

LEGISLATIVE ASSEMBLY DEBATES

(OFFICIAL REPORT)

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SIXTH SESSION

OF THE

FOURTH LEGISLATIVE ASSEMBLY

1933



Legislative Assembly.

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

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LEGISLATIVE ASSEMBLY.

Saturday, 16th 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.

QUESTIONS AND ANSWERS.

GRANT OF GRATUITIES TO ONE MR. KHOSLA.

1423. ***Mr. Lalchand Navalrai:** Will Government please state, as promised in a supplementary question, whether they have made inquiries why Mr. Khosla did not get his gratuity and what steps do Government propose to take to give him the gratuity if his discharge is legitimate?

Mr P. R. Rau: Government have been informed that as Mr. Khosla's total service was less than 15 years and as his service was unsatisfactory, no gratuity was admissible to him under the rules.

Mr. Lalchand Navalrai: May I know from the Honourable Member if a man gets gratuity when he is retrenched?

Mr. P. R. Rau: Not if his service is unsatisfactory. The gratuity is a reward for satisfactory and approved service.

Mr. Lalchand Navalrai: Apart from the question of unsatisfactory service, do they get it on being retrenched?

Mr. P. R. Rau: When a man is retrenched, I think he gets a gratuity.

Mr. Lalchand Navalrai: Is it or is it not a fact that this man was at one time considered to be inefficient and then he proved that he was not inefficient and then he was retrenched?

Mr. P. R. Rau: I am not aware that he ever proved that he was not inefficient.

Mr. Lalchand Navalrai: Has the Honourable Member satisfied himself on this point?

Mr. P. R. Rau: Our information shows that Mr. Khosla's discharge was only the final stage of a number of incidents in which he had been reprimanded and warned.

Mr. Lalchand Navalrai: I am putting the question on the subject of this gratuity, because the man has been thrown out of employment and he is getting no livelihood. I am asking whether this is a case of

inefficiency or retrenchment. I am asking whether the Honourable Member has satisfied himself on that point and whether the papers are before him. Then, in that case, I would certainly not have raised this question.

Mr. P. R. Rau: It is a case of retrenchment based on inefficiency.

ILLNESS OF SAROJ RANJAN ACHARYA, A DETENU IN THE DEOLI DETENTION CAMP.

1424. ***Mr. S. C. Mitra:** (a) Will the Honourable the Home Member please refer to the reply to my starred question No. 1120, dated the 23rd November, 1933, wherein he stated that the orders about the home internment of the detenu Saroj Ranjan Acharya of the Deoli Detention Camp were still under consideration?

(b) Are Government aware that the detenu wrote to his brother in a letter, dated November 1, which has been duly censored, that his petition has been rejected on the ground that his brother declined to take responsibility for controlling him?

(c) Is it a fact that his brother was fully agreeable to take all the responsibility for Saroj Acharya, but that he merely stated that as he was a low-salaried employee he was unable to bear the additional expenses and prayed for an allowance for the said detenu? If so, is the answer of the Honourable Member correct?

The Honourable Sir Harry Haig: (a) to (c). My answer was correct. It is true that the question of permitting the detenu to reside with his brother in Delhi has been dropped, but on an alternative proposal no decision has yet been reached.

ALLEGED ABUSES OF RULES AND REGULATIONS BY THE AGENTS AND SUBORDINATE ADMINISTRATIVE AUTHORITIES OF RAILWAYS.

1425. ***Mr. S. G. Jog:** (a) Are Government aware, and if not, do they propose to inquire and state, whether the Agent, East Indian Railway, under his letter No. N. E.-2061/2, dated the 24/25th October, 1933, stated that he could take no notice of direct appeals and if the appellant did that again, he should be dealt with for breach of discipline? If so, is it not against the reply of the Honourable Member representing the Railway Administration in this House in view of the answer given by him to a supplementary question to the starred question No. 795, dated the 12th September, 1933?

(b) What action has been taken by the Railway Board to prevent abuses of rules and regulations by the Agents and subordinate administrative authorities?

(c) Are Agents bound to obey the orders, rules and regulations of the Railway Board?

Mr. P. R. Rau: I have called for certain information and will lay a reply on the table in due course.

**CLASSIFIED LIST OF STATION MASTERS AND ASSISTANT STATION MASTERS
ON THE EAST INDIAN RAILWAY.**

1426. ***Mr. S. G. Jog:** (a) Will Government be pleased to state whether it is a fact that the Agent, East Indian Railway issued in June, 1932, a classified list of Station Masters and Assistant Station Masters?

(b) If the reply to part (a) be in the affirmative, (i) how is the seniority of different classes of cadres grouped in one combined seniority list; and (ii) what are the normal channels of promotion in the combined seniority list?

Mr. P. R. Rau: I am obtaining the information and shall lay a reply on the table in due course.

**POSTING OF POLICE NEAR THE BANDSTAND IN CONNAUGHT PLACE,
NEW DELHI.**

1427. ***Rao Bahadur M. C. Rajah:** (a) Is it a fact that recreation is provided for the public of New Delhi by a military band playing in the Connaught Place circle every Saturday?

(b) Is it a fact that a strong police cordon was placed round the bandstand on Saturday, the 2nd December, 1933?

(c) Will Government be pleased to state the reason why this innovation has been introduced?

(d) Are Government aware that the police refused respectable ladies and gentlemen to go near the bandstand or move about the inner circle whilst the band was playing?

(e) For how long do Government propose to continue this new police arrangement?

The Honourable Sir Harry Haig: (a) Yes.

(b) to (e). It was found that the crowd encroached on the bandstand and interfered with the playing, and in the interests of the general public who congregate to listen to the band it was necessary to make police arrangements to keep the area immediately surrounding the bandstand clear and to prevent over-crowding. Benches are provided in the inner circle for the general public. These police arrangements were made at the instance of the New Delhi Municipal Committee and I understand they desire them to be continued.

LEAKAGE OF ELECTRIC CURRENT IN CERTAIN QUARTERS IN NEW DELHI.

1428. ***Rao Bahadur M. C. Rajah:** (a) Is it a fact that the electric wires in Government quarters are worn out?

(b) Is it a fact that there is leakage of electric current in many of the clerks' quarters?

(c) Will Government please state how many complaints have been received by the Public Works Department, and how many of the quarters have been fully or partly re-wired?

(d) Is it a fact that the occupants of the quarters have had to bear the charges of these excessive leakages?

(e) Do Government propose to refund those men from whom complaints of leakages were received, the electrical charges they have paid for October and November 1933? If not, why not?

The Honourable Sir Frank Noyce: (a) No. From time to time wiring becomes defective and is replaced.

(b) No, though there have been occasional cases of leakage.

(c) Fourteen. Defective wiring was removed, but in no case was a quarter fully rewired.

(d) Yes.

(e) The question is under consideration.

REPORT OF THE ORISSA ADMINISTRATIVE COMMITTEE.

1429. ***Mr. Sitakanta Mahapatra:** (a) Will Government be pleased to state if the report of the Orissa Administrative Committee (Hubback Committee) has reached their hands?

(b) If so, when is it expected to be published? Is it the intention of Government to place all or any of the recommendations in the said report for the consideration of the Central Legislature? If so, when?

The Honourable Sir Brojendra Mitter: (a) Yes.

(b) Publication may be expected shortly. The procedure in dealing with the report has not yet been decided.

BOUNDARIES OF THE PROPOSED ORISSA PROVINCE.

1430. ***Mr. Sitakanta Mahapatra:** Will Government be pleased to state if they are in possession of any information regarding the final decision of the Imperial Government over the boundaries of the contemplated Orissa Province? If so, what?

The Honourable Sir Brojendra Mitter: The reply is in the negative.

HELP FROM THE FAMINE INSURANCE FUND TO THE ORISSA DIVISION.

1431. ***Mr. Sitakanta Mahapatra:** Is it a fact that while Rs. 50,000 have been given to the Ambala Division and promise for further help there has been held out from the Famine Insurance Fund, only Rs. 40,000 have been given to the Orissa Division?

Mr. G. S. Bajpai: The answer is in the affirmative?

Mr. Sitakanta Mahapatra: Why was this distinction made between the Orissa Division and the Ambala Division?

Mr. G. S. Bajpai: No distinction has been made. The need of the Ambala Division was greater than the need of Orissa.

Mr. Sitakanta Mahapatra: Has it got anything to do with the fact that Orissa is situated far away from the Imperial Capital?

Mr. G. S. Bajpai: Distance would have been a factor in their favour, if it had been found that the need of Orissa was greater than that of Ambala.

