

Sir, we on this side of the House asked for a modest modification by a modest amendment that on the Directorate of the "Reserve Bank" there should be at least two Directors to represent agriculturists, but that amendment was negatived by the House. Perhaps my Honourable friends clean forgot the importance of the existence of the agriculturists in this country. Perhaps the Honourable Members opposite clean forgot the most important cause which led the Germans to be defeated in the Great War and which helped Britain to gain victory. Is it not ration? Is it not raw agricultural product? Could Britain stand on the resources of the Bank of England alone or they had to ask for the agricultural products of India and other agricultural countries in the British dominion? Then, why ignore them? Who stood by you in the days of your distress? Sir, I remember an utterance of Mr. Hazlett who was then the Deputy Commissioner of Sylhet. He went, during the time of the Great War, for inspecting the Bidyanagore Tea Estate of which I am the Proprietor. He said the greatest men were those who produced the raw products in the country. He is in this House as Government Whip today. I hope he will whip for the benefit of the growers in this ratio question.

As a province, Assam might have received some consideration, but His Excellency the Viceroy said the other day that she was the "Cinderella of all the provinces". Her claims have been ignored and we are not in the least surprised to find that there has not been dearth of such neglect in this Bill too, though the negligible amount of a crore and a quarter, year after year she is adding as "Petrol-duty" in the Central coffer, not to speak of income-tax and others. Still she is a "Cinderella". As for her financial condition, the less said the better.

Is it not a vain dream to fight for the purchase of 75 per cent. shares by Indians of this "Reserve Bank"? Be that as it may, if any Indian possesses enough money to purchase shares, let him be eager. As for myself I could pass over easily matters that have been discussed on the floor of this House up to last Saturday forenoon. But from the afternoon of Saturday, a vital question of India has been placed on the anvil of this House and that concerns me, my constituency and my Assam. Why only Assam? India at large.

Sir, it is now admitted by all that the principal cause of the great economic distress in the country is the very low level of prices obtaining for the primary agricultural products. In some cases they are so low, as not even to cover the cost of production. One of the causes for this low level of prices is the world economic depression, and the consequent inadequate demand for our exports. But in our case, it has been hundred-fold aggravated by the Government during the last few years.

The present problem in the country, in my humble opinion, is not very much over-production as under-consumption. That is why we notice starvation side by side with plenty. The reason is not far to seek. The agriculturists do not produce all the agricultural commodities they use. Some produce paddy, some ragi, some vegetables, some cotton, some groundnuts, some gingili, some turmeric, some tea, some chillies. But most produce children. (Laughter.)

The Honourable Sir Brojendra Mitter (Law Member): Please repeat the last sentence.

Kumar Gupta Ramon Roy: Some produce children too. So the agriculturist and the children consume not only some of what he produces, but also some of what other agriculturists produce. In order to purchase his requirements of the agricultural produce of the other, he requires spare money just like what he was having, which agriculture was fairly paying.

Now, he could not spare money for buying the agricultural produce of others required for his family. Of course, he cannot completely give up such essential necessities of life. So he buys them to a much restricted extent and for that too, he has very often to borrow money wherever he could, as is apparent, from the alarming increase in rural indebtedness during the last few years, which is over 900 crores, eight times the Budget of the Government of India.

In addition to this difficulty, the agriculturists are feeling still a bigger difficulty in paying the land revenue. They are very much indebted, and whatever little money they get, they pay it either to money-lenders or landlords or Government. They themselves live on starvation diet. The land revenue was fixed in rupees on the understanding that the prices were high and would continue. The prices have now been reduced to half and it is fair that the land revenue should also be reduced to half; but this has not been the case. Consequently the agriculturists have to pay as land revenue much larger share of their produce and they themselves live on starvation.

What applies in this way to the producer of any particular agricultural produce equally applies to the producers of other agricultural commodities. Hence it is no wonder that there is marked underconsumption of agricultural products all round. That explains my story of seeming starvation in the midst of plenty. There is only one remedy to this alarming spectacle of starvation, distress and over-supply, and that is this: the agriculturists (the masses practically) should be enabled to consume more. This they can do only when their produce fetches better prices, and they are thus put in a position to spare more and more money to buy enough agricultural produce of others to meet the requirements of their family. To attain this very necessary object, there must come about a rise in the internal rupee prices of primary commodities. That could

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be brought about now only by devaluing the rupee. There is no other possible way to realise this at present. A lower exchange ratio will raise, the internal rupee prices and at the same time expand exports.

The price index has fallen by 14 per cent. compared with 1914. What does it mean? I will explain it for the benefit of the Members of this Assembly. It means that the wholesale prices of articles, which was Rs. 100 in 1914 has now been reduced to Rs. 86. Now, how can this be raised? Here I ask a problem and my friend, Dr. Ziauddin Ahmad, who has been solving many problems on the floor of this house, will solve one more for me. That is this: If the price has fallen from Rs. 100 to Rs. 86, in what manner can the ratio of the rupee be raised, so that it may become Rs. 100 again. I wait for a reply.

Dr. Ziauddin Ahmad: I am accustomed on the floor of the House to solve the problem of the horse—if a four-year horse costs Rs. 100, what would be its price when it is 24 years old. But I think the most competent person to solve the question is Mr. Ayangar. He solves the problem,—if eight persons are speaking at 8 o'clock, how many persons will be speaking at 10 o'clock? The problem may be referred to him.

Kumar Gopika Romon Roy: He either evades the reply or he has not understood it, and for his benefit, I repeat my question again in other words and I now hope that other Members will help to find an answer. I put a question of Double Rule of Three. If the index of wholesale prices at present is Rs. 86 when the rupee is equal to 1s. 6d. what should be the value of the rupee in order that the price may be Rs. 100? I know also enough mathematics. The answer is about 1s. 4d. We have, therefore, come to the conclusion that to raise the prices to the level of the prices in 1914, the ratio should immediately be lowered from 1s. 6d. to 1s. 4d.

Sir, the lowering of prices is due to two factors:

- (i) the world-wide depression, and
- (ii) the monetary policy of the Government.

We alone can not solve the problem of world-wide depreciation without the assistance of other nations. But, so far as such portion of the depreciation of the price of commodities as is caused by the higher value of our rupee is concerned, it is under our control and can be rectified at any moment, provided, of course, the Right Honourable the Secretary of State for India, who has a final voice in these matters, leaves the Government of India alone. He should be brought round to appreciate the real plight of the country and decide the matter in the true interests of this country and its vast helpless and suffering millions. Even the little rise in the price of our primary products resulting from the devaluation of the rupee to its proper and natural level will be a great relief and encouragement to our agriculture and industries. And any improvement in the agriculture and industries of the country will, of course, not only bring more employment and better wages to our labouring classes, in-

identally enhancing their consuming power, but will also much benefit the revenues of the Government and their budgetary position apart from its good effect on the railway earnings.

It must also be remembered that the harm done to India by the over-valued rupee is independent of the present world depression. Even when the world countries recover from this slump, the higher ratio would continue to be a handicap to us in our competition. The higher ratio is the principal cause of export of gold. It is beautifully illustrated in a sketch before me. In this diagram, India is being ground in the mill of 1s. 6d. and the flow of gold is in the mouth of John Bull. I need not say who John Bull is. I say, how long this grinding will go on. John Bull has already swallowed our gold amounting to 160 crores. Still he is dissatisfied. He wishes to swallow gold and then swallow us too.

Sir, I very strongly support that the ratio should immediately be lowered to 1s. 4d. We have suffered a great deal and we cannot afford to suffer longer. Even 1s. 4d. is too high for us.

In conclusion, I have got an appeal to make to the Chancellor of the Indian Exchequer. I remember that during the Governor Generalship of Lord Canning, there was an order from Whitehall that during the mutiny a wholesale massacre should be ordered in India. Lord Canning spent a sleepless night over the order and withheld the order and he was therefore, called "Clemency Canning". Sir Basil Blackett has passed order for a wholesale massacre in India by raising the ratio from 1s. 4d. to 1s. 6d. and some Members of the House have told me that Sir George Schuster is on the eve of his retirement, and I hope he will earn the name of "Clemency Schuster" and change this ratio to 1s. 4d.

Mr. N. M. Joshi (Nominated Non-Official): Not being an expert in economics, I propose to express in a few words the point of view of an average citizen of this country on this most vexed question. I should have left this question to be dealt with by experts, but unfortunately the exchange ratio does not stop at influencing the lives of only experts and scientific economists. It influences our life too. It is, therefore, necessary that, although we may not have the scientific knowledge, we should express our point of view on this question.

I have heard a great deal about the benefits of appreciating the rupee and also the benefits of depreciating the ratio. From the point of view of an average citizen, what is necessary is not either the appreciation of the ratio or the depreciation of the ratio. What the average citizen wants is stable prices.

I have also heard a great deal about the stabilisation of the ratio. Let me make it clear that the average citizen does not care also for stabilisation of the ratio. What he wants and he always wants is the stabilisation of prices. What the average citizen, especially that large class of people who live on wages, wants is that he should get the same amount of commodities for his wages. He wants to see that his money fetches its real value. If you appreciate the ratio or if you depreciate the ratio, the working man is always on the horns of a dilemma. If you appreciate the ratio, for some time he may benefit by the lowering of prices, but he suffers by having the employment reduced. Similarly if you depreciate

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the ratio, there may be some encouragement to production, but, at the same time, the real wages go down. Therefore, from the point of view of the average man who lives on wages, neither appreciation nor depreciation does him much good. If there is some stimulus, that stimulus is temporary and, therefore, he always wants stability of prices. The ratio has been stabilised in our country for the last seven years and still we know how the working classes of this country have suffered. It may be that the immediate effect of that ratio was not the reduction of wage, but we have now seen that throughout the country the wages have gone down. In Bombay, the wages have gone down by nearly 50 per cent. Besides that, the employment has gone down. As many as one-third of the number of workers in the Bombay textile industry are now unemployed. We, therefore, know the effects of even a stabilised currency. Therefore, we do not make a fetish of stabilisation of the ratio. What we want really is a properly planned economies for this country. Mere raising of the ratio or the lowering of the ratio will not be enough. I was, therefore, glad to hear from my Honourable friend, Mr. Mody, a reference to what President Roosevelt has done. What the country wants, in order that prosperity may be restored, is a plan by which prosperity could be reached. That plan has been followed in some countries and we have some experience. Russia has followed a plan, and whatever grudge people may have against Russia, Russia has shown that if you make a proper plan, by which the interests of all the people in the country will be safeguarded and by which industry could be built up, that plan does the country some good. Russia, after the five years plan, is becoming one of the most industrialised countries in the world. But some people may not like the example of Russia to be followed. Let them then follow the example of President Roosevelt. Nobody can say that President Roosevelt is the President of a Bolshevik country or that he will follow a Bolshevik plan. My Honourable friend, Mr. Mody, referred to President Roosevelt and his plan, but let me tell my Honourable friend and the Government what President Roosevelt did. He did not depreciate his currency first. He first took steps to see that there would be more employment by reducing the hours of labour. He first reduced the hours of labour. He did not increase wages first by depreciating the currency, because President Roosevelt knows and we all know that, if you depreciate the currency, the working peoples, who want higher wages, are bound to suffer. If the prices go up, the wages do not go up to the same extent immediately. It takes time. Therefore, the working classes must not suffer, and if they are not to suffer, steps must be taken before you depreciate your currency and raise the prices to reduce the hours of work and to increase wages. This is what President Roosevelt did and I would suggest to Government and to my Honourable friend, Mr. Mody, and his friends, that if you want to increase prices, by all means do it, if you can, but you must take steps to see that the working classes do not suffer, that the working classes will get sufficient employment, that you reduce the hours of work and increase the rates of wages, so that there will be some kind of encouragement to the industry as well as there will be some benefit to the working classes. I, therefore, feel that what the country needs today is a properly conceived plan of economic evolution. It is from that point of view that I propose to support the amendment of my Honourable friend, Mr. Sarma. His amendment will lead to an investigation of the whole question. I only suggest, Sir, that that investigation should not be confined only to the

consideration of the exchange ratio. Let there be a thorough investigation of the whole question of the economic development of this country and let the terms of reference to any Committee, that may be appointed, be wide enough for the consideration of a properly developed plan for the industrial development of this country; and, if such an investigation is made, I have absolutely no doubt that there will be a reconsideration of this question. It is from that point of view that I support the amendment of my Honourable friend, Mr. Sarma.