Mr. Sitakanta Mahapatra: What amount did the Bihar and Orissa Government want?

Mr. G. S. Bajpai: 40,000 was the amount.

Mr. Sitakanta Mahapatra: And the Punjab?

Mr. G. S. Bajpai: They asked for two lakhs and they got Rs. 50,000.

Mr. Sitakanta Mahapatra: Before applying for help, was any inquiry made as to the needs of these two Divisions by the Imperial Government?

Mr. G. S. Bajpai: I take it that the two Local Governments concerned who applied, not to the Government of India, but to the governing body of the Indian People's Famine Trust, probably made suitable local inquiries.

Mr. Sitakanta Mahapatra: Has the attention of Government been drawn to the recent appeals in the newspapers regarding the distress in Orissa?

Mr. G. S. Bajpai: As regards the appeals, I do not think the intensity of those coming from Bihar and Orissa is greater than those coming from Ambala.

Mr. Sitakanta Mahapatra: Are Government aware that the Commissioner of the Orissa Division appealed in the *Statesman* a few months ago?

Mr. G. S. Bajpai: I would ask my friend to read also the various appeals which have appeared in the Punjab and Delhi papers.

Mr. Gaya Prasad Singh: Does the Honourable Member think that Rs. 40,000 is adequate for the purpose of relieving distress in Orissa?

Mr. G. S. Bajpai: I should like the House to appreciate the fact that this is not a matter for Government. This is a matter for the People's Famine Trust who are independent of Government. I happen to be a member of that and, therefore, I am able to give such information as I have. The Government of Bihar and Orissa asked for Rs. 40,000 and they got Rs. 40,000.

Mr. Lalchand Navarai: On what facts was this grant based? Was Orissa in greater distress?

Mr. G. S. Bajpai: To mention one item. The Bihar and Orissa Government said that over 20,000 houses had been seriously damaged, whereas the report from Ambala showed that more than 100,000 houses were actually destroyed.

Dr. Ziauddin Ahmad: Is it a case of "*Sag-i-hozoor beh az heradar-i-door*", which means that those who are nearer are served better than those at a distance?

Mr. G. S. Bajpai: I have already answered that question.

Mr. Sitakanta Mahapatra: On what basis was the amount of Rs. 40,000 required for Orissa?

Mr. President (The Honourable Sir Shanmukham Chetty): That was for the Orissa Government to decide.

IRREGULARITY IN THE PATNA TELEGRAPH SUB-DIVISION.

1432. ***Mr. Sitakanta Mahapatra:** (a) Will Government be pleased to state whether their attention has been drawn to a letter published in the *Advance* dated the 31st October, 1933, under the caption "Irregularity in Patna Telegraph Sub-Division"?

(b) If so, have Government been pleased to enquire into the cause of discontent prevailing among the Telegraph line staff, in the said Sub-Division under the present regime?

The Honourable Sir Frank Noyce: (a) and (b). The Honourable Member is referred to the reply given to the first part of Mr. Jog's starred question No. 1299 on December 7th. In the absence of complaint from the staff concerned Government are not prepared to take any action in the matter.

REPRESENTATIONS OF THE TELEPHONE OPERATORS IN THE PATNA DIVISION.

1433. ***Mr. Sitakanta Mahapatra:** Will Government be pleased to state if they have received any representations from the telephone operators in the Patna Division regarding amelioration of some of their grievances? If so, what steps have been taken?

The Honourable Sir Frank Noyce: Yes. The matter is under consideration.

INTRODUCTION OF THE SYSTEM OF FLYING SQUADS ON THE EAST INDIAN RAILWAY.

1434. ***Dr. Ziauddin Ahmad:** (a) Is it a fact that the system of flying squads has been introduced in certain Divisions on the East Indian Railway?

(b) Was the system tried on the North Western Railway, and if so, with what result?

(c) Has the system been introduced to stop persons from travelling without tickets, or for some other reason?

(d) Is it a fact that the Railway authorities expected that the flying squads should collect penalties from the passengers in proportion to their number?

Mr. P. R. Rau: I am obtaining information from the Railways concerned and shall lay a reply on the table in due course.

ACQUISITION OF BUNGALOWS IN THE PESHAWAR AND KOHAT CANTONMENTS.

1435. ***Mr. Gaya Prasad Singh:** (a) Are Government aware that a great deal of discontent and hardship has been caused among the house-owners by the way in which private bungalows are being acquired in the Cantonments of Peshawar and Kohat by the military authorities?

(b) Is it a fact that in reply to a deputation of house-owners, which waited upon him on or about the 14th March, 1933, His Excellency the Commander-in-Chief said that "there had been no interference with the commercial interests except in the case of one European-managed firm"?

(c) Is it a fact that in the Cantonment of Kohat, one private Sarai, and two commercial sites on whose incomes the owners live, have been gazetted for acquisition? If so, why? Are Government prepared to make an enquiry?

Mr. G. R. F. Tottenham: (a) Government are aware of the feelings of house-owners on the subject, but I may add that there are several owners in these stations, who have sold their houses to Government by agreement and who have expressed themselves satisfied with the terms of settlement.

(b) Yes.

(c) So far as I am aware there is only one bungalow which is being acquired in Kohat in which anything in the nature of commercial interests are concerned. This is a bungalow in the compound of which certain of the outhouses and servants quarters have been unauthorisedly converted by the owner into a *scrai* and a few petty shops. It is partly owing to this unauthorised use of Government land that acquisition has become necessary, in order to preserve the original character of the site as an officer's residence. I may add that the present tenant of this particular bungalow is an Indian officer, who is consequently living in extreme discomfort.

Mr. B. R. Puri: What is really the cause of this wholesale acquisition of houses in cantonments, which has of late been so much in evidence?

Mr. G. R. F. Tottenham: It would take a long time to explain all the causes, but briefly it is this. The military authorities are short of residential accommodation for their officers and the rents that are being charged by the house-owners are becoming more and more extravagant. They have, therefore, decided that it would be better to acquire a certain number of houses rather than continue to pay rent for them.

Mr. B. R. Puri: Was the shortage felt only recently?

Mr. G. R. F. Tottenham: The shortage has been felt for many years, but it has been accentuated in recent years.

Mr. B. R. Puri: Has there been any increase in the number of officers who are to be accommodated in such houses?

Mr. G. R. F. Tottenham: In certain places there has been an increase and, in certain places there has been a decrease; but we are making these arrangements particularly with an eye to the future when there will be a very considerable increase of officers owing to the Indianisation of the Indian Army.

Mr. B. R. Puri: Is that the only reason, Sir?

Mr. G. R. F. Tottenham: Not the only one, but one of the most important reasons.

Mr. B. R. Puri: Is the Honourable Member aware that in spite of his assurance that a certain class of owners have already disposed of their houses to Government and that they are fully satisfied with the arrangement, up till the moment that I am speaking, there is a great deal of dissatisfaction amongst all classes of house-owners, barring the very few persons who may have been compelled to part with their property at such prices as Government were willing to give them?

Mr. G. R. F. Tottenham: It is only natural that there should be some discontent amongst the house-owners, because they have been making very large profits in the past. That fact has meant that the Indian tax-payer has been suffering. Our bill for rents for houses in cantonments has been increasing at the rate of something like Rs. 2 lakhs a year, and this money comes out of the pockets of the ordinary tax-payer and goes into the pockets of the house-owners. Naturally, they are, therefore, somewhat discontented that this source of income should be taken away from them.

Mr. B. B. Puri: If the house-owners agreed to have the rents brought down to a reasonable standard, would Government then be prepared to consider favourably the proposition that they should not be interfered with, so that one obnoxious feature will be removed, namely, the excessive charging of rents?

Mr. G. R. F. Tottenham: That, Sir, is a hypothetical question; but I may add that, during the last five or ten years, efforts have been made to induce house-owners to reduce their rents; they have made promises to the effect that they would do so; but those promises have not been fulfilled.

Mr. B. B. Puri: Would Government be pleased to give us an assurance that there is no racial discrimination at the bottom of it?

Mr. G. R. F. Tottenham: Yes, Sir, I can give that assurance with absolute confidence.

Mr. Gaya Prasad Singh: Has there been an increase in the number of officers in Peshawar?

Mr. G. R. F. Tottenham: There has been a considerable increase during the last ten years or so owing to the addition of the Royal Air Force to the Army in India.

Mr. B. B. Puri: What has been the basis on which houses have been assessed in the case of the houses which the Government have already acquired and regarding which the Honourable Member has said that the people are fully satisfied?

Mr. G. R. F. Tottenham: I must ask for notice of that question; it is rather an intricate calculation.

Mr. B. B. Puri: Is my Honourable friend aware that there is a great deal of dissatisfaction over this very fact, namely, that Government have paid them hardly any reasonable proportion of the reasonable price which they expected?

Mr. G. R. F. Tottenham: No, Sir. I am not aware that there is dissatisfaction. On the other hand, several house-owners, who have accepted the amounts that we have offered them, have professed themselves fully satisfied. I may also add that considerable satisfaction has been expressed to us by the general population of Peshawar and other cantonments that the Government are taking this action. I am referring to the people who live in the bazaars.

Mr. B. B. Puri: What is the proportion of such owners of property who have expressed their satisfaction over being relieved of their property in the cantonment?

Mr. G. E. F. Tottenham: I cannot give the exact proportion, but I think there are seven or eight house-owners who have come to terms with us and those have professed themselves satisfied with the terms that they have received.

Mr. B. B. Puri: Have they come to terms on their own initiative or forced to come to such terms?

Mr. G. E. F. Tottenham: On their own initiative.

Mr. Gaya Prasad Singh: Is it not a fact that the bungalows acquired in Peshawar belonged to Indian gentlemen only?

Mr. G. E. F. Tottenham: No, Sir. There have been several bungalows, I believe, that belonged to Europeans as well.

Mr. Gaya Prasad Singh: How many Europeans, and how many Indians?

Mr. G. E. F. Tottenham: I should like to have notice of that question; I think I gave the information in reply to a previous question in the House, but I am not sure.

Mr. B. B. Puri: Will the Honourable Member be pleased to give us the necessary information with regard to such items or questions regarding which he says he wants notice?

Mr. G. E. F. Tottenham: I shall give the information if the question is put down on the paper.

Khan Bahadur Haji Wajihuddin: May I know whether the Government have received any representation from the All-India Cantonments Association?

Mr. G. E. F. Tottenham: They have received many such representations.

Khan Bahadur Haji Wajihuddin: With what result?

Mr. Gaya Prasad Singh: With the usual result.

Mr. G. E. F. Tottenham: With the usual result! (Laughter.)

PROVISION OF FACILITIES FOR THE IMPORT AND SALE OF RUSSIAN PETROL.

1436. **Mr. Bhuput Sing:** (a) Is it a fact that the New Delhi and the Old Delhi Municipalities have refused to grant permission and to allot a site for the erection of a petrol pump in Connaught Place and other places in Delhi to the agents for Russian Petrol?

(b) Is it a fact that subsequent to the refusal of such permission to those agents, these Municipalities have given permission to the agents of the Burma Oil Company to erect petrol pumps in various places in Delhi for the sale of "Shell" petrol?

(c) Are Government aware that Burma Shell petrol is sold at Rs. 1-5 per gallon when the stock of Russian petrol comes on the market and that the price is raised to Rs. 1-11-6 per gallon as soon as the stock of Russian petrol is exhausted?

(d) Is it a fact that Railway authorities detach the wagons carrying Russian petrol while in transit at a wayside station and detain them?

(e) Are Government aware that by such detention the Railway are indirectly assisting the Burma Oil Company to make high profits on petrol?

(f) Are Government aware that all kinds of obstructions are being placed in the way of the import and sale of Russian petrol in order to allow the Burma Oil Company to reap unduly high profits?

(g) Do Government propose to enquire into the matter and take immediate steps to provide all facilities for the import and sale of Russian petrol?

The Honourable Sir Joseph Shore: Enquiries are being made and the result will be communicated to the House in due course.

Mr. S. C. Mitra: May I know why these simple matters require more than ten days for the enquiries to be completed?

The Honourable Sir Joseph Shore: Well, Sir, these references had to be made to many authorities. They have had to be made to the railway authorities as well as to the local authorities and I can only say that replies have not yet been received to our enquiries.

Dr. Ziauddin Ahmad: There is another part of the question that does not require the collection of information. The Honourable Member has already on the floor of the House mentioned that it is so?

The Honourable Sir Joseph Shore: Sir, that is true; but, as a matter of fact, the important parts of this question required more detailed inquiries to be made and information to be gathered. We are taking all necessary steps to enable a complete reply to be laid on the table.

AMOUNT PAID TO THE BENGAL GOVERNMENT AS THEIR SHARE OF THE ADDITIONAL SALT DUTY.

1437. ***Mr. S. C. Mitra:** (a) Will Government please state what sums of money the Government of India paid to the Bengal Government as their $\frac{1}{4}$ th share of the additional salt duty during the last three years?

(b) Is it a fact that this money was meant to be utilised for encouraging the manufacture of salt in the province?

(c) Will Government please state how the Government of Bengal spent that money during the different years?

(d) Has any balance been left unutilised? If so, how will that amount be spent in future?

The Honourable Sir George Schuster: (a) The sums so far paid to the Government of Bengal on account of their share of the additional import duty on foreign salt are:

	Rs.
(i) for 1931-32	5,36,600
(ii) for 1932-33]	6,04,300
(iii) for April to September 1933	1,17,900
	<hr/>
Total	12,58,800
	<hr/>

(b) No. The money was not definitely earmarked for the development of salt manufacture but the wishes of the Legislative Assembly contained in their Resolution of April 1, 1931, were communicated to the Government of Bengal.

(c) and (d). The Government of Bengal have been asked for a report.

ENCOURAGEMENT OF SALT INDUSTRY IN BENGAL.

1438. ***Mr. S. C. Mitra:** (a) Will Government please state what steps the Government of Bengal have taken during the last three years to encourage salt industry in Bengal?

(b) How many applications were received by them from different parties seeking financial or other assistance for the manufacture of salt?

(c) How many of these applications have been granted, and how many have been rejected and for what reasons?

The Honourable Sir George Schuster: (a) Seven temporary permits for the manufacture of salt for experimental purposes have been granted to certain persons and firms in Bengal.

(b) and (c). No applications were received in which pecuniary assistance was sought. Applications from two companies were received asking for assistance in securing lands suitable for salt manufacture; one company was given assistance to secure certain lands belonging to the Forest Department. No assistance could be given to the other company as the lands belonged to private parties.

APPLICATION FROM PREMIER SALT MANUFACTURING COMPANY, LIMITED, FOR WAREHOUSE LICENCES.

1439. ***Mr. S. C. Mitra:** (a) Is it a fact that the Premier Salt Manufacturing Company, Limited, applied to the Government of Bengal for warehouse licences for encouraging indigenous salt manufacture on a small scale as cottage industry by poor villagers?

(b) Was their petition granted? If not, why not?

The Honourable Sir George Schuster: (a) Yes.

(b) The petition was rejected by the Commissioner of Salt and Excise. The Government of Bengal is being asked for further information as to the reasons for its rejection and this information will be supplied when it is received.

ALLOWANCE FOR THE FAMILY OF STATE PRISONER MR. SATYA GUPTA.

1440. *Mr. S. C. Mitra: (a) Have Government received a petition, dated the 9th November, 1932, from the younger brother of State Prisoner Mr. Satya Gupta, now detained in Mianwalli Jail, about reconsideration of the allowance of Rs. 25 for their family?

(b) Is it a fact that Government originally granted Rs. 50 monthly allowance for his family consisting of his mother, brother and two sisters?

(c) Is it a fact that the said allowance has been reduced to Rs. 25 on the death of his mother?

(d) Is it a fact that they represented that Rs. 25 a month is insufficient to cover the educational expenses of his younger brother and two sisters who are all students?

(e) Are Government aware that the reduction of allowance to Rs. 25 after the death of their widowed mother has made it impossible for the young members of the family to carry on their studies?

(f) Are Government willing to make an enquiry and reconsider the question of allowance of Rs. 25 per month? If not, why not?

The Honourable Sir Harry Haig: (a) to (f). The allowance in this case was originally Rs. 50 per month, but was reduced to Rs. 25 per month on the death of the State Prisoner's mother. The Government of India have received no petition or representation in the matter.

TRADE AGREEMENT WITH CANADA.

1441. *Mr. B. Das: (a) Will Government be pleased to state whether the trade agreement with Canada similar to the one with the United Kingdom has already been concluded?

(b) If the reply to part (a) be in the negative, will Government be pleased to state what progress has been made and whether there are any material difficulties and when the public will be informed with regard to the final arrangements?

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

(b) The question of a trade agreement between India and Canada is under examination. Government are not yet in a position to make any statement on the subject.