Diwan Bahadur A. Ramaswami Mudaliar: Sir, I rise to support the amendments moved by my Honourable friends, Mr. Sarma and Mr. Mody. I hope when I have said what I have to say on these amendments I shall sit down, vindicated as an honourable man who will not lightly repudiate his own signature. Sir, I listened with some regret and more amazement to the speech of my Honourable friend, Sir Leslie Hudson, when he spoke in favour of the sanctity of signatures and the observance of honest principles in public life. Sir, I should like to say that however much we individually may unconsciously fall below that high standard, we are equally anxious that, in the public actions of public men, there should be followed a standard of honesty above reproach and that agreements howsoever made should be observed both in the letter and in the spirit.

My Honourable friend, Sir Leslie Hudson, took upon himself to deliver a lecture about the London Committee Report and told this House that the principal signatories to this report, particularly my Honourable friends, Sir Cowasji Jehangir, and Mr. Mody, and myself had somehow or other not observed the compromises which were laid down in that report and were trying to repudiate them. I remember, Mr. President, my statement on a previous occasion that I was prepared to abide by every agreement that was arrived at in the London Committee Report and that I was anxious to keep to all the agreements that were arrived at there both in the letter and in the spirit. It has not been easy, Mr. President, as you yourself can easily realise in connection with this Bill for some of us associated with the work in London, to carry with us those who are generally with us in these matters, and to command the general goodwill of many Members of our respective Parties. Domestic infelicity is a well-known thing, so far as Parties are concerned, over this Bill, and without appreciating our position, without trying to realise what forces we have had to overcome, my Honourable friend has made a tirade against us this morning and charged us with dishonesty of purpose, and stated that we were not respecting our own signatures. Sir, my Honourable friend is a commercial man. He knows what it is to make a charge of repudiation of a signature. He must, therefore, be taken to have spoken with all that weight which is associated with those who know commercial dealings and are engaged in commercial life. Let me come to the London Committee Report and let me show that there is not an atom of truth in any of the charges that my friend has so lightly made against us. I am only surprised that a gentleman, who did not know the inner working of that Conference and who has not had the opportunity to understand the nature of the deliberations that took place there and who consequently did not and could not follow the discussions of the London Committee, should have so lightly made such charges against us. I am surprised and pained, because usually during the last three years that I have had the

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privilege of being associated with my Honourable colleague, Sir Leslie Hudson, I can say that he has commanded the respect of every section in this House. I can only say that I regret that on this occasion he should have imported heat into the discussion, and quite an unnecessary amount of heat, and that he should have made aspersions which we least expected from him. Sir, my Honourable friend talked of the repudiation of signatures. I thought that that came with very ill grace from an Honourable gentleman who only the other day repudiated his own signature. (Hear, hear.) May I call my Honourable friend's attention to the signature he himself put to a document, at least as solemn as the London Committee Report, the document of the Joint Select Committee, where he put his signature to the statement that the Governor of the Bank should be a man of "tested banking experience" (Hear, hear), and may I remind him that here on the floor of the House even after being reminded of the fact—and I was the person who reminded him of the fact—my Honourable friend coolly, calmly, and may I say collectively, so far as the collective wisdom of the European Group is concerned, got up and said that he was going behind that statement. Sir, let not those who live in glass houses throw stones at others! "It is true", he said, "that I put my signature, it is true that I supported this thing about 'tested banking experience', but I have had the opportunity of the collective wisdom of my Group. I have worked out the matter with them, I have deliberated again and I now find that I was wrong". If that plea, which is an absolutely futile plea, is open to my Honourable friend, Sir Leslie Hudson, can I not get up and say: "Yes, at the London Committee we did agree, but since then we have come over here and we have had not nine European colleagues, but nine hundred thousand people to consult all over the country, men who have taken life-long interest in this matter, men who understand details, men whose knowledge or experience was unrivalled, and we have now come to the conclusion that we should take a different view." But I do not hide myself behind that plea. I do not say that "wisdom dawned on me on the floor of the House when Government moved the amendment". My Honourable friend knew that the Government members were going to put in a dissenting minute. The Select Committee were warned of that fact. For the benefit of my friend even as he was signing the Majority Report of the Joint Select Committee, the dissenting note of Sir George Schuster and Mr. Taylor was there and yet my Honourable friend comes to this House, suddenly finds that the Government have taken a very strong view on the subject and gets up and says: "After consultation with my colleagues, I am compelled to recede from the signature that I have put down in that document. I, therefore, repudiate my signature at the instance of the majority of my colleagues". Sir, I am not going to take up that position. I am not a commercial gentleman dealing with the sanctity of signatures every day. I think it would be wrong, utterly wrong to take up that attitude, because it was not proper to do so when no new arguments were brought forward at all and when no new facts were placed at his disposal. Sir, I am not going to repudiate my signature, if it can be called repudiation, because thousands and millions of my countrymen have advised me that it would be wrong to adopt the ratio at the present rate. I wish to say, on the other hand, that we are willing to keep up to the letter and the spirit of the London agreement. My Honourable friend has read the London agreement, but I wonder

whether he has been able to understand what he has read. I am making no aspersion against him. It is a technical matter and a difficult matter and any amount of the knowledge of the English language will not be helpful to understand this matter unless you have followed the discussion and unless you know the conditions on account of which every phrase in that report was written. It is not possible to follow that report unless you know the conditions that prevailed then and unless you know the co-relation between the paragraph before and the paragraph succeeding. My Honourable friend has read the report, and I would like to invite the attention of the House again to that report:

"The questions which arise in connection with the exchange obligations to be imposed on the Bank present special difficulty in existing circumstances. In the prevalent state of monetary disorganisation throughout the world, it is impossible to incorporate in the Bill provisions which would necessarily be suitable when monetary systems generally have been re-cast and stabilised. In these circumstances, we consider that the only sound course for India is to remain on the sterling standard."

So far as that is concerned, no person on this side of the House has repudiated that portion of the agreement. We have all unanimously agreed that the sterling standard should be kept up. There were differences of opinion in the London Committee even on that question. After a great deal of discussion, we were convinced that that was the right thing to do. And here I would like to refer to the great volume of talk that has taken place on the word "compromise". Will my Honourable friend explain, from the fund of knowledge that he has got on the subject of "compromise", what he means by it? I understand the word to mean that if there are two extreme or divergent points of view and both have moved a step towards each other and the result is the union or unanimity of views, it is a compromise. Now, what was the extreme view that my Honourable friend, the Finance Member, and the advisers of the India Office took on that occasion? My Honourable friend has read the view they took in the report and that view has been embodied in the present Bill. So much for a talk of compromise. Now, Sir, let me tell him that in this connection, at any rate, there was no question of compromise. We agreed with reference to certain facts and we accepted certain principles, but we did not accept certain other principles. I venture very respectfully to suggest that even the Finance Member, with his anxiety to defeat all these amendments, could not go as far as my friend the Honourable Member representing the European Group, who talked so much of compromises. Now, what was the position that the Government took up? I have got here the detailed proposals in connection with the London Committee. The proposition that they laid before us was merely this:

"The adoption of a sterling standard will render it necessary to replace the clauses under the original Bill with provisions on the lines of the existing Currency Act, an additional provision being made for an upper sterling point."

This was the extreme position, if I may say so, that the Government put before us. What is the position today under clauses 40 and 41? Is this not the identical position? Where is the compromise? What is it that the Government have given up? What is it that we have got from the Government in relation to this question? It is true that in the London Committee it was agreed that there was a lacuna in the original Act with regard to the upper point and it should be filled up. I have not made any statement against that position. I have not said that the

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Finance Member was going back on his words. Some Members feel that, in introducing the Bill, the Honourable Sir George Schuster stated that the identical provisions of the Currency Act were being reproduced in this measure and my Honourable friend, Mr. Sarma, says that there was a lacuna in the old Currency Act and there was no provision regarding upper gold point which you have inserted here. He suggests that to that extent it is really adding to the Statutory law on the subject. That is not the charge that I have made against the Honourable Sir George Schuster. I do not propose to make it. At any rate, Sir Leslie Hudson could have waited to see what was the charge that I was going to make against the Finance Member. The case of the upper point at the present moment is purely a theoretical matter. At the present time, whether the upper point is there or not, surely the rupee is not going to rise to 20d. or 24d. We are concerned fundamentally with the lower point. Therefore, my Honourable friend ought to have waited to see what was going to be our charge. Our charge is not that the Honourable the Finance Member is going back on his words. That is not the ground on which we are objecting to these ratio provisions. We are objecting to these provisions, because we feel that the letter and the spirit of the agreement at London are not being observed by these clauses. Let me here state that these clauses were never drafted in London. These clauses were never placed before the London Committee, and whatever else was agreed to, these specific provisions and these Statutory clauses 40 and 41 were never considered by the London Committee in so many words. Let me proceed with the London Committee Report:

"On this basis, the exchange obligations incorporated in the Bill must necessarily be in accord with the rupee-sterling ratio existing at the time when the Bill is introduced."

My Honourable friend played with these words and laid a great deal of stress on the fact that, having accepted that, you dare not go beyond it. But my Honourable friend read the next sentence without understanding it. Let me, for the benefit of the House, read the next sentence:

"This statement does not, however, imply any expression of opinion on the part of the Committee on the merits or demerits of the present ratio."

We were careful enough to guard ourselves against any admission. Then, let us see what follows:

"The ratio provisions in the Bill are designed to make it clear that there will not be any change in the *de facto* situation by the mere coming into operation of the Reserve Bank Act."

So, the provisions in the Bill are designed not to make any change in the *de facto* situation by the mere coming into operation of the Reserve Bank Act. My Honourable friend, Sir Leslie Hudson, has paid no attention to that. The vital issue there was that, at the time of the coming into operation of the Reserve Bank Act, there will be no change in the ratio.

Let me now refer to the amendment of Mr. Sarma, or of Mr. Mody. What does it say? The report speaks of the mere coming into operation of the Reserve Bank Act and not the passing of the Bill at this stage. So, by the mere coming into operation of the Reserve Bank Act, there will be no change in the ratio. The amendment suggests that the ratio on that day will be the ratio on the day previous to the day of the

coming into operation of the Act. The ratio will not be changed or affected. Let me proceed further and explain as I see some doubting Thomases shaking their heads in the House.

"A considerable majority of the Indian delegates,"

This is the paragraph which was inserted at the instance of the Indian delegates, and here may I say that it was not merely the delegates from British India, but those also from Indian States who felt that there was a great deal to be said about this ratio and they were not satisfied with the existing ratio. They thought that there should be a thorough enquiry into the whole basis of the currency system of this country. I am anxious to emphasise that fact, because it is sometimes believed that it is only a few agitators in Bombay and in Calcutta who are exercised over this question of ratio. No, Sir, every Indian State is exercised over it, if it had the temerity to speak out its mind, if the Indian States were not controlled by the Political Department of the Government of India which to some extent prevent them from speaking out their mind to the embarrassment of the Government of India, a greater volume of criticism, a more intensified spirit of criticism would have come from the Indian States than even from British India. I have got here half a dozen drafts of these clauses which were inserted after a prolonged discussion. The drafts took various points of view into consideration and finally this draft was accepted as the one that could bring out the intention fully. What does this draft say:

"A considerable majority of the Indian delegates feel it their duty to record their view that a suitable exchange ratio is one of the essential factors for the successful working of the Reserve Bank. They point out that considerable changes have occurred in the currency bases and policies of almost all the countries of the world in the last few years. In their view,"

—Mark these words, Mr. President, that is the view of a considerable majority of Indian delegates,—

"In their view, it is for the Government of India and the Legislature to examine these and all other relevant considerations with a view to ensuring that the minimum possible strain is placed on the currency system of India."

I leave aside the Legislature for the time being. I confine my attention to the Government of India. What did the Committee recommend? They recommended that the Government of India should examine the whole question and, if I am not disclosing any secret, I think the Honourable the Finance Member will bear me out in this statement, they wanted the whole position to be reviewed before this Bill was introduced in the House. My Honourable friend stated then, and I suppose he will repeat it now, that the Government of India was every day examining the currency position, that they were every day trying to see what was the proper currency basis for this country and that they were in close touch with this problem and that nothing was to be gained by special examination.

The Honourable Sir George Scharter: My Honourable friend referred to me. It is not for me to say what the Indian delegates wanted, but I think my Honourable friend will admit that if the question of having any sort of enquiry before this Bill was introduced was raised, it was made perfectly clear that no enquiry of that sort could be held before this Bill was introduced.