PROTECTION TO THE SILK INDUSTRY.

1442. *U Ba Maung: (a) Will Government be pleased to state if the Tariff Board in its inquiry for silk industry took any evidence from Burma? If so, who were the witnesses and what interest they represented?

(b) Did the Government of Burma through their Director of Industries give evidence before the Tariff Board in this connection?

(c) Are Government aware that the Burmese people wear silk apparels?

(d) Do Government propose to give any protection to silk industry? If so, have Government made any inquiry whether the Burmese people will be able to bear the rise in price of silk due to protection?

The Honourable Sir Joseph Bhore: (a) Yes, Sir. The only representation received by the Tariff Board from Burma was from the Burmese

Indian Chamber of Commerce which dealt with the subject generally in the interest of importers of raw silk and the silk handloom weaving industry.

(b) No.

(c) Yes.

(d) The report of the Tariff Board is still under examination and all interests involved will receive full consideration before any final decision is taken.

**COMMUNAL COMPOSITION, PAY, ETC., OF THE STAFF OF THE RAILWAY
RATES ADVISORY COMMITTEE.**

1443. ***Pandit Satyendra Nath Sen:** Will Government be pleased to state the present strength of the subordinate staff by communities and provinces, pay at present drawn, and in which posts were they appointed originally on the Railway Rates Advisory Committee and increments received from time to time?

Mr. P. B. Rau: Government regret they cannot undertake the compilation of the information required, the labour and expense involved in which will, they consider, be out of all proportion to any possible use it can be put to.

**TRAVELLING ALLOWANCE OF THE INSPECTORS OF STATION ACCOUNTS, GREAT
INDIAN PENINSULA RAILWAY.**

1444. ***Mr. M. Maswood Ahmad:** (a) Are Government aware that the Chief Accounts Officer, Great Indian Peninsula Railway, has intimated his Inspectors of Station Accounts, *vide* his Circular letter, No. 115 of 10th October, that travelling allowance for the time taken over inspections above the days allowed to complete such inspections will be disallowed?

(b) Has any provision been made for additional time in view of inspections now having to be performed four-monthly and half-yearly instead of quarterly, on which basis the time was allotted?

Mr. P. B. Rau: (a) The instructions referred to relate only to cases of extra time taken without satisfactory reason.

(b) I am informed that the checks required to be applied have also been reduced, thereby giving the requisite relief to the staff. The matter is however being watched carefully.

UNSTARRED QUESTIONS AND ANSWERS.

**JURISDICTIONS OF INSPECTORS OF STATION ACCOUNTS ON THE GREAT INDIAN
PENINSULA RAILWAY.**

338. **Mr. M. Maswood Ahmad:** Will Government be pleased to place on the table a statement showing the comparative lengths of jurisdictions of Inspectors of Station Accounts of the Great Indian Peninsula Railway, the strength of the establishment, and the cadres existing (i) prior to the State taking over the Railway, (ii) after the State took over the Railway and (iii) since the separation of Audit from Accounts?

Mr. P. E. Rau: Information regarding the jurisdiction of Inspectors is not readily available and Government do not consider that its value when collected, will be commensurate with the labour involved in collecting it. I lay a statement on the table showing the cadres from time to time.

Statement showing the cadres from time to time of Inspectors of Station Accounts of the Great Indian Peninsula Railway.

Strength.	Cadre.
	Rs.
(i) Prior to the State taking over the Railway :	
2 posts of Travelling Audit Inspectors	500
5 " " " "	350—20—450
9 " " " "	210—15—350
15 " " " "	150—10—200
1 post of Travelling Audit Inspector for Institutes . . .	150—10—200
32	
(ii) After the State took over the Railway :	
Same as above.	
(iii) Since the separation of Audit from Accounts :	
	Rs.
6 posts of Senior Travelling Inspectors of Accounts . . .	290—20—450 new scale.
9 posts of Junior Travelling Inspectors of Accounts, Grade I	150—15—270 "
14 posts of Junior Travelling Inspectors of Accounts, Grade II	130—8—170 "
20	
4 posts of Junior Travelling Inspectors of Accounts, Grade II	130—8—170 (temporary) "
33	
(iv) After the retrenchment effected, i.e., from 14th August, 1932 :	
5 posts of Senior Travelling Inspectors of Accounts . . .	290—20—450 "
7 posts of Junior Travelling Inspectors of Accounts, Grade I	150—15—270 "
11 posts of Junior Travelling Inspectors of Accounts, Grade II	130—8—170 "
23	
1 temporary post of Senior Travelling Inspector of Accounts from	290—20—450
24	

REPORT PRESENTED BY THE NATIONAL UNION OF RAILWAYMEN TO THE CONTROLLER OF RAILWAY ACCOUNTS.

884. **Mr. M. Maswood Ahmad:** Will Government be pleased to place on the table the report presented by the National Union of Railwaymen, as representatives of the Inspectors of Station Accounts, to the Controller of Railway Accounts which was the outcome of their interview with him

on the 14th August, 1932, at Bombay, a copy of which was furnished to the Financial Commissioner at the interview with the said Union on the 4th May, 1933? Will Government be pleased to state if the position as stated in that report was examined and with what result?

Mr. P. B. Rau: The proceedings of the interview were purely departmental and not meant for publication. Government regret that they cannot place any documents connected with the interview on the table of the House. The various points raised have been considered by the Controller of Railway Accounts and whatever action was considered necessary taken.

CONTRACT FOR UNLOADING AND CARRIAGE OF PUBLICATIONS OF THE CENTRAL PUBLICATION BRANCH FROM THE DELHI RAILWAY STATION TO THE OLD PRESS BUILDINGS.

335. **Mr. S. C. Mitra:** (a) Will Government please state whether one Mr. Kartar Singh undertook the unloading and carriage of publications from the Delhi Railway Station to the Old Press Buildings where the Central Publication Branch is located in the course of the move of the Branch from Calcutta?

(b) Is it a fact that he agreed to undertake the work at Rs. 2 per wagon in the first instance?

(c) Is it a fact that Mr. C. V. d'Eca, the then officiating Deputy Controller, Printing in the office of the Controller of Printing and Stationery, wrote a demi-official letter to the then officiating Manager requesting him to enhance the rate to Rs. 4-8-0 per wagon?

(d) Is it a fact that this rate was accepted and Mr. Kartar Singh undertook the work?

(e) Is it a fact that the said Mr. Kartar Singh is not a recognised contractor?

(f) Was any tender invited before giving the contract to Mr. Kartar Singh?

(g) Is it a fact that Mr. C. V. d'Eca was actually earning profits from the said contract?

(h) Is it a fact that Mr. Kartar Singh was only his paid servant on a monthly billet?

(i) Is it a fact that the said Mr. Kartar Singh is no longer to be found as a contractor in Delhi?

(j) Did Mr. Kartar Singh ever undertake any such contract in any Government Department before?

The Honourable Sir Frank Noyce: (a) Yes.

(b) No. The rate of Rs. 2 per wagon was the rate for unloading only and did not include carriage.

(c) No. On the contrary, Mr. Kartar Singh applied direct to the officiating Manager of Publications for an enhancement of the rate for unloading to Rs. 5.

(d) The contractor subsequently agreed to accept Rs. 4-8-0 per wagon for unloading which was sanctioned by the officiating Manager of Publications.

(e) and (i). Government have no information regarding Mr. Kartar Singh's status as a contractor or his present place of business.

(f) Tenders were not called for but many quotations were received and considered.

(g) and (h). No I am informed that Mr. d'Eca did not know Mr. Kartar Singh and never saw him until some months after the contract had been accepted by the officiating Manager of Publications.

(j) He had held no previous contract from this Department. I am unable to say whether he held contracts from other Departments.

ACADEMICAL QUALIFICATIONS OF THE MANAGER OF PUBLICATIONS.

336. **Mr. S. C. Mitra:** (a) What are the academical qualifications of Mr. C. V. d'Eca, officiating Manager of Publications?

(b) Is it a fact that he was originally a clerk in the Public Works Branch of the Department of Industries and Labour?

(c) To what post in Government service was the said Mr. C. V. d'Eca first recruited?

(d) Is it a fact that the said Mr. C. V. d'Eca was later on transferred to the Central Printing Office as the Assistant Controller, Printing?

(e) What are the qualifications required for appointment as Assistant Controller of Printing?

(f) Did Mr. C. V. d'Eca possess the necessary qualifications? If not, will Government please state the circumstances under which Mr. C. V. d'Eca was appointed to the post?

(g) Was the post advertised in the newspapers? If so, when?