Mr. H. P. Mody: We are not asking for any enquiry now.

Diwan Bahadur A. Ramaswami Mudaliar: I was referring to the fact that a point was raised that the Government of India should satisfy themselves before introducing this Bill that the position they were taking up with reference to the ratio was the right position. They suggested at that time that they would review the situation, but that did not satisfy some of the members of the London Committee. They did not want an elaborate enquiry, they did not suggest a Hilton-Young Commission. Sir, we have had enough of these Commissions and we know that the only recommendation that is adopted is that to which the Indian members do not agree and do not give their assent. Beginning with the Herchell Committee, the Fowler Committee, the Chamberlain Committee, the Babington-Smith Committee, we have had bitter experience of these Commissions and the history of the Indian Finance and its management by the Government of India has been one consecutive history of bungling. It is not for me to say it, but competent authorities, both in this country and outside, particularly authorities who have had to deal with the bi-metallic standard, have said that from time to time the Government of India did not follow some of the elementary principles with reference to this, and that they were making the same mistakes over and over again. If time permitted, I could go into the question and quote authorities, but I do not think it is necessary in connection with this question to raise this particular issue.

In the London Committee, therefore, the position was clearly explained that, before the Honourable the Finance Member would introduce the Bill, he would again set this whole question for examination. They did not call for an outside enquiry at all, they suggested, and here I want to have the concurrence of my Honourable friend on the subject, they suggested that the Government of India themselves should examine the position. It is there in black and white in this very report that the Government of India should examine this basis and should satisfy themselves that the proper currency exists at the present moment. It is open for my Honourable friend, the Honourable the Finance Member, to say that they have done so and I expect him to say. My complaint against my Honourable friend, Sir Leslie Hudson, is that he has not understood the significance of this statement, and, I ask, how can the Government of India have taken up the whole question and examined it within a few days after the arrival of the Honourable the Finance Member from London and the introduction of the Bill into the Legislature? How can there have been any examination of this question at all? To that extent at least the Government of India have not discharged the responsibility and the onus that was cast upon them by this report.

Then, again, we took perfect care to say that we were not going to tie down the hands of the Legislature in this respect at all. We said, the Legislature was free to examine the question. What my Honourable friend said was and what he says today, and to that extent we are observing, honourably observing what we led the London Committee to understand, what my Honourable friend, Sir Cowasji, Jehangir, said, was this. It is not a practical proposition for a Legislature to carry by a majority of votes an amendment to the effect that the currency ratio should be 1s. 4d., or 1s. 8d. or 1s. 2d. These are really matters for executive orders, and, in the very nature of things, these must be done by executive orders, and he repeated there, as he repeated in the Select Committee time after time and as he said today in the House that the Government of the day must overnight fix a new ratio, if it is going to alter it at all. We realise that

position. In every country it is so. The fundamental difference is this, where the Legislature does not agree to the ratio proposed by Government, it is not a new ratio that is fixed by the Legislature, but it is a new Government that is brought into existence when it is not in sympathy with the ratio that is proposed by that Government. That is the constitutional position. It is so in France. Time after time Governments are defeated. The Daladier Ministry, the Sarrant Cabinet are gone, because the Legislature did not feel competent to fix a new ratio or interfere with these questions, but the Legislature did feel competent to change the Government so that a new Government would carry out the intentions of the Legislature. We are in this unhappy position that we cannot do that. We are in the position that we can only cry hoarse in this House. What did my Honourable friend say? He said: "I am not prepared to recommend to the Legislature that they can themselves, by a majority of votes, amend this ratio and carry a Resolution that 1s. 4d. should be the ratio rather than 1s. 6d. We do not propose to do that." If my Honourable friend, Sir Leslie Hudson, had waited and seen, he would have seen that none of us, at least some of us who were at the London Committee, were not anxious to carry by a majority a new ratio that has been suggested all over the country. It is not merely because we feel that the Honourable the Finance Member has got votes in his pocket and he can defeat us; that is not the spirit in which we have worked this Bill all through, that we have been voting on this measure all through. Our position has been misunderstood, our activities and our intentions and our honesty of purpose have been questioned. In spite of that, we adhered scrupulously to the agreements which we thought were in the best interests of the country. Here my Honourable friend comes and we are attacked from this new quarter. But, surely, Sir, there is a limit to the patience with which we have been working at this measure. Even our anxiety for the ushering in of the responsible Government in a Federation, even that, and it has been laughed at by Honourable Members like Mr. Lalchand Navalrai, even that I repeat, cannot make us bear with patience the gibes very much longer. Now, Sir, according to this London Committee Report, again I say, that the Government of India did undertake to examine this whole question, and we have not yet had a satisfactory statement from the Honourable the Finance Member, whether the examination took place or not.

The Honourable Sir George Schuster: My Honourable friend has suggested that by introducing this Bill ten days after my return to India, I put myself in a position which made it impossible for me to carry out some sort of undertaking which he says was given in London. May I remind my Honourable friend of something which will be supported by every Member of the House who was in the London Committee that before my Honourable friend left London, I asked all the Members of the Legislature to meet me in a room at the India Office. I told them what the time-table proposed was and I asked them whether they agreed with it, whether they had any comments or whether they wished us to proceed on those lines. My Honourable friend, who is just speaking, said that he hoped that I would put off the Select Committee meetings until the beginning of November, because he himself had got to go to Canada and, therefore, would not be able to attend or serve on the Select Committee if it began earlier than the 1st November. That was the only criticism or comment on what I said. Every Member of the Assembly and the Council of State, who went on to that London Committee, agreed with our

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programme and they must have known that we could not possibly carry out any inquiry before we introduced the Bill. There was never any suggestion of an inquiry, and my Honourable friend is creating an entirely misleading impression in what he has just been saying.

Diwan Bahadur A. Ramaswami Mudaliar: Sir, I do not want to labour this point further for obvious reasons. (Laughter in certain Benches.) I thought I would leave it at that, but since there are some cynical cheers, I am bound to follow it up further. My Honourable friend will permit me to refer to two or three drafts at least which are in front of me, drafts prepared not by him, but by the Secretary of the London Committee, by Sir Cecil Kisch, drafts which were seen by my Honourable friend, the Finance Member, himself. The ultimate wording is different, I agree. My Honourable friend stated that there was no suggestion that the Government of India should be required to inquire into this position. I will only read one of these drafts and this is a draft by Sir Cecil Kisch:

"The problem of the ratio itself is independent of the Reserve Bank Act, and certain of the Indian members of the Committee consider that, before the Bill is actually submitted, the Government of India should consider the currency situation in all its bearings before laying its proposals before the Legislature."

I am sure, my Honourable friend

The Honourable Sir George Schuster: I never suggested for a moment that my Honourable friend did not ask for some sort of an inquiry. What I am saying is that when we left the matter in London, it must have been perfectly clear to my Honourable friend that we were going to adopt the time-table which made any sort of inquiry which he has got in mind impossible. He accepted that position and every single Member of the Legislature then in London accepted that position. When I interrupted my Honourable friend before, I said that I could not claim to speak with authority about what the Indian members desired. I am merely stating to the House what was the understanding reached when we separated after those London discussions.

Diwan Bahadur A. Ramaswami Mudaliar: Sir, I will only content myself by reading once more the language of the London Committee Report:

"In their view, it is for the Government of India and the Legislature to examine these and all other relevant considerations with a view to ensuring that the minimum possible strain is placed on the currency system of India."

It is admitted, and I think no Member of the House can deny it, that the only occasion when the Legislature can deal with this question is when it is dealing with the Bill and I take it that the language meant that the Government of India also would examine these questions before the Bill was introduced.

Sir, now we come to the actual recommendation of the London Committee Report. That will be found in the appendix that has been annexed to this, and what does it say:

"Clauses 38-40.—These clauses will require to be replaced by provisions on the lines indicated in paragraphs 19 and 20 of our Report."

And that was all that was agreed to in the London Committee Report. Now, I want to show that the amendment, which my friend, Mr. Sarma, has moved, is in keeping with that agreement and is in keeping with paragraphs 19 and 20 of the report. Paragraphs 19 and 20 of the report say that, before the Reserve Bank Bill actually comes into operation, the rate that was prevalent at the time should prevail when the Bank comes into operation. Now, let us read my friend, Mr. Sarma's amendment, to see whether, if that is the meaning of the London Committee Report, there is a substantial departure from the understanding arrived at:

"The Bank shall sell to any person who makes a demand in that behalf and pays the purchase price in legal tender currency at its office in Bombay, Calcutta, Delhi, Madras or Rangoon, gold for delivery at the Bombay Mint at the rate which may be fixed by the law which is in force on the day prior to the coming into force of this section or, at the option of the Bank, sterling for immediate delivery in London at the rate and subject to the conditions under which, on the aforesaid day, the Governor General in Council is, by law, under obligation to sell sterling."

I really cannot understand what objection there can be from any quarter of this House to the enactment of such a provision into law. I have not yet heard the Honourable the Finance Member, but I still venture to hope that he cannot find any objection to this provision. I do not want to suggest that he will oppose this amendment at all. My Honourable friend, Sir Leslie Hudson, took it for granted

The Honourable Sir George Schuster: I should like to leave my Honourable friend in no doubt about that. But, while I am interrupting him, I shall ask him a question. How does he explain this sentence:

"On this basis, the exchange obligations incorporated in the Bill must necessarily be in accord with the rupee sterling ratio existing at the time when the Bill is introduced."

I ask him, whether clauses 40 and 41 are not an exact reproduction of that recommendation.

Diwan Bahadur A. Ramaswami Mudaliar: I thought I had dealt with that question. I asked my Honourable friend, Sir Leslie Hudson's attention, and I now ask the Honourable the Finance Member's attention to the sentences that follow.

The Honourable Sir George Schuster: I want my Honourable friend's explanation of this sentence.

Diwan Bahadur A. Ramaswami Mudaliar:

"The ratio provisions of the Bill are designed to make it clear. . . ."

The Honourable Sir George Schuster: That is not the sentence.

Diwan Bahadur A. Ramaswami Mudaliar: My Honourable friend has got a paragraph in which one sentence he can rely upon, but he knows very well that there is another sentence on which I can rely. It suits him to concentrate the attention of the House on that sentence and it suits me,—and, I venture to think, it is in consonance with the spirit of this agreement,—it suits me to ask the House to concentrate its attention on the sentence following.

The Honourable Sir George Schuster: If my Honourable friend is satisfied with that, I am prepared to leave it there.

Diwan Bahadur A. Ramaswami Mudaliar:

"On this basis" (*that is, on the sterling standard basis*) "the exchange obligations incorporated in the Bill must necessarily be in accord with the rupee sterling ratio existing at the time when the Bill is introduced."

—And then follows this sentence—

"The ratio provisions in the Bill are designed to make it clear that there will not be any change in the *de facto* constitution by the mere coming into operation of the Reserve Bank Act."

It seems to me that this concluding sentence, the sentence with which the paragraph winds up, is absolutely clear that what we had in mind is that, by the mere coming into operation of the Reserve Bank, there should be no change in the ratio. The only objection that I can find has been seriously urged is that it will lead to a good deal of speculation. My Honourable friend, Mr. Mody, has dealt with this question. I think, Sir, we are carrying this bogey of speculation too far. Speculation there is in the market at all times; speculation there will continue to be whether you accept this amendment or whether you reject it. Speculation there is in the market, because the world is speculating so far, because conditions are so fundamentally changing from day to day, because there is a telegram from America which says that President Roosevelt may do such and such a thing, because there is some other cable from somewhere else that France may go off the gold standard, because there are a number of vital factors every day operating which make for speculation on the part of those who are speculators by birth and training. It is our misfortune that this speculation should queer the pitch for us, but my Honourable friend must find some remedy by which he can prevent this speculation; but he cannot put it forward as a perpetual and everlasting reason for this ratio being maintained at any particular level. Is my Honourable friend certain that, if this Bill is passed in the present form and if the pious hope is expressed in the Bill that at some unknown date when the Reserve Bank comes into operation, 1s. 6d. will be the ratio, he will stop speculation? Will my Honourable friend state on the floor of the House that he does not expect any speculation directly this Bill is passed, fixing 18d. as the ratio? My Honourable friend knows that he is not in a position to give any such assurance to this House. Speculation has been the result of various other factors and not merely this. My Honourable friend, Sir Leslie Hudson, said that there would be any amount of speculation and the ratio would be broken. If it is so simple as all that, I wonder why these speculators do not now, without any reference to the Currency Act or to the proposed Reserve Bank Bill, speculate and break down the ratio. It is not so easy as all that; for a few weeks a few people may speculate and then withdraw the money back again into this country: after all, there is a limit to the credit that even the speculators might command: there is a limit to the amount of dealings that they can make through these Banks and, therefore, it seems to me that it is absolutely beside the point to labour this question of speculation and raise it as a bogey at every stage. I would point out that this is the most innocuous amendment that can be accepted in connection with the ratio. I do agree that fixing the ratio at 16d. will be most inadvisable at the present time, because we do not know how we will be affected: we do not know whether 1s. 4d. is the real proper ratio. Why not 1s. 3d.

or 1s. 2d.? Therefore, if I am unable to make up my mind as to the exact ratio, if there has been no inquiry into this matter, if monetary conditions are so unstable as they are today, I do not see why I should give my consent to 16d. rather than to 15d. or 14d. There I do stand, in spite of so much of opinion in the country, by the agreements that we reached in London, that it will be futile and unwise to disturb the ratio at the present moment in connection with this Bill. But I venture to suggest to the Honourable the Finance Member very respectfully that it is equally futile and equally unwise to suggest that on September 1st, 1934, the ratio in the country will be 18d. and not any other ratio. We are not prophets to look so far ahead: we cannot suggest to the exchange markets that this is the ratio that will then prevail, and as this Bill is one that will come into operation not immediately after the passing of this Bill, but at some distant date, I say that it is equally unwise to fix the ratio in this measure and to suggest that it will be the ratio which will guide the Reserve Bank when it comes into operation.

I do not want to go into the merits of this question: I think there are many honest people beyond those whom Sir Leslie Hudson appears to know, that there are many among the Europeans in various parts of the country who have told us that 16d. is the proper and 18d. not the proper ratio. I believe the Madras Chamber of Commerce, for instance, has approved of the specific amendment of Mr. Sarma, and I hope that when my friend, Mr. James, gets up, he will try to reconcile his speech, which I know will support Sir Leslie Hudson, with the opinion of an important commercial body like the Madras Chamber of Commerce which has suggested that Mr. Sarma's amendment is the best in all the circumstances of a very difficult and complicated situation.

Mr. F. E. James: Mr. President, my Honourable friend Mr. Mudaliar, has expended a great deal of sound and fury, though nothing else, upon my respected leader, Sir Leslie Hudson. I think I may say that he has to some extent misinterpreted the emphasis which was given by Sir Leslie Hudson to the word "honest". I think not one of us in this side of the House did not view with a considerable amount of admiration the work of the Members of this House from all parties on the London Committee, and nothing that was said by Sir Leslie Hudson in any sense was intended to detract from our recognition of the value of that work. I hope that subsequent speakers will recognise that fact and will not go too far in endeavouring to misinterpret what my respected leader said this morning. Our main difficulty

Sir Cowasji Jehangir: Did the Honourable Member use the word "misinterpret"?

Mr. F. E. James: My Honourable friend is perfectly right: I used the word "misinterpret"

Sir Cowasji Jehangir: Does the Honourable Member say that my Honourable friend, Diwan Bahadur Ramaswami Mudaliar, has misinterpreted what the Honourable Sir Leslie Hudson said?

Mr. F. E. James: If my Honourable friend will sit down, I will rise: I certainly think that from the heat with which my Honourable friend, the Diwan Bahadur, spoke, he misinterpreted the whole spirit of Sir Leslie Hudson's speech

Sir Cowanji Jehangir: Oh: spirit! (Laughter.)

Mr. F. E. James: and after all, when one is dealing with a speech, it is no use picking out one word or another—it is essential to pick out the main argument of that speech and if my friend, the Diwan Bahadur, had expended less time in lashing himself into foam and fury on certain words that were used by my Honourable friend, Sir Leslie Hudson, and had answered the real basic argument of Sir Leslie Hudson's speech, his own speech would have been much more effective

Diwan Bahadur A. Ramaswami Mudaliar: Let us have the real argument now.

Mr. F. E. James: I will explain to the House now what is our difficulty in regard to this particular amendment and what was the fundamental argument used by the Leader of this Party this morning. Making a careful examination of paragraphs 19 and 20 of the London Committee's report, we find that there is an inconsistency between the statements made there—I am not picking out any particular sentence, I am taking the two paragraphs together—and the object of this particular amendment which is now sought to be supported by those who signed this report. Of course I am at a disadvantage—I was not at the London Committee: we on this side of the House do not get the advantage of these invitations—but I will leave the answering of the arguments of my friend, the Diwan Bahadur, to those who were on the Committee and can answer him from the same stand point. But we believe that, if English is English and plain words are plain words, the point of view expressed and agreed to in these sentences is inconsistent with the intentions of my Honourable friend, Mr. Sarma's amendment. As this amendment reads, the legal ratio on the day prior to the Act coming into force will automatically become the Bank's standard and basis of transactions; and I understand that the purpose of this amendment is to ensure that when the Act is about to come into force, the Government will take the opinion of the Assembly on the ratio with a view to its being guided by the opinions of the Assembly at that time . . .

Diwan Bahadur A. Ramaswami Mudaliar: No: I do not read that amendment in that way at all: there is no question of the Legislature coming in.

Mr. F. E. James: I am glad to know that my suspicion in that connection is not well founded; but I made very careful inquiries of those who were parties to this particular amendment and I have been assured that this is at any rate their interpretation of their own amendments—I cannot help it if my Honourable friend, the Diwan Bahadur, does not know what interpretation his own Party places upon the amendment for which they are responsible. My Honourable friend, the Diwan Bahadur, suggested that the Leader of my Party the other day had dishonoured his signature in regard to another amendment and in regard to his signature of the report of the Select Committee: Sir, I am not going into that in detail; but I merely observe this: that our understanding of the position in London is that clauses 19 and 20 of the London Committee's report were the basis on which the Government of India agreed to proceed with the Reserve Bank Bill

Mr. H. P. Mody: If my Honourable friend will permit me to say a word, and if you will permit me, Sir, as there has been so much misconception about what was really done in London, . . .

Mr. President (The Honourable Sir Shanmukham Chetty): Is it a personal explanation connected with the Honourable Member himself?

Mr. H. P. Mody: It is a personal explanation in this sense that our honesty was doubted, and it was suggested that we were getting away from the London agreement: to that extent it is personal.

Mr. President (The Honourable Sir Shanmukham Chetty): The Chair cannot allow that.

Mr. F. E. James: And let me make it perfectly clear that I do not accuse my friend from Bombay of lack of honesty: if there is one person who has always been honest, it is my friend, Mr. Mody. What I suggest to him and to the others is that there has been an inconsistency, and I was developing the point that I understand that paragraphs 19 and 20 of the London Committee's report provided the basis of agreement on which the Government of India said that they would proceed with the Reserve Bank Bill. If I am wrong in that, perhaps the Finance Member will correct me.

The Honourable Sir George Schuster: My Honourable friend is perfectly right. (Ironical Cries of "Hear, hear.").

Diwan Bahadur A. Ramaswami Mudaliar: Am I to understand that in London and to the London Committee it was made clear that the Government will not proceed with the Reserve Bank Bill if there was any intention of touching the ratio?

Mr. President (The Honourable Sir Shanmukham Chetty): So far as this House is concerned, the intentions of the London Committee can be seen only in the report which has been signed by all the Members, and the Chair will not allow any more statements as to what was in the minds of Honourable Members on this side or in the mind of the Government when the conversations were going on there.

Mr. F. E. James: I am very grateful to you, Sir, for your intervention in the matter: it merely goes to show that those of us who were not in London, but who have only the written document to go on, were perfectly right in our general assumption, and I think that anybody who reads this document, even without the background of the London conversations, would come to the same conclusion, namely, that this was the basis on which the Government of India would proceed in introducing their Reserve Bank Bill, and what we claim is that the amendment which is now before the House is inconsistent with the general lines taken by the London Committee.

The other point which has been mentioned is that it would open the door to considerable speculation, and my friend, the Diwan Bahadur, said, what we all know to be true, that speculation exists in the world independently of the Reserve Bank Bill, in fact independently of the ratio question at all. What we mean by speculation in this connection is not

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speculation in the ordinary sense of the word, but a deliberate manipulation of money with the object of achieving a particular result. That is the meaning of the term speculation when we use it in regard to this particular matter; and Sir, we claim that the passing of this amendment will open an enormous field for this deliberate, planned, manipulation of the currency for the benefit of certain speculators and against the interests of the country generally.

Now, Sir, I should like to deal with one or two matters that were referred to by my friend, Mr. Mody, in the course of his speech. In the first place, in his general argument in favour of de-valuation, he seemed to suggest that it would serve to correct the disparity between the fall in prices of manufactured goods and the fall in prices of agricultural produce. He no doubt is aware of the fact that this disparity is a world "malaise", that it is present in almost every country which is suffering from the economic slump. I would also recall to his mind the fact, of which no doubt he is well aware, that all over the world there is hanging over the world markets large accumulations of stocks in regard to agricultural products. It is very doubtful whether the depreciation of the currency at the present moment would result in any considerable rise of prices even of a temporary nature. But assuming that it does result in some temporary rise in agricultural prices, he is not unaware that a depreciation of this kind would result in a rise in the prices of all imported goods, it would result in a rise of prices for raw materials; it would result in an increased cost of production of manufactured goods; it would result in a rise in general living expenses; it would result also in a rise of all those imported articles which are used by people in this country. Yet, during all that time of readjustment, wages would remain the same. The general level of wages and salaries which has now adjusted itself to the present ratio would not be altered except as a result of great industrial unrest and general dissatisfaction all over the country. I suggest, Sir, that devaluation of the rupee would not serve in any way to correct the disparity between the two levels of prices.

Then, Sir, my friend, Mr. Mody, referred to the experience of other countries which had depreciated their currency, and asked the House to let him know why India should not also follow suit when practically every country in the world had, as a matter of fact, depreciated its currency. In the first place, I have no doubt he is aware that every other country in the world that has depreciated the external value of its currency has done so, because it has been absolutely forced to; and I think in every case it has been forced to by the budgetary position of all those countries. He knows that in the United Kingdom, the budgetary position forced the country off gold. That was the case in France, that was the case largely in Japan, that was the case in Belgium. He quoted also Australia and Germany. But India has never been in that position in the budgetary sense, and, therefore, what we are discussing now is not being forced off a particular ratio, but a deliberate cold-blooded depreciation at a given time for some particular purpose, and it is very essential that the distinction should be borne in mind by Members of the House.

Mr. Lalchand Navalkar: How is it that India is not in the same position?

Mr. F. E. James: Because India's budgetary position, has never been in the state of the budgetary position of the countries I have mentioned.