(h) How many candidates applied for the post in response to the advertisement, and

(i) what are their names;

(ii) what are their respective qualifications and experience in the art of printing?

(i) Why was not any man already working in the Stationery and Printing Department chosen for the appointment?

(j) Does Mr. C. V. d'Eca possess any printing qualifications?

The Honourable Sir Frank Noyce: (a) Mr. d'Eca passed the High School Examination, Bengal in 1907.

(b) and (c). He was recruited in 1908 as a clerk in the former Public Works Department.

(d) Mr. d'Eca was a senior Assistant in the Public Works Branch of the Department of Industries and Labour when he was transferred in 1924 to the Stationery and Printing Department as an Assistant to the Superintendent, Printing Clearing Office, on a pay of Rs. 500 per mensem. This post was later given gazetted status and its designation was changed to that of Assistant Controller, Printing.

(e) The incumbent of the post was required to possess experience of work in the Government of India Secretariat.

- (f) Yes. The latter part of the question does not arise.
- (g) No.
- (h) Does not arise.
- (i) Because no such man possessed the qualifications required.
- (j) No.

RECRUITMENT TO THE UPPER DIVISION OF THE MINISTERIAL ESTABLISHMENT OF THE CENTRAL PUBLICATION BRANCH.

337. Mr. S. C. Mitra: (a) Are Government aware that direct appointments to the Upper Division of the ministerial establishment of the Central Publication Branch are being recommended by the present officiating Manager of the Publications in supersession of the claims of the permanent men who have put in considerable number of years of meritorious service?

(b) Are Government aware that the expectation of promotion to the Upper Division cherished by men of the Lower Division has served as an impetus to sincere devotion to work?

(c) Are Government aware that the deprivation of men already in service in respect of lift to higher grades has been impairing their energy?

The Honourable Sir Frank Noyce: (a) No; there has been no supersession of men whose service was sufficiently meritorious to give them a claim to these posts.

(b) and (c). Government expect a proper standard of efficiency from all Government servants, irrespective of their prospects of promotion, and cannot accept failure to obtain promotion as an excuse for a lack of energy in fulfilling the duties of a post.

COST OF PRINTING, ETC., OF CERTAIN REGULATIONS OF 1933.

338. Mr. S. C. Mitra: Are Government aware that the cost of production of certain "Regulations" of 1933, printed in the Government of India Press, New Delhi, has considerably been augmented in comparison with the cost of production of the Regulations when these were printed at the Government of India Press, Calcutta? If so, how is economy in expenditure being ensured?

The Honourable Sir Frank Noyce: If the Honourable Member will give the name of the publication he refers to, the matter will be investigated.

BINDING OF PUBLICATIONS IN THE GOVERNMENT OF INDIA PRESS, NEW DELHI.

339. Mr. S. C. Mitra: (a) Is it a fact that the Government of India Press, New Delhi, is not well-equipped for the purpose of binding of publications?

(b) Is it a fact that a large number of publications printed at Government of India Press, New Delhi, are sent to the Forms Press, Aligarh, for binding?

(c) If so, what is the amount of Railway freight incurred on this account during the past six months?

The Honourable Sir Frank Noyce: (a) and (b). No.

(c) Does not arise.

PERSONS THROWN OUT OF EMPLOYMENT IN THE GOVERNMENT OF INDIA PRESS, CALCUTTA.

840. Mr. S. C. Mitra: (a) Is it a fact that the Government of India Press, Calcutta, has been denuded of printing work and the work has been transferred to the Government of India Press, New Delhi?

(b) Is it a fact that a large number of men of the Government of India Press, Calcutta, have been thrown out of employment?

(c) If so, how many men of the Government of India Press, Calcutta, have been thrown out of employment in the course of the last three months?

The Honourable Sir Frank Noyce: (a), (b) and (c). There has been a transfer of certain work from Calcutta to Delhi, but the Calcutta Press has not been denuded of printing work and only seven men were thrown out of employment.

SUBMISSION OF MEDICAL CERTIFICATES BY THE STAFF OF THE CENTRAL PUBLICATION BRANCH.

341. Mr. S. C. Mitra: (a) Is it a fact that in the case of absences from office for short periods of three or four days for reasons of illness, the rule for submission of medical certificates in support of ill-health is being enforced by the officiating Manager of Publications upon the staff with extreme rigour?

(b) Are Government aware that it is not possible for poor clerks to place themselves under treatment of recognised medical men for minor ailments every now and then?

(c) Do Government propose to ask the officiating Manager to apply the rule with less rigour?

The Honourable Sir Frank Noyce: (a) and (c). The Manager of Publications is merely following the usual practice and Government do not propose to interfere.

(b) No: medical attention is available free to the employees.

DESPATCH OF PUBLICATIONS BY POST BY THE CENTRAL PUBLICATION BRANCH TO THE OFFICES IN NEW DELHI.

342. Mr. S. C. Mitra: (a) Is it a fact that the publications indented for by the offices in the New Delhi Secretariat are sent by the Central Publication Branch by post?

(b) If so, was not saving of postage expenditure on this account by reason of transfer of the Central Publication Branch to Delhi envisaged when the move was decided upon?

The Honourable Sir Frank Noyce: (a) Light packets are frequently sent by post; bulky parcels are sent by motor van.

(b) Does not arise.

ALLEGED EMBEZZLEMENT BY THE CASHIER OF THE GOVERNMENT OF INDIA PRESS, CALCUTTA.

343. Mr. S. C. Mitra: (a) Is it a fact that a large sum of money was embezzled by the Cashier of the Government of India Press, Calcutta? If so, what is the actual amount defalcated?

(b) What steps were taken to bring the offender to book?

(c) Is it a fact that Mr. C. T. Letton, the then Manager of the Press, exempted the Cashier from the payment of security deposit? If so, why?

The Honourable Sir Frank Noyce: (a) and (b). Recently on the death of the Assistant Cashier of the Government of India Press, Calcutta, it was discovered that he had misappropriated cash to the extent of Rs. 1,225-15-6. This amount was recovered from the Cashier.

(c) No.

APPOINTMENT OF AN ANGLO-INDIAN LADY IN THE PATNA TELEPHONE EXCHANGE.

344. Mr. S. C. Mitra: (a) Has the attention of Government been drawn to a letter in the *Amritabazar Patrika*, dated the 24th September, 1933, under the caption "Anglo-Indian Lady in Patna Telephone Exchange"?

(b) Is it a fact that the appointment some time back of one Anglo-Indian lady operator in the Patna Telephone Exchange, has ignored the claims of so many senior and efficient male probationers on the list? If so, have Government been pleased to enquire why the Patna Divisional Engineer, Telegraphs, appointed that Anglo-Indian lady, when male probationers were already on the waiting list?

(c) Is it a fact that henceforth Government have decided to appoint Anglo-Indian ladies as Telephone Operators for the exchanges instead of Indian males? If so, what is the idea behind this?

(d) Is it a fact that Indian candidates for the post of a Telephone Operator, are required to be at least matriculates? If so, do the ladies appointed during this year in Patna and elsewhere possess that qualification?

(e) Is it a fact that the Anglo-Indian lady operators in Patna and other places hardly understand the Hindustani language of the business men subscribers in particular, whereby the said subscribers are inconvenienced and their calls are delayed? If so, why are the ladies provided for in Telephone Exchanges?

The Honourable Sir Frank Noyce: (a) Government have seen the letter referred to.

(b) Government have no information. It is open to any individual who considers that he has a grievance to make a representation in the ordinary way.

(c) Women have certain natural aptitudes which make them particularly suitable for employment as Telephone Operators and Government are considering whether in consequence they should be shown preference in recruitment for this particular work. If such preference is ultimately decided upon it will of course be extended to women in general irrespective of the communities to which they may belong and there is no intention of discriminating in favour of any particular community.

(d) No definite rules for the recruitment of Telephone Operators have yet been laid down but the question of prescribing definite rules for such recruitment is under the consideration of the Director General. The latter part of the question does not arise.

(c) Government have no information but the attention of the Postmaster-General is being drawn to the Honourable Member's suggestion.

COPRA AND RAW COCOANUT IMPORTED INTO INDIAN PORTS.

345. **Mr. Uppi Sahab Bahadur:** Will Government be pleased to state the quantity of (i) copra and (ii) raw cocoanut imported into Indian ports from January, 1932 to December, 1932 and from January, 1933 to December, 1933?