Then, Sir, there is also the well known fact that in the other countries, which were referred to this morning, wage standards have been considerably reduced, and the standard of living generally has gone down to a very large extent. Furthermore, the interest on their loans is far higher than the interest on loans which we seek in the general market, and I will add this, that depreciation has already forced down world prices. One has only to remind this House of the demands there have been in India for protection against the depreciated goods from Japan which have been coming into this country as a result of the depreciated yen. Does this House seriously consider that other countries won't take similar steps against India if we deliberately depreciate our currency with a view to gaining some advantage in connection with our export position? Surely, it is understandable that when the whole world, as a result of largely depreciated currencies in different lands, has seen a phenomenal fall in world prices, we cannot possibly argue that any depreciation in this country is going to help the economic situation, internationally or even nationally. Sir, I would remind my friend, Mr. Mody, and also the Members of this House, of a book which was written by Sir Norman Angel some time ago, called the "Great Illusion". The whole purpose of that book was to prove (which, I believe, he did successfully), that warfare brought no benefit to any of the combatants. I think it may be said equally of currency warfare, that any country which engages itself in currency warfare really cannot benefit. Sir, I would ask my friend, Mr. Mody, to consider one other point. He seemed to suggest that depreciation of the rupee would in fact do a great deal to restore the prosperity of this country. I admit that he looked at that question from a broader point of view, but I would remind him that in all the countries he mentioned, the depreciation of their currency has not taken place as a deliberate part of their recovery plan. If you take the Empire countries together, you will find that the steps they have taken in regard to the raising of prices internally have dealt with the reduction of foreign obligations through conversion, institution of large public works, the arrangement of tariff and quota agreements with other countries, wage adjustments, unemployment insurance and a large number of other methods which have been utilised by those countries in order to improve internally their economic condition. I would remind my friend of the policy of America to-day. Those, who are quoting America as an instance of a country which is using or is beginning to use a method of depreciation as a price raising weapon, must remember that America has already gone through three stages before arriving at the present stage, and the present stage is surely uncertain enough. First of all, they took in hand the salvaging of their banks and a re-organization of their national credit policy. They then abandoned the gold standard, they then passed those two remarkable Acts,—first of all the Agricultural Adjustment Act, and, secondly, the National Industrial Recovery Act, the latter of which dealt with Codes for the raising of wages, for the cutting down of hours, and for the limitation of production in relation to consumption. Is my Honourable friend, Mr. Mody, prepared to go as far as America has gone before reaching the stage of deliberate manipulation of currency? Sir, I would like to emphasise that our view is, first of all, that this is neither the time (that is to say, the introduction of the Reserve Bank Bill), nor the place, nor the body to alter the ratio. Secondly, I would like to say that we do not think that rupee

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devaluation will solve any of the ills from which the country is at present suffering. I am not at all sure, and this is hypothetical,—I am not at all sure that it will not add to the difficulties, because it will add to the international difficulties with which India is at present confronted. Of course, I admit that it is the easiest thing to do; it is the thing that lies nearest at hand; and it is the thing that has tempted other countries. My Honourable friend, Mr. Ramsay Scott, who referred to this aspect of the matter, seemed to regard the whole question as an extraordinarily simple one. He suggested that if Sir Basil Blackett came here for one week and had the advantage of meeting Mr. Ramsay Scott, the matter could be settled within a very short time. The rupee would be devaluated, her exports would go up, prices would rise, and India would once more get back to prosperity. It reminds one of Simple Simon. A Simple Simon met a Pieman going to the fair; said Simple Simon to the Pieman: "Let me change your ratio." Said the Pieman to Simple Simon: "First show me your arguments." Said Simple Simon to the Pieman: "Oh, I have not any." It is not as easy as that, nor is it true to say that a study of Sir Basil Blackett's "Planned Money" is going to settle all our difficulties. Sir, I agree with a great deal of what Mr. Mody said in the latter portions of his speech. But it is not only planned money that is required; it is planned economy, and I may say that I find myself in agreement with much of what Mr. Joshi has said in that connection. There is no use denying that much of what has been said by Mr. Mody and others in regard to the economic position in the country is absolutely true, whether we agree or not with the methods which he proposes for changing that position. I do not think that this House should spend its time in arguing as to what was said or what was not said at the London Conference. There is one problem on which every Member of this House should unite in trying to solve, and that is the problem of improving the conditions of the man who bears us all on his back. I was reminded the other day by a leaflet which had been sent to me, of a remarkable speech by Lord Curzon in which he used the following words:

"It is the Indian poor, the Indian peasant, the patient, humble silent millions, the 80 per cent. who subsist by agriculture, who know very little of policies, but who profit or suffer by their results, and whom men's eyes, even the eyes of their own countrymen forget, to whom I refer. We see him not in the splendour and opulence, or even in the squalor of great cities; he reads no newspapers, for, as a rule, he cannot read at all; he has no politics. But he is the bone and sinew of the country, by the sweat of his brow the soil is tilled, from his labour comes one-fourth of the national income. . . ."

Mr. B. R. Puri (West Punjab: Non-Muhammadan): How much revenue are you charging him?

An Honourable Member: Let him finish.

Mr. F. E. James:

"... he should be the first and the final object of every Viceroy's regard."

And I would add, he should be the first and final object of the regard of the Legislatures in this country. The position of the ryot today is one which should give not one single Member of this House a moment's peace. I suggest to this House that this problem is the problem of all problems; it cannot be solved by a mere devaluation of the ratio. The position at

the moment is that the ryot has no money to pay his debts; he has no money to pay his landlord; his landlord has no money to pay his land revenue. I have had the increasing feeling for some time, and members of my community also have this feeling, although now I cannot claim to speak on behalf of my Group, I speak entirely individually as one Member of this House—I have had the increasing feeling lately that the Government of India must take more energetic steps to consider a nation-wide campaign to raise prices. At present we are told that this matter is mainly in the hands of the Provincial Governments. Generally speaking, the Provincial Governments have met the situation by retrenchment and by land revenue remissions. Both those policies have nothing to do with the raising of prices; both those policies will do nothing to raise the prices of agricultural products upon which the ryot depends. I saw the other day an account of a debate in the United Provinces Legislature which I believe was initiated by one who is known to many Members here, Mr. Chintamani. He initiated the debate on a proposal for a five years' plan for the United Provinces. It seems to me that in this matter, not only in the Provinces, but also in the Government of India we are inclined to live a hand to mouth existence. Our whole object and energies are concentrated upon the balancing of our twelve months' budget. Sir, you will find that most of the dictators in the world have got to their present position by reason of the fact that they have been men with a plan—not necessarily because they have been eloquent, not necessarily because they had had behind them the largest party in the country when they began. But without any exception you could point to all of them and say that they had—whether it was a right one or a wrong one—that they had a definite plan for the solution of their countries' difficulties, and because of that plan they were put into the position in which they are today. The Government of India and this Legislature cannot escape, I suggest, the responsibility which lies upon them to work out some comprehensive plan, which, with the help of Provincial Governments, can be applied throughout the whole of India on a nation-wide scale. I read the other day in the memoirs of Mr. Lloyd George that what is wanted in an emergency are three things; first of all, a single purpose, secondly, a co-ordinated plan, and thirdly, concentrated and furious energy in the execution of that plan. I believe we have a single purpose. I believe there is no one in this House who does not desire to see a general rise of prices. I know the Finance Member has also that in mind. I would remind him of his own words at Ottawa in which he said:

"While the difficulties of effective action towards producing a rise in prices are fully recognised, the situation which I have attempted to describe seems to us (I want to mark these words) to justify the consideration of any course which offers a hope, however, slight, of ameliorating the position."

We have the high purpose. Where is the plan? A famous General once said, a General without a plan is like a blacksmith without a hammer. Where is the energy? It may be there. I believe that there is a certain amount of energy in the country working at this problem, but it is not co-ordinated. It is working on separate lines. It is working in separate provinces. There is no one co-ordinating power which will concentrate this energy on the execution of a great economic plan. I believe that the stages which we should follow in this connection are; first of all, to get on with the business of placing the Reserve Bank Bill upon the Statute-books so that, whatever may be said, in the near future, the currency and

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financial policy of this country may be in the hands of the people of this country. Secondly, I believe there is a great deal in the suggestion of my Honourable friend, Mr. Mody, that Government should consider the possibility of an economic inquiry or whatever you might like to call it, which will cover the whole range of factors which are affected by and which affect the present situation. The whole range of those factors would include many things. It might include general economic problems. It would certainly include currency problems. It would include commercial problems. It would probably include certain political problems. But that is required and it must be done by the Government of India, because the Government of India have the main subjects which are affected in their own hands. As a result of that, there must be on the lines of the report of this Committee definite national planning throughout the country. It is difficult to say this at a time when we are approaching further devaluation of powers in the provinces, but I cannot help reiterating my own conviction that unless there is some co-ordinated plan and drive in the execution of that plan, then the problem in India will never be met in even a small degree. After that I believe that, as the Honourable the Finance Member himself said at Ottawa, and as you yourself said, Sir, in another debate on the floor of the House when you returned from your distinguished services at that Conference, there must be energetic action within the Commonwealth and the Empire in regard to the raising of price levels in the sterling countries. Then, as the last stage of this great effort to meet the present economic situation, there must be co-operation in bringing about such international equilibrium and stability without which not only India, but no other country in the world can possibly prosper. You may think that we have wandered very wide from our original subject in dealing with this matter. My whole purpose is to claim that devaluation of the rupee today will take us nowhere. It must be considered along with the other great forces which are going to make for disorganisation in the economic and financial spheres. This may not be the time to deal with that, but I do hope that the words of my Honourable friend, Mr. Mody, will have a sympathetic hearing by the Honourable the Finance Member and that perhaps, as a result of this debate, there may be on the part of the Government of India a far more energetic and concerted action in regard to the financial and economic problems of this country.

Mr. O. S. Ranga Iyer (Rohilkund and Kumaon Divisions: Non-Muhamadan Rural): Sir, I must right at the outset congratulate my Honourable friend, Mr. James, on the manner in which he defended the Leader of his Party. The manner recognised that a defence was necessary, but knowing the Leader of the European Group, as I do, I do not believe he meant to offend nor was he offensive. On an occasion like this it is necessary to clarify the issues and I recognise that on this ratio controversy opinions can be held of two different kinds, the European opinion on the one side and the Indian opinion on the other and, true to his traditions, true to his duties to his Party and true also to the interests of his own people, and I would even add, to the interests of my people as he sees those interests, the Honourable the Leader of the European Group has presented his case in a manner to which I at any rate do not propose to take any exception. After all, this is a House in which we must be

prepared for plain speaking and the Honourable gentleman is as enlightened as we are not ignorant about European interests in the light of that speech. Therefore, I have nothing to grumble, nothing to quarrel about. I would even go further and say that, had the Report of the London Committee thrown the light, that I am glad Honourable Members who served on that Committee are throwing today, earlier, probably the atmosphere in the country would have been less warm than it is. The Currency League propaganda was based on the fact that there was a unanimous report. We in the Railway Committee at any rate indulged in the luxury of dissenting notes in the margin. Had there been a lead and a light, for people in the country can only go by the written report, probably the accusations and counter-accusations here and out in the country would have been less vehement and less unfortunate. I, however, congratulate my friend, the Leader of the Opposition, Sir Cowasji Jehangir, for giving the lead that he has given in the best interests of the country which he always has at heart. As I said the other day, and I do not mind repeating almost the same words that I uttered the other day, this ratio is felt by commercially-minded patriots, by agricultural people, by all and each in the country as something in the nature of an outrage. That was the language that I used on a previous occasion in this House, and having studied the subject more and more, I at any rate do not feel that I should alter that language so far as the representation of the feeling of the people on this matter is concerned. They called it an outrage when Sir Basil Blackett placed the ratio before this House. They continued to call it so, however disgusting from the European point of view that expression might be, however inspiring from the popular point of view it has proved to be. They now attribute all the miseries of the country, as Sir Purshotamdas Thakurdas attributed vehemently on the floor of this House, to the ratio. I am at one with the Honourable the Finance Member that this is no occasion to rake up the ratio controversy. In the ratio controversy the differences will continue to be what they have been. On these questions there have always been two opinions in all the countries of the world. Even on the question of the devaluation of the rupee or the pound or the dollar, there has been wasting of controversial energies in all parts of the world. Therefore, I cannot speak with the authority of an expert and say "You are wrong", but at the same time while I admit that the Honourable the Leader of the European Group is honest about what he says, he admits that we are equally honest about what we say. He was not questioning, I am certain, the honesty of purpose on this side of the House. On the contrary, as the speech of Mr. James showed, he admired our honesty of purpose and, in his admiration of our honesty of purpose, he wandered into the villages. He discovered the peasant in the language of Lord Curzon and he said "Maintain the ratio in the interest of the peasant". I have not before me the words of Lord Curzon, but I remember the words of an English poet probably more popular than Lord Curzon in this country and in his own. (Laughter.) Probably what Lord Curzon said in those days coincided with what the English poet said. That English poet said:

"Yet still e'en here content can spread a charm,
Redress the chine and all its rage disarm,
Though poor the peasant's cot, his feast though small,
He sees his little lot, the lot of all."

Is that the position, I ask the Honourable Member, Mr. James, today in the country? Is not the peasantry today very much afflicted, with

[Mr. C. S. Ranga Iyer.]

the rest of the peasantry in the world I admit, but greater than the peasants in other parts of the world, because India is an extremely poor country. And if we want that no excuse should be given in this particular Bill to aggravate the apprehension of the people, it is because, as Mr. Ramsay Scott truly said, there is a feeling, and that feeling cannot be corrected, for it lends itself to argument, that a certain kind of smuggling in takes place in regard to the upper point, especially when our British currency is off the gold standard and our rupee continues to be linked to the pound, and that is why Mr. Sarma, a nominated Member, whose loyalty cannot be suspected on this side of the House (Laughter), but whose allegiance to his own people cannot be questioned when he finds them in the precipice as it were of misery, that is why he has come forward with an amendment of this kind, and, after Mr. Sarma's amendment, I should be astonished why we should have had such a flood of speeches. Sir, what Mr. Sarma says the Government ought to say, for he is not an enemy of the Government (Laughter) and he will not support a cause which is wrong even from the official point of view. (Hear, hear.) Mr. Sarma recognises that if the Government continue to do what they are suspected to be doing, if the Government do not make their position quite clear in regard to this particular clause, if the Government do what the Finance Member said they are not doing, the Government would be suspected; that is to say, Mr. Sarma says: "don't drop this clause altogether. Improve the language. Make it clear. Don't smuggle in the ratio, leave the ratio controversy out." His accusation is that the Finance Member has started the controversy. I do not want to make any such accusation concerning the Honourable the Finance Member. My friend, Mr. Scott, also proved that the Honourable the Finance Member has, from his point of view, raised the ratio controversy. But the Honourable the Finance Member does not want the controversy. Then why go on with the controversy? It is absolutely necessary that this particular clause should not remain in the Reserve Bank Bill in the manner in which it remains. There are the Currency Act and the Coinage Act. You have not got rid of those Acts. You can face the Legislature on that issue straight and fair on some other occasion. In the meantime, leave the ratio question out of the region of suspicion, that is all what the Opposition wants and I believe, on more occasions than one, the Leader of the Opposition, Sir Cowasji Jehangir, stated that "it is futile", to quote his own words, "to raise the ratio controversy". Now, the Honourable Member from the European Group gave us a glimpse of what had taken place in his own Party. They were all free lances today. (Laughter.) It is no longer a Party question, this question of questions; and this reminds me of the fact when this ratio controversy raged on a former occasion, Mr. Gavin Jones took up the same attitude and uttered the same language in the same tone as my friend, Mr. Scott,—and I give sincere congratulations from this side of the House to my Honourable friend, Mr. Ramsay Scott, who has shown that when Europeans have interests in this country of industrial importance, they realise and see things through Indian glasses, as Mr. Gavin Jones and Sir Victor Sassoon did and as Mr. Ramsay Scott sees today. (Hear, hear.) Sir, that is not a policy which ought to have been ridiculed in the childish manner, if I may say so, in which Mr. James ridiculed it. My friend talked about some "Simple Simon". I am glad he did not read out the Simon Commission's Report; had he

done so, he probably would not have found support even from that report, for even the Simon Commission talked in the name of the masses. It is merciful he did not make out that we, to use a phrase of Lord Curzon, were "a microscopic minority" and that he alone represented the millions of India. Sir, when we find that there is a difference in the Group of my Honourable and talented friend, Sir Leslie Hudson that he has not been able to compose, magician as he happens to be, when there are differences in his own camp, I can only say that when they quarrel, we are right. We have not only unity today over this, but also public opinion on our side. Sir, when my Honourable friend, Mr. James, talked—and he talked like the orator that he is,—of the execution of a great economic plan he was trying to mislead us. Who does not want it? He even wandered into the Five Year Plan. He was almost Russian in his outlook. (Laughter.) I do not know why Indian politicians should talk of a Five Year Plan. Why not a Fifteen Year Plan or a Four Year Plan? I do not like this coarse copying of Russia, but, after Mr. James's lead, anything is possible. (Laughter.) He talked of the execution of a great economic plan. He, at the same time, did ridicule Mr. Scott's argument about the "Planned Money" of Sir Basil Blackett. He thought if Sir Basil Blackett and Mr. Scott were to have a conversation, Sir Basil would depart from some of the unassailable arguments in his planned money scheme. Mr. Mody was not so foolish as to talk of "planned economics" without planned money. Sir, the A, B, C of economics is that money and economics go together. How can you have planned economics without planned money? And, therefore, all the beautiful cobwebs about planned economics in the interests of the peasantry would go to the wall, because we first want something to weave the webs with—we want a foundation and that foundation is the ratio,—and, Sir, that foundation, so far as non-official opinion is concerned, is wrong, and that foundation must be righted. This is no occasion to raise that controversy, but as the controversy has been raised, it becomes difficult not to answer points that have been made. Mr. James said that other countries in the world have been "forced" to devaluation, but he did not say that we have been forced *not* to devaluate. The one kind of force that prevails in other countries is the force of public opinion, and the force of which we have been made the victims is the force of a whim—not the will of the people,—but the whim of a Government which is not responsible or answerable to the people. (Hear, hear.) Then, Mr. James said that India's budgetary position was sound, and that that was why the ratio was not altered. When Mr. James rises on the floor of this House again to make a statement of that kind, I would ask him to be careful. If he had said that the Government of India's budgetary position was sound, I would ask him to have a private conversation with the Finance Member besides reading his Budget speech, but he was talking of India and her financial position being sound, that, therefore, the ratio is right, and let it go on. Sir, I hope he has read the beautiful memorandum of one of the ablest men in the Indian Civil Service, Sir Malcolm Hailey, which is summarised by another able ex-Member of the same service, a retired Finance Member of Madras, Sir Alexander Cardew. In the current number of the *Contemporary Review*, for the benefit of Mr. James and others who labour under the same lack of information,—I won't put it worse than that—I may read this passage:

"While the Central Government has thus balanced its Budget,"

[Mr. G. S. Range Iyer.]

—it was this balance which has got on the brains of Mr. James—

“the Provincial Governments, taken together and considered as a whole, have not been able to achieve a similar result.”

—Mr. James talked of India as a whole. Sir Malcolm Hailey's memorandum shows that the total expenditure of the provinces is estimated at £59·84 million and their total revenues are estimated at £58·21 million—

“There is a deficit on the part of the Provincial Governments, considered collectively, of 1.63 millions, a deficit which considerably exceeds the modest surplus presented by the Government of India. This deficit occurs in spite of the exercise” (mark these words, Mr. James) “of the sternest economies by the provinces including a 10 per cent. cut on all salaries within a certain level.”

After this, I hope Mr. James will not ridicule one of his own noble-hearted comrades sitting near him as “Simple Simon”. Simplicity can go no further about the economic, and the financial position of India and the conclusion drawn from that simplicity, which I have exposed, must be ruthlessly rejected by this House. Then, where is the atmosphere for economic plans without the right ratio? Sir, I should not take more time of this House, especially when I know that the Leader of the Opposition, whom we are all anxious to hear, will follow me. I dislike long speeches. Therefore, I shall only say one or two things more. Mr. James said, improve the position of the man who bears us on his back, namely the peasant. I will only say to him: Save me from the old man of the sea who rides on the back of the man who bears us on his back. (Laughter.) He understands what I mean. He said, if Blackett were to meet Scott, Blackett would not alter his opinion, but stick in the mud. I never knew Sir Basil Blackett as a stick-in-the mud. (Laughter.) He said, it is not so easy as that. I know it is very easy to stick to one's opinion, but Sir Basil Blackett was always open to conviction and he would have examined the things in the light of what he had seen. If Sir George Schuster also had a longer experience added to the experience of Sir Basil Blackett, I am sure, he would have agreed with the Leader of the Opposition. Sir, I think I should leave the matter at that, repeating once again our satisfaction that when Europeans have interests in India they will look at things from the Indian point of view as illustriously illustrated by the comrade of Mr. James. (Applause.)

Khan Bahadur Mian Abdul Aziz (Punjab: Nominated Official): Sir, several Honourable Members have given the impression that it is necessary to raise the level of prices in order that the country may have a larger purchasing power, and that this can only be brought about by a depreciated rupee. I hope I am not wrongly stating the case in these words. A large number of members in the Opposition want a rise in commodity prices in order that there may be a greater purchasing power and this, according to them, can be brought about only by a depreciated rupee. If that is the position, then Mr. Sarma's amendment does not exist for the very simple reason that it is very vague; it asks for nothing; it asks us to do nothing.

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

On the other hand, we have the very carefully chosen words of Mr. Mody that he does not want an immediate change. Then we have the very careful words of my Honourable friend, Mr. Mudaliar, that an immediate change would be ill-advised and unwise. Also we have the words of the Leader of the Opposition that an immediate change in the ratio would be futile and, therefore, my Honourable friend, Mr. Raju's amendment does not exist. If Honourable Members wish to vote for Mr. Sarma's amendment, why do they emphasise all the other aspects of the case, such as rise in prices, increased purchasing power, and so on. A large number of Honourable Members have referred to agriculturists and, with your permission, I will give the House a few facts. I hope that where I am wrong, Honourable Members will try their best to correct me.

The first fact to which I wish to draw the attention of the House—and this will interest Mr. Joshi, but I am sorry he is not here, because he spoke of the stabilization of prices—is a very simple one. I am referring to a period of prosperity. From the end of October, 1921, and for the whole of November, 1921, the price of wheat which the cultivator needed badly for sowing purposes suddenly rose to Rs. 10 per maund in a large part of Northern India. I will refresh the memory of the House by saying that this was the first year when Australian wheat was imported into India. Immediately the Australian wheat came to this country, the price fell down to rupees seven, rupees six, and so on. Now, that was a period of prosperity, but who got the profit? Not the cultivator who needed the wheat, but the middle man. Immediately the requirements of wheat for purposes of seed were over, the price came down to rupees six and Rs. 5-8-0, and so on. Now, is it or is it not a fact? I will give another fact. Last year, not very far from Delhi, I do not wish to mention the name of the place, there was a sugar factory. Now, Sir, after 11 months of hard work at weeding, watering and watching, the poor cultivator brings his sugarcane to the factory to sell. What is the amount that he is paid? He is paid four annas per maund. And many a time he is told that his sugarcane is not wanted and he is told to take it back. The poor cultivator says: "Even if a man brings a mere load of earth from a distance of five miles, surely he is paid something like two or three annas. You are not paying me anything for the sugarcane which I have brought to your factory." He is told that it is not wanted. Sir, this sort of thing goes on day after day, week after week and month after month. Now, this factory had a gross profit of over a lakh of rupees. I will not mention its name. Honourable Members, who come from the United Provinces, will bear me out when I say that there are rich people in that province who have made profits to the tune of eight lakhs gross and they have meted out the same sort of treatment to poor sugarcane growers. I am not mentioning this as a casual thing. I am mentioning it for the reason that it is connected with the very thing that we are talking about. I am trying to show to the House where the profit goes when there is prosperity and where the profit goes when there is depression. I will now take the case of a village which consists of about 100 families and has a population of about 500, each family consisting of four or five members on an average. That is the composition of an average village. If any single fact is wrong, Honourable Members will try to correct me. Now, out of these 100 families, 60 to 65 are engaged directly in agriculture, that is to say, they are either tenants or proprietors; 20 to 25 families belong to the artisan class, such as, ironsmith, potter and the carpenter and other menials who render agricultural service in the village. The remaining 12

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to 15 and sometimes 12 to 18 are baniyas, other shopkeepers, mullas, beggars, mirasis and different kinds of parasites. Now, Sir, the average village which I am trying to depict—I wish you to see this picture—has generally only one shop and in that shop all the sixty families of agriculturists, that is to say, the tenants and proprietors—these facts are based on a study of the family budgets of an average zamindar family—of the village spend from Rs. 3-8-0 to Rs. 4-2-0 per mensem on that shop. The cultivator or the proprietor does not get wheat or fuel or ghee or fodder from that shop. All that the shop sells is some *gur*, some oil, condiments, match boxes, a little bit of cloth, etc., and the average expenses of a family in times of prosperity are Rs. 4-2-0 per mensem. Now, Sir, it may be slightly less. There is only one shop in a village and you can verify my statement whether that shopkeeper does not make a profit of 25 per cent., it is called four annas profit on every rupee. The shopkeeper, be it noted, Sir, does not pay any income-tax, because ordinarily his sales are less than four thousand rupees per annum in many cases. That leaves you, Sir, for a family of cultivator or agriculturist Rs. 50 per annum. Here are our great sympathisers and friends of the agriculturists and they say: "No, we must raise the price of produce". What will be the result? The agriculturist, instead of spending Rs. 50 per annum, might spend Rs. 56. But my Honourable friends, the sympathisers of the agriculturist, never tell him—they never tell the poor cultivator what those Rs. 56 will purchase? Instead of spending Rs. 50 for his purchases, the cultivator spends Rs. 56 to get the same things which he used to get. What happens and who is benefited? The cultivator always sells in maunds, but buys in seers. His produce may be 20 maunds, he has always got to sell in maunds, but he always buys in seers. It is only those who understand the trick underlying this who will be able to appreciate what I say. If the cultivator sells his cotton, the maund becomes 41 seers; when he purchases, say, a seer of *gur*, it becomes 78 tolas. Sir, religiously this goes on from year's end to year's end, from month to month and from day to day, that for each rupee he gives he gets 14 annas worth of things, and for each rupee that he borrows it is credited as being 18 annas. That is what we are hearing every day about the rise in the price of products. The local producer does not sell his goods direct to the big shopkeepers. He sells his produce to the local purchaser who generally does not pay cash, then the local purchaser takes the goods to the bigger purchaser and then it goes to the market where you have the Volkart Brothers, the Ralli Brothers, the Birla Brothers, and for all these forty Brothers the open sesame is "one shilling four pence". In this way, all the produce goes out, but no money comes back to the village and, therefore, a depreciated rupee does not in any way benefit the producer. If, by chance, the money comes back to the village, what happens? One of nature's mistakes comes into play. Nature works as usual blindly. It is a great pity that the human bone is weak and the Jat's lathi is strong. It is a great mistake and a great blunder. After his day's toil in the fields, hot and thirsty and hungry the Jat gets into an argument and he does not argue as we do here with big phrases. He has no time. He finishes the argument with his lathi, and you know, Sir, what happens when an angry skull hits a swiftly moving angry lathi. The reaction of the Jat in a village is also well known. Having smitten his brother, he bribes a babu, he buys a lawyer, and all the wealth he has got is gone out of the village. At the end of the year, the poor Jat remains where he was at the beginning, penniless. Day after day, month after month and year after year, the