The Honourable Sir Joseph Bhoré: The Honourable Member is referred to the Sea-borne Trade Accounts for the Calendar year 1932 and the Monthly Accounts for the months of January to October, 1933, copies of which are in the Library of the Legislature. The Sea-borne Trade Accounts for the months of November and December, 1933, have not yet been published.

REPRESENTATION FOR THE REDUCTION OF IMPORT DUTY ON COPRA.

346. **Mr. Uppi Sahab Bahadur:** (a) Will Government be pleased to state whether a deputation from Ceylon waited on the Honourable the Commerce Member or the Honourable the Finance Member, to represent the necessity of reducing the import duty on copra?

(b) If so what is the result?

(c) Is it a fact that after the Ottawa Pact the import duty on copra from Ceylon was reduced by 10 per cent.?

(d) Is it a fact that after the Ottawa pact there has been a very large influx of foreign copra into India?

(e) Are Government aware that owing to the influx of foreign copra and cocoanut the price of Malabar copra and cocoanut has fallen by 50 per cent.?

(f) Did Government receive any complaint regarding the heavy influx of foreign copra?

(g) If so, what action did Government take or propose to take in the matter?

The Honourable Sir Joseph Bhoré: (a) and (b). Representatives of the Government of Ceylon visited India to discuss with the Government of India the question of mutual tariff preferences between Ceylon and India. The negotiations between the two countries have not yet been concluded.

(c) No. The duty was reduced by 5 per cent.

(d) There has been a progressive increase in the imports of copra since 1929-30.

(e) Government are aware that there has been a fall in the prices of Malabar copra and cocoanuts.

(f) Yes.

(g) An enquiry into the supply of cocoanut products and cocoanut oil in India is being made at present by the Imperial Council of Agricultural Research and Government propose to await the result of this enquiry before deciding what action should be taken.

MOPLAHS IN THE POSTAL SERVICES.

347. Mr. Uppi Saheb Bahadur: Will Government be pleased to state the number of Moplahs in the postal service as (i) peons, (ii) clerks, (iii) other officers in Malabar?

The Honourable Sir Frank Noyce: Information has been called for and will be laid on the table of the House in due course.

MOPLAHS IN THE CUSTOMS SERVICES.

348. Mr. Uppi Saheb Bahadur: Will Government be pleased to state the number of Moplahs in the Customs Service in Malabar as (i) peons, (ii) clerks and (iii) other officers?

The Honourable Sir George Schuster: There are four Moplah peons in the Customs Department in Malabar. One Moplah Sub-Inspector of Customs and one Moplah clerk are employed in the Department elsewhere but are liable to transfer to Malabar.

MOPLAHS IN THE SALT DEPARTMENT IN MALABAR.

349. Mr. Uppi Saheb Bahadur: Will Government be pleased to state the number of Moplahs in the Salt Department in Malabar (i) as peons, (ii) as clerks and (iii) other officers?

The Honourable Sir George Schuster: There is no establishment of the Salt Department in Malabar District or anywhere on the Malabar coast.

MOPLAHS IN THE INCOME-TAX DEPARTMENT.

350. Mr. Uppi Saheb Bahadur: Will Government be pleased to state the number of Moplahs in the Income-tax Department (i) the peons, (ii) clerks and (iii) other officers?

The Honourable Sir George Schuster: Presumably the Honourable Member wants information regarding the Income-tax Department, Madras. No Moplah is at present employed in the Department permanently.

APPEALS OF RAILWAY EMPLOYEES AGAINST THE ORDERS OF PUNISHMENT, ETC.

351. Mr. M. Maswood Ahmad: Will Government be pleased to state whether in cases where the orders of punishment, etc., are communicated to the railway employees concerned over the signature of some other officer for the Divisional Superintendent, an appeal against those orders lies to the Agent of the Railway or to the Divisional Superintendent himself?

Mr. P. R. Rau: According to the rules regulating the discharge and dismissal of State Railway non-gazetted Government servants, a copy of which is already in the Library of the House, an appeal from an order of discharge or dismissal lies only to the authority next above the officer passing the order, provided that if the order was issued by the Agent himself no appeal lies from it. An employee who is dismissed with the forfeiture of Provident Fund bonus has the right of appeal to the Railway

Board. The question whether an appeal in such a case as that referred to by the Honourable Member lies to the Agent or the Divisional Superintendent depends on whether the orders of punishment were passed by the Divisional Superintendent or by one of the officers subordinate to him.

CONSIDERATION OF THE SERVICES OF THE RETRENCHED RAILWAY EMPLOYEES ON RE-APPOINTMENT, ETC.

352. **Mr. M. Maswood Ahmad:** Will Government be pleased to state whether the services of the retrenched railway employees on re-appointment or re-instatement are considered as continuous services or not?

Mr. P. E. Rau: No. But for purposes of leave and gratuity the break in service can under certain circumstances be condoned. For fuller information on this point I would refer my Honourable friend to the Railway Department's circular No. 1635-E.G., of the 30th December, 1932, a copy of which is available in the Library of the House.

RETRENCHMENT OF MINISTERIAL STAFF IN THE ARMY HEADQUARTERS.

353. **Mr. Goswami M. R. Puri:** Will Government please lay on the table of this House a statement showing:

(a) by what amount retrenchment has been carried out in regard to ministerial establishment in the Army Headquarters from 1929 to date, year by year separately; and

(b) the total retrenchment carried out during the same period in the whole of the Army budget?

Mr. G. E. F. Tottenham: (a) The information is being collected and will be laid on the table in due course.

(b) The information will be found in the "Memorandum on the Defence Estimates for 1933-34" prepared by the Financial Adviser, Military Finance, and the papers referred to in paragraph 15 of that Memorandum which were furnished to the Members of the Legislature.

VACANCIES IN THE ARMY HEADQUARTERS.

354. **Mr. Goswami M. R. Puri:** (a) Will Government kindly furnish a statement showing:

(i) the number of vacancies which occurred in the Army Headquarters and the manner in which they were filled during 1933;

(ii) the number of vacancies created during the year 1933 in the Army Headquarters, and how they were filled?

(b) Is it a fact that certain appointments were created in the Army Department Secretariat, but their cost was met by the military budget? If so, why, and how were the appointments filled?

Mr. G. E. F. Tottenham: (a) The information asked for is given in the statement below:

Office.	Vacancies occurred during 1933.		Vacancies created during 1933.	
	No.	How filled.	No.	How filled.
G. S. Branch . . .	4	Recruited from British Regiments.	..	..
A. G.'s Branch . . .	2	One by inter-departmental transfer and one by external recruitment.	..	..
Q. M. G.'s Branch . . .	11	External recruitment . . .	4	External recruitment.
M. G. O. Branch . . .	3	Ditto . . .	..	..
M. S. Branch . . .	4	One by recruitment from British Regiment, two by external recruitment and one by absorption of a supernumerary.	..	..
E.-in-C.'s Branch . . .	3	External recruitment . . .	..	..
Medical Directorate . . .	2	Ditto . . .	..	..
J. A. G. . . .	1	Ditto . . .	..	..
A. M. S. (P.) . . .	1	Absorption of a supernumerary.	..	..
Contracts Directorate . . .	2	External recruitment . . .	11	External recruitment.
A. D. O. S. (P.) . . .	2	Ditto . . .	1	Ditto.
R. A. F. . . .	2	Ditto . . .	..	..

(b) One appointment of Assistant was created in order to cope with certain special and additional work connected with cantonment water supplies which had been transferred to the Army Department from a Branch of Army Headquarters. Its cost was for this reason debited to the Cantonment budget in the Defence Estimates. The appointment was filled in accordance with the rules governing the recruitment of ministerial establishments of the Government of India offices.

APPOINTMENT OF TRAIN CONTROLLERS ON THE NORTH WESTERN RAILWAY.

355. **Mr. S. G. Jog:** With reference to Government's reply on the 13th November, 1931, to my question No. 1292 sub-para. (d) (i), will Government kindly state if there are sufficient Train Controllers now available? If so, what steps have so far been taken by the Agent, North Western Railway, to provide these men with appointments of higher grades since 1931?

Mr. P. E. Rau: I have called for the information and will lay a reply on the table in due course.

CURTAILMENT OF THE LUNCHEON INTERVAL.

Mr. President (The Honourable Sir Shanmukham Chetty): A representation has been made to the Chair that the representatives of Parties, with a view to expediting the progress of this Bill, would like that for today and for the next week the luncheon interval might be cut short. The Chair has accordingly, to meet their desire, decided that for today and for the next week the luncheon interval will be only for three-quarters of an hour, that is, from a quarter past one to two.