poor Jat toils, but all his wealth goes away. He works hard to remain poor to enrich others. At the present day, the village is where it was thirty years ago, and a decade later on it will be in the same condition as it is today. What do you find in a village, Sir? You find mud walls, cow-dung, lanes that are drains and houses that are holes. I again come back to the subject of prosperity which some Honourable Members want to bring back to the village. I did not give that instance of grain selling at Rs. 10 a maund at seed time for nothing. Every one has read the Banking Inquiry Committee Report. The other day the Honourable the Finance Member referred to the fact that the debt of India was 900 crores and that this Reserve Bank could not do much with its paltry sum of five crores? But, Sir, when people hear of this debt of 900 crores, their minds run to a population of 35 crores. That, Sir, is a misunderstanding of the situation. There are millions who are so poor that nobody could lend them any money. Do you think that 900 crores of debt are evenly distributed? In my Division, in June, 1931, there was 35,000 people working at one anna a day. I enquired from most of them, and they said they were too poor to borrow. In 1933, in another district, there were 12,000 people working on an average of one anna per day and I enquired from most of them, and they said they were too poor to borrow. If you exclude women and children and those who are too poor to be indebted, this total of 900 crores is really spread over 4½ crores. I am not talking of the volume, but I am talking of the burden. If you have followed the figures given in the Banking Inquiry Committee Report, you will find that debt rose enormously in that decade after 1917-18 which was called an era of prosperity, and, in the Punjab, the debt which was ninety crores became 135 crores, and forty-five crores were added in the decade of prosperity. I hope the House will please bear this in mind that when you want to introduce prosperity, you seem to think that by a recovery programme you will be able to do that. Those of us who have the welfare of the cultivator at heart—I am not using big words—and who have sympathy with agriculturists and cultivators, those of us know very well that prosperity did not agree with the villager in the sense that it brought a debt which cannot be wiped out. This effort on the other side for this so-called prosperity is to get back a part of that debt which otherwise cannot be had. I am not exaggerating.

Mr. M. Maswood Ahmad (Patna and Chota Nagpur *cum* Orissa: Muhammadan): Do you mean to suggest that there should not be prosperity in India?

Khan Bahadur Mian Abdul Aziz: Listen to me; you are not a rent-paying individual, you are a rent collecting individual. Just as a zamindar irrigates his land to make the land yield more, so these financiers with their rupees irrigate these cultivators so that whatever goes may come back. The crop is not left on the land and the money that the cultivator produces is not left to the cultivator. And I am saying that the only honourable fate that this debt of 900 crores can meet with is that it should not be paid. That is the solution. There is no question of mincing words. They cannot pay it and they are not paying it. (*An Honourable Member*: "Repudiate.") If Germany can repudiate, if Europe wants to repudiate, why should not the poor Jat repudiate? After all, it is India's money, it is owed by poor people and it is owed to people who can afford to lose it.

With regard to this question of ratio, my Honourable friend, **Mr. Mody**, said that 65 crores less came to the cultivator or to the owner; it came

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to the middleman. The whole fallacy of the argument about this benefiting of the agriculturist is that these people mislead and say that the money goes to the cultivator or to the owner of the land. It does not go to them and . . .

Mr. H. P. Mody: I hope my Honourable friend will permit me to interrupt him. This official publication says that the Indian producer received 65 crores less for his exportable surplus.

Mr. E. P. Thampan (West Coast and Nilgiris: Non-Muhammadan Rural): Who is this d-d middleman?

Khan Bahadur Mian Abdul Aziz: I have one thing more to say, and it is this. In one of my districts, I had the rare privilege of meeting a money-lending family who for sixty years,—at least that was true up to four years ago,—never brought a single civil suit against any of their debtors. They suffered their losses if there were any. India should be proud of such moneylenders. They never overlend. Overborrowing is a disease and so is overlending. And, therefore, it is not particularly wise to generalise with regard to any particular class that they are all bad. All cultivators are not good, all moneylenders are not bad. But the fact remains,—and I am forced to expose the whole thing,—that this one-sided preying of one class on another goes on, because, unfortunately, the moneylender's daughter does not go to the Jat's house and the Jat's sister does not go to the money-lender's house. These are all water-tight compartments. If we were one whole, the profit would not remain solely with the middleman. But it so happens that classes have grown up which by birth will be preyed upon and on the other side there are those whose business it is by birth to exploit; and that is why there is this marked persistent poverty on one side and that tendency to make the best of their opportunities on the other. It is not the ratio that is to blame. The effects of the ratio, as I tried to explain to the House, do not reach the villager. He does not buy much, and he does not sell for cash. There are very much poorer people than the cultivator and the owner of land. Their difficulties are enormous; but, Sir, to the honour of my country you will be very glad to hear that even in very severe famine, not one person and not even a single cattle over a large area died of want of food. In European countries people do die for want of food, but these poor people are humane and they still retain their hospitable instincts, and, in spite of the fact that they are indebted to a very heavy extent, they have not yet lost their noble traditions. And it is of these people that I once again want the House to take a kindly thought. It is our duty not to misrepresent the desire for profit in a particular part of the community. That desire for profit is a desire to serve their own communities. Sir, it has been often brought to my notice, and this House has been dealing with the question of co-operation . . .

Mr. Deputy President (Mr. Abdul Matin Chaudhury): Order, order. The Chair has allowed considerable latitude to the Honourable Member, but he must bring his remarks to a close now.

Khan Bahadur Mian Abdul Aziz: I will say only one word. Fifteen years ago, I was reviewing a co-operative report and I came across the instance of a society which had advanced so far that, after having paid off all its members, what they had invested there was still enough money in

the society and they could lend money to their members without interest. This is what people can do with money when they are educated in the use of money. The poverty of the cultivator and of the zamindar is due partly to his ignorance and partly to his superstition, but a great deal, because he is not educated in the use of money; and it is not, therefore, any question of the ratio. With these remarks, I oppose the amendments.

Sir Cowasji Jehangir: Sir, I regret that in this debate there should have been imported a certain amount of heat.

Mr. N. M. Joshi: It is cold these days, we want some heat.

Sir Cowasji Jehangir: My friend, Mr. Joshi, likes heat in debate, because he is accustomed to deal with strikers. But we like peace, and, therefore, I regret the heat that has been imported into this discussion. But I regret very much indeed that this heat was due to a great extent to my Honourable friend, Sir Leslie Hudson, having tried to discuss this question on its merits and thus giving a justification to my Honourable friend, Mr. Mody, for having converted this House into a Currency League meeting.

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

Now, Sir, we have over and over again stated that we do not desire nor can we discuss the question of ratio on its merits on this Bill. We may discuss the question of ratio on its merits as much as we like outside this House and we can hold opinions as strongly as we choose that the policy of the Government is wrong. The Government can assert as strongly as they like in this House during the Budget Session or on the platform that their policy is right; but, on the occasion of this Bill we have over and over again contended that the question of the ratio on its merits should be kept out of our discussions and, therefore, I regret that the lead should have been given by the Leader of the European Group . . .

The Honourable Sir George Schuster: Would my Honourable friend please explain how it is possible to deal with an amendment to the effect that the ratio should be reduced to 1s. 4d. without discussing it on its merits? According to my Honourable friend; the Leader of the Independent Party, you, Sir, should have ruled it out of order instead of having allowed an Honourable Member of this House to move such an amendment!

Mr. President (The Honourable Sir Shanmukham Chetty): The Honourable the Leader of the Opposition is only imposing a restriction upon himself: he cannot impose any restriction upon others.

Sir Cowasji Jehangir: May I point out to my Honourable friend that the amendment was moved in a very few words indeed, and there are sometimes occasions when it is found necessary to move such amendments, but when the Mover moves an amendment of this kind in a speech of a few words, surely my Honourable friend understands the significance of the moving of such an amendment.

Mr. B. Sitaramamurti (Ganjam cum Vizagapatam, Non-Muhammadian Rural): I differ from you, Sir.

The Honourable Sir George Schuster: May I also point out to my Honourable friend that practically every speech in support of the amendment, which I think he is going to support, is made on the basis of the wickedness of Government's policy in maintaining the present ratio?

Sir Cowasji Jehangir: I will explain my point of view, Mr. President, and I am not going to prevent my Honourable friend, the Finance Member, from putting any interpretation that he chooses upon speeches made by other Honourable Members of this House. So much for the discussion on its merits.

Now, my friend, the Leader of the European Group, I regret, should have accused us, because we expressed our intention to support Mr. Sarma's amendment, of, I will not say, dishonesty because he does not like the word—he used it himself—I have got his speech here before me—but I am sure he did not mean it,—he did unfortunately accuse us of something very near dishonesty: I am glad to think that he did not mean it and, I am sure, he did not, but since it is down in black and white, he cannot retract it, I must explain our position

Mr. R. S. Sarma (Nominated: Non-official): He has got twenty four hours to retract.

Sir Cowasji Jehangir: All I can say about time is that when ignorance is bliss, it is folly to be wise

The Honourable Sir Brojendra Mitter: Do not support his amendment.

Sir Cowasji Jehangir: and I am not going to rub it in as my Honourable friend, Diwan Bahadur Ramaswami Mudaliar, did, by pointing out to my Honourable friend that he is more guilty of having repudiated his signature only two or three days ago on the floor of this House, than we can ever be accused of such an act by supporting Mr. Sarma's amendment. I am going to drop that unpleasant little occurrence; and, as to my friend, Mr. James' speech, all I can say is, there are many simple Simons in Europe, according to him, many who have thought of curing the ills of the present times by the devaluation of their currencies, and, if there are any simple Simons left in this House, they are those who believe that steps taken in Europe are unsuitable for this country. They are the only simple Simons left in this House

Mr. N. M. Joshi: What is the meaning of it?

Sir Cowasji Jehangir: All I can say is that if the whole of Europe is considering this question of the devaluation of currencies or the question of raising of prices of raw commodities through devaluation, surely, Mr. President, we in India should not be precluded from considering that question; and if there are a good many Englishmen in this country, not Indians, but a good many Englishmen, all I can say is that those Englishmen who are growing in number, not ordinary Englishmen, but Englishmen holding the highest positions in the commercial life of this country, Englishmen in daily touch with commerce and industry, Englishmen who know what they are talking about, then those Englishmen are simple Simons and not only my Honourable friend, Mr. Scott; and may I say it comes with ill grace from the mouth of one who is not in direct touch

with trade and industry and commerce to characterise other Englishmen in this country as Simple Simons, men who do know what they are talking about, some of them holding the highest positions in this country. There are many in Europe, thousands of them.

Now, as to our own position. I may point out that there has been some confusion of thought due to our having to discuss all these amendments together. There is a clear distinction between clause 40 and clause 41 of this Bill. Clause 40 of this Bill corresponds to clause 5 of the Currency Act of 1927. In that section of the Act of 1927, a lower point has been fixed. Therefore, if you state that the provision in the Bill should be that the ratio should be exactly what it is in the Currency Act of 1927 at the time this Bill comes into force, you will be saying very little different to what the Committee's report recommends to this House to do. But when we come to clause 41, there is a difference. If a similar amendment to the one moved by Mr. Sarma were moved on clause 41, it is perfectly correct to say—and I am prepared to admit—that it would not be following in the spirit of the recommendations of the London Committee, and you will notice that I had given amendments both to clauses 40 and 41,—to clause 40 my amendment, which I may say was drafted many days ago, was on the same lines as the one moved by Mr. Sarma and my amendment to clause 41,—and I have given more than one amendment to this,—I am sure, my friend, the Finance Member, will admit, is carrying out the intentions of the London Committee in the spirit. That is where the confusion has taken place. After all, it is a technical point, it is not a point of such importance as my friend, Mr. Sarma, tried to make, and, therefore, many Honourable Members were misled including my friend, Mr. James. Mr. James's contention was that many Members had stated that if Mr. Sarma's amendment was carried, Government would have to come back to this House to fix a low point or high point of the ratio before the Bill came into force. That is not the position. Mr. Sarma's amendment deals with clause 40. The provision for a low point has already been made in the Currency Act; it is only in clause 41 that the Currency Act has not made a provision, and there is a lacuna, and the Committee recommended that the lacuna regarding the high point should be fixed by the Bill that is before us, and, therefore, to move any amendment which does not fill up that lacuna would not be carrying out the intentions of the London Committee, and, therefore, my amendments both to clauses 40 and 41 carry out the intentions of the Committee in the spirit, and I am going to show how they do. Now, Sir, you first decide on a principle, you first decide exactly what you want to do, and then you decide how that is to be done. Much more important is that you should decide the principle, of secondary importance is the method you adopt in carrying it out. I contend that the principle which we agreed to in the London Committee was that the provisions in this Bill should make no change in the ratio, but that they should provide that the ratio that will be in existence on the day before this Act comes into force.

The Honourable Mr. George Schuster: On the day when the Bill is introduced.

Sir Cowasji Jehangir: I am coming to that. I am talking of the principle. The principle we agreed to was,—and I mentioned it in the London Committee over and over again,—and I will repeat my very words,

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to my friend, the Finance Member, it is in our Report, I am not talking from either imagination or from memory,—I am quoting from the Report,—the principle we agreed to was that there should be a provision in this Bill which should ensure that the ratio that will be in existence when this Bill comes into force should be the ratio to be included in this Bill. Now, the most important words are the words quoted in my minute of dissent. This is the principle on which we agreed:

"The ratio provisions in the Bill are designed to make it clear that there will not be any change in the *de facto* situation by the mere coming into operation of the Reserve Bank Act."

That is the principle on which we all agreed. Practically it means that the ratio question should be kept out of the discussions on this Bill, and that we shall take it for granted that whatever the ratio may be a year hence, will be the ratio included in this Bill. Now, we agreed that that should be carried out by including in the clause the ratio that was in existence on the day of the introduction of the Bill and that has been printed in italics in the Select Committee's Report on clauses 40 and 41. That was the method. Now, Sir, I have given you the principle, I have given you the method by which that principle was to be carried out. I contend that, due to change of circumstances, the method that we suggested is now not in the spirit of the spirit of the agreement.

An Honourable Member: Which spirit?

Another Honourable Member: Double distillation.

Sir Cowasji Jehangir: Neither of us, Sir, have had any spirit yet. My point is that the method we agreed to has become out of date on account of the change of circumstances, and, therefore, the safest thing is to put into the Bill the principle itself

The Honourable Sir George Schuster: What change of circumstances?

Sir Cowasji Jehangir: I will tell my friend what change of circumstances, I am coming to it,—the dollar has been going up and down. My friend knows it very well, and now, mind you, none of my words are going to lead to speculation. I am not a great authority on this subject so that my words would lead to any speculation, but my friend, the Finance Member, knows that, since we met in London, there have been great ups and downs in exchange

The Honourable Sir George Schuster: Was the dollar mentioned in the London discussions, and did my friend in supporting this recommendation make any reservation that it depended on the stability of the dollar?

Sir Cowasji Jehangir: Let me explain the point. My position was and is that the method by which we should carry out the spirit of our agreement depended upon the circumstances of the times,—the times then were different to the times now, and if I suggest now that we should adopt a different method to carry out the principle we had agreed to, due to change of circumstances, I cannot be accused; on the other hand, I may be justified in accusing the opposite Benches of not sticking to the spirit of this agreement but trying to force on us the letter of it. That is the point. The point is that you try to make us stick to the letter of it, while you give the go by to the principle we agreed to. We prefer to stick to the principle and give the go by merely to the procedure. That is the difference

between us. And, after all, as my friend very well knows, there is not much practical difference between

The Honourable Sir Brojendra Mitter: Then why not stick to both.

Sir Cowasji Jehangir: I would respectfully suggest to my friend to stick to the profession of the law.

The Honourable Sir Brojendra Mitter: In law we stick both to principle and procedure.

Sir Cowasji Jehangir: I agree with the old proverb "Let every shoeman stick to his last".

Now, the position is that I desire to stick to the principle of our agreement, and I am not going to be bothered by the procedure we agreed to. My friend, the Finance Member, cannot possibly deny the great change of circumstances that has taken place in the monetary world since we met in London.

The Honourable Sir George Schuster: I do deny.

Sir Cowasji Jehangir: Does my Honourable friend mean to say that he was not very nearly pushed off the ratio very lately?

The Honourable Sir George Schuster: I absolutely repudiate that statement. I do not know what my Honourable friend is talking about.

Sir Cowasji Jehangir: I will tell my Honourable friend that the speculation that goes on does not depend upon what a poor and humble person like myself says. It does not even depend so much upon what an exalted person like the Finance Member says. It depends upon world conditions, and if there were a few days ago very large remittances of money to Europe, it was due to the dollar and to world conditions; and if my Honourable friend, the Finance Member, now tells us that he was completely ignorant of what was going on in the world of finance in this country during the last three or four weeks, surely my Honourable friend does not want me to believe that.

The Honourable Sir George Schuster: I certainly never said anything of the kind. (Laughter.)

Sir Cowasji Jehangir: That is the interpretation of my Honourable friend's words. We know very well what the position was, and I am not going to discuss it on its merits. I do not want to make the position worse. We know what the position was, and every man

Mr. President (The Honourable Sir Shanmukham Chetty): It would save the time of the House if each Member confined himself to what he says, and not repeat what somebody else says, because nobody seems to understand what the other says. (Laughter.)

Sir Cowasji Jehangir: I have not repeated anything that anybody else said; I am only repeating what I say. I say that the position in the last

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fortnight, three weeks or a month, has been critical, and it does not want an expert to tell that to this House. Anybody who declares his ignorance of that position, I can only state, is one who is not in touch with the financial position. Great changes have taken place. I am not going to try and foretell what the ratio is likely to be when this Bill comes into force, that is not my province. But I do say with some confidence that there is a much less chance of the ratio being 1s. 6d. when this Bill comes into force than it was when we met in England. And I challenge anybody to contradict that statement.

The Honourable Sir George Schuster: I absolutely contradict that statement. (Laughter.)

Sir Cowasji Jehangir: All I can say, Mr. President, is that the Finance Member of this country is not in touch with the financial position of this country. All I can say is that. I say definitely, and I am prepared to say that we are not all simple Simons on this question, that the position today is that it is less likely that the ratio will be 1s. 6d. a year hence than it was when we met in London. The chances were much better when we were in England that the ratio would continue at 1s. 6d. for a period of a year and a half than they are today. That being the change of circumstances, I contend that we have a right to provide in this Bill that the ratio shall be the ratio of the day when this Bill comes into force, and that we should provide for nothing else. We, therefore, put into the Bill the principle on which we are all agreed. I ask for nothing more. When it comes to clause 41, I am quite prepared to move that a corresponding amendment shall be made which will not force my Honourable friend to consider the question of high or low point. We shall fix that. It is in my amendment No. 279, and it reads as follows:

"That in clause 41 of the Bill, for the words 'at a rate not higher than one shilling and six pence and three-sixteenths of a penny for a rupee' the words 'at a rate not higher than twenty-seven sixty-fourths of a penny for a rupee above the rate at which the Governor-General in Council is bound to sell sterling by the law in force in British India on the day before this section comes into force' be substituted."

Therefore, nobody can for one minute deny our honesty of purpose, or can challenge our desire to stick to the spirit of the agreement that we arrived at in England. Mr. President, I have no desire to go into the question of the merits of the ratio.

Mr. President (The Honourable Sir Shanmukham Chetty): The Honourable Member said he was precluded from doing that.

Sir Cowasji Jehangir: I said I had no desire to, neither can you preclude me, Mr. President.

Mr. President (The Honourable Sir Shanmukham Chetty): The Chair thought the Honourable Member wanted to preclude himself.

Sir Cowasji Jehangir: Mr. President, I have to beg your pardon. I never said anything of the sort. What I said was that it would be much wiser not to discuss this question of the ratio, because it would be futile.

and I am going to tell you why. Suppose we discuss this question on its merits, do my Honourable friends mean to contend that the position is going to be exactly the same a year hence as it is today? Will there be no change in circumstances? Is there no possibility of it? Therefore, to discuss what the ratio should be a year hence seems to me to be a futile attempt. It is as futile as 1s. 6d. is, to fix 1s. 4d., 1s. 3d. or 1s. 2d. In all conscience there is enough difference of opinion amongst us as to what the ratio should be today, how much more difference of opinion would there be if we were to try and guess what the ratio should be a year hence. That is the question in a nutshell. Therefore, why wax eloquent in this Assembly on the question of the ratio on its merits? We may wax eloquent on the platform or at meetings of the Currency League. By all means. We do not, any one of us, give up our convictions. Mr. James may stick to 1s. 6d. for as long as he likes. My Honourable friend, the Finance Member, may assert as long as he chooses that he believes that 1s. 6d. is the best thing for us. We shall go on asserting outside this House that we are firmly of the belief that the ratio policy of the Government is wrong. Then, why have all this discussion here? It is purely academic. To a materialistic person like myself, who wants to come down to the realities and not to soar in the air building castles there—I cannot understand all this discussion. It is beyond me. All I have got to say is that we shall support Mr. Sarma's amendment, because we consider it is as futile to put in 1s. 6d. in the Bill as 1s. 4d., or 1s. 3d. or 1s. 2d. We are not in a position to discuss just now any question of the ratio. The position has considerably changed in the world since we discussed this question in England and decided that the best policy would be to leave today's ratio in the Bill. We do not agree that it is the best method of carrying out the principle on which we are agreed, and we consider that the best way of carrying out the principle on which we are agreed is to adopt Mr. Sarma's amendment, and when it comes to clause 41, I will certainly move my amendment as I have read it out to the House and thereby not necessitate my Honourable friend, the Finance Member, or his successor having come to this House to fix the upper point.

Now, Sir, I think my Honourable friend will candidly admit that we, who had the honour of going to England, have done all we
 5 P.M. could to carry out the scheme as we visualized it in England, a scheme which was a compromise. Let me on my side candidly admit that the Honourable the Finance Member went as far as he could in the Select Committee to meet our point of view. He could not go further. We realise that and we are grateful to him for having gone as far as he did go in making a change in the Committee's report in England. Now, may I point out to my Honourable friend that if it was open to him to make material changes in the recommendations made by the London Committee's report, is it a great sin for us to make a small change which carries out the spirit of our agreement? My Honourable friend agreed to reduce the voting power. He agreed to bring the shares down to a denomination of Rs. 100. I did not quite agree with that. Personally I would have been willing to stick to the London Committee's recommendations, but to meet popular demand I gave way and I gave way on a material question. That was a material recommendation. Here I contend most strongly that by supporting the amendment of Mr. Sarma we are supporting the agreement in the spirit and I go a step further and say that to support the clause in the Bill might not be acting in the

[Sir Cowasji Jehangir.]

spirit of our agreement. It is certainly acting on the letter of the agreement, and, therefore, if my Honourable friend points out to us that we are not adopting the method which we decided on in England, I can only reply with due deference to him that by adopting that method we may be risking carrying out the recommendations in their spirit. Sir, I have nothing more to say. All I have got to say is that I trust the House will adopt Mr. Sarma's amendment and, speaking absolutely frankly, there is not much difference between the provision in the Bill and Mr. Sarma's amendment. It is a question of sentiment. It is a question of principle. The difference is the difference in the circumstances. Circumstances have changed and, therefore, we feel that we are justified in changing the procedure. That is all. I trust, Mr. President, that the House will support Mr. Sarma's amendment.

The Assembly then adjourned till Eleven of the Clock on Tuesday, the 19th December, 1933.