Dr. Ziauddin Ahmad: Sir, three-quarter of an hour, as I pointed out in the Committee, is not sufficient for the Muslim Members as they have to offer their prayers and also to take lunch. When the month of Ramzan begins, I will be quite prepared to have only 15 minutes for interval.

Mr. President (The Honourable Sir Shanmukham Chetty): This is one of those typical cases in which the Chair looks in vain to guidance from the representatives of the Parties. It was represented to the Chair this morning that it was the desire of the representatives of the Parties that the luncheon hour should be cut down to half an hour. That was the decision taken yesterday at a meeting of the representatives of the Parties. But, with a view not to causing too much inconvenience, the Chair decided to cut out three-quarters of an hour from the luncheon interval and yet the Honourable Member says that that does not suit him and he wants an hour. The luncheon interval will be three-quarters of an hour.

THE RESERVE BANK OF INDIA BILL.

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

The question is:

"That clause 27 stand part of the Bill."

Mr. Lalchand Navalrai (Sind: Non-Muhammadian Rural): Sir, I move:

"That in clause 27 of the Bill, the word 'excessively' be omitted."

Sir, this is a very small amendment and it aims at the cutting away of one word only from clause 27. Clause 27, as it stands, reads thus:

"The Bank shall not re-issue bank notes which are torn, defaced or excessively soiled."

Now, Sir, my objection is that when a note is soiled, it should not be re-issued. There should be no degrees in deciding as to how much it is soiled. It is with that object that I am requesting that the word "excessively" should be taken out. If this word remains there, then there would be a very serious question before the officer who decides as to what a soiled note is. The meaning of the word "excessively" as given in the dictionary is "going beyond what is right or wise". Now, the wisdom and the righteousness of it has to be decided by the officer who has got to say, when certain soiled notes are placed before him, that for such and such note there should be a re-issue and for such and such there should not.

...and all other...

be no re-issue. The question as to what is wise is a very philosophical one and it can be decided only by the philosophers and not by those who are at the desk to decide whether a particular note is excessively soiled or not. I fail to understand what will be the test to decide what is soiled, what is a little more soiled and what is much soiled and what is excessively soiled. It may be, Sir, that, as in the case of deciding the degree of diesel oil, the Honourable the Finance Member has been able to get a test lamp from England, some such lamp may be used in the case of testing the soiled notes as well. I submit there will be several difficulties. Suppose, in the estimation of the officer concerned a note is not excessively soiled, but it has spots and it is re-issued, it might get torn at the spots and the holder of the note will lose his money. Why should you not, therefore, merely say that if a note is torn or is defaced or soiled, it will not be re-issued. If the view of the Government is that by using the word "excessively" some economy is going to be effected by the re-issue, then they should have said in the clause—when a note is excessively torn or excessively defaced or excessively soiled, then only it will not be re-issued. I cannot understand why excessive soiling has been considered, but not the excessive tearing or defacement. Sir, I need not take any more time on this amendment. It is a matter which can very well be appreciated. It is on behalf of the general public that I say that there should be no re-issue of notes, otherwise people might spoil the spoiled ones a little bit more and lose their money. I hope the House will realise that this is not only a nominal difficulty, but there is some substance in it. Therefore, I submit that this amendment is such that the House should accept it.

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

"That in clause 27 of the Bill, the word 'excessively' be omitted."

The Honourable Sir George Schuster (Finance Member): If my Honourable friend has any doubt as to the meaning of the word "excessive", I might give him a practical illustration by saying that I think his speech was excessively long (*Mr. Lalchand Navarai*: "It was only to move the Honourable Member that I did it") having regard to the importance of this amendment. We must leave some discretion to the officers that have to deal with this matter. If we say "soiled", then it would mean that no note can ever be re-issued, because every note, once it has been in any user's pocket, is to a certain extent soiled. I think that this is an unreasonable proposal and that the clause, as it stands, is not liable to abuse. I oppose the amendment.

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

"That in clause 27 of the Bill, the word 'excessively' be omitted."

The motion was negatived.

Clause 27 was added to the Bill.

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

"That clause 28 stand part of the Bill."

Dr. Ziauddin Ahmad (United Provinces Southern Divisions: Muhamadan Rural): Sir, I beg to move:

"That for clause 28 of the Bill, the following be substituted:

"28. The Bank is required to give compensation for damaged, mutilated or imperfect currency notes of the Government of India or Bank notes, where the bearer presents a part of the note which is larger than one half of the whole or, if he produces only the half or less, can prove that the rest has been destroyed.

That Bank is under no obligation to give compensation for notes which have been destroyed or lost;

Provided that the Bank may, with the previous sanction of the Governor General in Council and approval of the Central Legislature, prescribe the circumstances in and the conditions and limitations subject to which the value of such destroyed or lost currency notes or bank notes may be refunded as of grace."

Sir, the difference between the original clause and my amendment is that, in the original clause of the Bill, the lost, stolen, mutilated and imperfect currency notes are treated alike. That is to say, if the notes are lost, stolen, mutilated or are imperfect currency notes, they will be subject to the rules and the money may be refunded as a matter of grace. In this amendment I have divided these defects into two different clauses, namely, (1) those which are mutilated and imperfect, and (2) those which are lost and stolen. In the case of the lost and stolen notes, we make rules subject to the approval of the Legislature as to how the money should be paid. But, in the case of the imperfect and mutilated currency, the money ought to be paid in full. That is really the difference between the original clause and my amendment. I should like to point out that the present rule is in accordance with section 29 (d) of the Indian Paper Currency Act, which prescribes the circumstances in which and the conditions and limitations subject to which the value of lost, mutilated or imperfect currency notes may be refunded at the office of issue.

The Honourable Sir George Schuster: May I point out to my Honourable friend that we have agreed to set up a small expert Committee to make recommendations as to the rules dealing with cut notes and we propose that this Assembly should be represented on that Committee. I suggest to my Honourable friend that in that way we shall arrive at the best means of dealing with what is a very difficult question, and, until we get that Committee's report, it is very difficult to put in definite provisions in the Bill.

Dr. Ziauddin Ahmad: What I still emphasize and which has not yet been achieved is that the two classes should be separate, that the case of lost and stolen notes is different from the case of mutilated and imperfect currency notes. These two classes ought to be differentiated and that is really the object of my amendment. The present rules have worked very much against the interests of the public. It is not realised that these currency notes are really sacred promises. When I purchase a currency note I must have full confidence that the money will be paid in full. That is really the underlying idea, and the moment it is lost, if the Government are out to confiscate the money under slight excuses, then the confidence which the public has got in these currency notes will be very much shaken. This is really a very important thing, and even the European Chamber of Commerce has made representations to this effect. This question was taken up by the Legislative Assembly during my

absence and I find that a Resolution was moved during the last Simla Session by my Honourable friend, Mr. Muhammad Muazzam Sahib Bahadur, and the Resolution reads thus :

"That this Assembly recommends to the Governor General in Council to reconsider the present policy of Government discouraging, and, for that purpose, penalising the cutting of Currency Notes into halves for facility of transmission by post, as such transmission is considered by the business world to be required in the interests of business."

This Resolution was moved on the 31st August, 1938, and to this an amendment was moved by Mr. Ramakrishna Reddi which says :

"That at the end of the Resolution the following be added :

'and to amend the rules with retrospective effect, in such a manner as to secure the following objects :

- (i) When the owner of currency notes has received payment of half the value, being able to produce one half of the notes, the other halves being lost, he should be able, either on immediate proof of his ownership, after due public notice or on non-production or non-presentation of the other halves, within a fixed period to obtain payment of the value of the lost half.
- (ii) When the second halves of currency notes are presented for payment after half their value has been paid on the presentation of one-half of these notes, payment should not be made to such presenter without notice to the person who has received the previous payment and except on proof that he had the preferential title to the currency notes.
- (iii) When the owner of a currency note, having received payment of half the value, being able to produce one half of the cut note which bears the complete undivided serial letter and number, produces the other half of the cut note which has been cut in such a way that the serial letter and number has been divided, but when both the halves are put together, are identifiable as parts of the same note, and its serial letters and numbers are clearly identifiable, he should be able to obtain payment of the value of the other half."

These were really the important points in the Resolution and in the amendment. I do not want to quote from the speeches delivered on that occasion, but some of the very important points had been brought out by Mr. Muazzam Sahib, Mr. Ramakrishna Reddi and Mr. Vidya Sagar Pandya. These are really matters of very great importance, because this will affect the general practice of trade and commerce in this country. We all know that India has not got banking facilities and we cannot write cheques at every place and that most of the trade is now being carried on by means of transmission of currency notes through post offices. But there are two difficulties in the way, firstly, the charges are enormous and, secondly, a money order cannot be utilised for an indefinite amount.

The Honourable Sir George Schuster: May I also point out to my Honourable friend that we are considering this and I hope we shall be able to introduce arrangements for giving free remittance facilities as between the branches of the scheduled banks, and that will get over the whole of this difficulty about the use of cut notes. I would assure my Honourable friend that we are dealing with this matter and that it is not a matter which arises really in connection with this Bill. What we want to do is to get something into operation soon.

Dr. Saadulla Ahmed: What the Honourable Member said applies to places where there will be a bank. What about places where there are no

[Dr. Ziauddin Ahmad.]

banks at all, and so their difficulties will not be solved. Not only important towns have not got banks, but there are certain districts which have no bank of any kind. The solution which my Honourable friend suggests will not solve the difficulty at all. It will solve the difficulty only as far as bigger towns are concerned. But we are really concerned with trade and commerce in smaller towns where there are no banking facilities. This position, which I am going to explain, still remains unsolved in spite of the assurance of the Honourable Member. I shall, therefore, continue to develop my argument. I do not want to give the substance of the argument brought forward on that occasion, because the proceedings of the Assembly are available and I would just remind Honourable Members of the assurance which the Honourable the Finance Member gave on that occasion:

"My own idea is that the Select Committee on the Reserve Bank Bill might propose—and I would very sympathetically consider the proposal—that a small expert Committee should be set up to consider what is the right thing to do now in relation to this practice."

The question was taken up by the Joint Select Committee on the Reserve Bank Bill and, in the report of the Select Committee it is said:

"We have retained this clause pending examination by a small committee of official and non-official experts, which should meet as soon as possible, of the whole question of the rules regarding payment on lost, stolen or mutilated or imperfect currency or bank notes. We may add that if our recommendation that the Reserve Bank should offer free remittance facilities to scheduled banks between their branches is accepted, the question of the rules referred to above may lose much of the importance that is now attached to it."

This is really what the Honourable the Finance Member has just said from the substance of the Majority Report of the Select Committee. I may remind him that this will help only the bigger towns where banking facilities exist, but it will not affect the smaller towns where no such facilities exist. The only solution is that certain facilities ought to be provided for the transmission of these paper currency notes. It is impossible within a limited time to introduce branches of banks in all the important places which carry on trade, but this form of transmission of money should not be disallowed immediately till banking facilities have been provided. The argument which has been advanced has not great force under the existing conditions and will not have great force for some time to come. Therefore, I still insist that such a provision ought to be provided and the notes ought to be differentiated in two ways, that is, those notes which are lost and those notes which are really spoiled and mutilated. These should not be treated alike and separate rules ought to be framed. That is the intention of my amendment. In my amendment, I am really quoting from a clause from the Reich Bank rules in Germany. There it says:

"The Bank is required to give compensation for damaged notes, where the borrower presents a part of the note which is larger than one half of the whole or, if he produces only the half or less, he can prove that the rest has been destroyed. The Bank is under no obligation to give compensation for notes which have been destroyed or lost."

In this way the differentiation has been made in the two classes of cases, where the notes are lost or destroyed and the notes which have been

mutilated. This clause is very important, because it will affect substantially the trade in smaller towns and also it will affect substantially the position of those poor people who do not know how to keep them in really good condition.

Sir, we find very often that examples are quoted of certain banks which will suit our own purpose. This reminds me of an incident when a person asked my opinion about the selection of his wife. I told him that the best wife to select would be an Indian wife about whom he would know what she is and she would know what he is. But he said that he wanted to lead an international life and must have an international wife. So he consulted some of his friends what should be the standard of beauty of this international wife. As regards her hair one of his friends said that he must follow the South African ideal of beauty and she should have long hair, because that is the latest fashion. Another friend got up and said that that was not the latest model, but he must follow the Chilean standard and a bald headed woman would be certainly better than one with long hair. Then, as regards the eyes, it was suggested that perhaps it would be well to have eyes similar to the women of Bulgaria and of Greece. His friends said that this was not a good example, but he must have eyes of the type of Esthonian women and Swiss women. So, by this, they selected a wife who could only be obtained by a mixture of international ideas of beauty. But how was this international wife to be obtained? It was suggested that this wife could only be purchased at the Bank of International Settlement. So they went to this Bank to get this wife, but what actually happened was that this wife died after the purchase and when the entire amount was paid up. This will be just the tragedy with the Bank which we are establishing and we will be exactly in the same position. The Finance Member has always been quoting examples which suit him and he avoids examples which do not suit him. So in this particular case we should follow what the civilised countries do and I should like to know the position in the Bank of England. There the notes are not mutilated and cut on account of the banking facilities which exist, but, at the same time, there is no rule of this kind even in England and I have quoted the example of Germany where no rule of this kind exists. Therefore, it is very hard for the poorer people if you do not allow them full value for their notes which they purchased in good faith. And if excuses are found to rob the poor people in order to fill up the pockets of Government and, in future, of this Reserve Bank, it will be quite unfair, and the people will begin to lose confidence in the currency notes of this country. And if people lose faith in the currency notes of the country, it will be very hard for the Reserve Bank and for any country. Therefore, I think it is very desirable that every effort should be made to honour the promises made at the time when these notes are issued and every facility should be given to honour them, unless, in the case of notes, which are lost or destroyed, it is proved that they were not really lost or not really destroyed. So, if the notes are mutilated or defaced, provided you can make out and identify them, the full value ought to be paid, and it should not be as a matter of grace, but as a matter of right, because they purchased the notes and should so they get their full value and it should not be made an excuse for not paying and thus robbing the poor people by an indirect method. The only argument that can be advanced in favour of this motion is that probably the transaction will be going on by this operation and may affect adversely the banking operation. It would have some force had the banking facilities

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been wider and banks existed in all the important towns. But here we have got a very large number of towns which have no banking facilities of any kind and there is no other cheap method of sending money. As I said before, the post office is the only other alternative, but the difficulty there is that the cost is prohibitive and you cannot send money up to any degree. Therefore, we ought to consider these things. My Honourable friend has suggested that an expert Committee was going to be appointed, and he has given an assurance on this matter. I have no doubt that an expert Committee will very likely be appointed; but, in the face of this particular clause, when no differentiation has been made between two different varieties, I do not know what the Committee will do. The other thing is that we have been legislating very often on assurances. Assurances in matters of law have no force whatever. We have seen yesterday that on a particular issue the Finance Member said that Government Members would remain neutral, but when votes were actually demanded they changed their minds and voted on the motion. So these assurances given in speeches on the floor of the House in order to secure votes have no meaning whatsoever, but, of course, assurances given by the Governor General in Council after mature consideration have got some force. So this is rather an important matter and we cannot leave it to an offchance of a Committee being appointed which may give a decision which may or may not be acceptable. I think, therefore, that my amendment is very important and I hope the Finance Member will accept it.

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

"That for clause 28 of the Bill, the following be substituted:

"28. The Bank is required to give compensation for damaged, mutilated or imperfect currency notes of the Government of India or Bank notes, where the bearer presents a part of the note which is larger than one half of the whole or, if he produces only the half or less, can prove that the rest has been destroyed.

That Bank is under no obligation to give compensation for notes which have been destroyed or lost;

Provided that the Bank may, with the previous sanction of the Governor General in Council and approval of the Central Legislature, prescribe the circumstances in and the conditions and limitations subject to which the value of such destroyed or lost currency notes or bank notes may be refunded as of grace."

Mr. B. V. Jadhav (Bombay Central Division: Non-Muhammadan Rural): Sir, I rise to support the amendment. There is no doubt that the practice of mutilating or cutting notes into halves ought to be discouraged and the Honourable the Finance Member has been taking certain steps to stop that practice. One of the remedies proposed is that facilities would be given for transmission of large sums of money from the Reserve Bank to the branches of the scheduled banks. That, I think, is a move in the right direction, and the House will appreciate this move. But, as has been observed by Dr. Ziauddin Ahmad, banking facilities are not available at every place, and trade and commerce is going on even in small places where money is required to be remitted from the head offices of those firms. There are many district towns in which there is no branch of a scheduled bank. For instance, Satara is one of those places which was my constituency for a number of years. Satara is not a very important place of business; it has got a very small population of about 20,000; there is no local bank or a branch of any scheduled bank.

therefore, if money is required to be sent to such a place, then either the post office has to be taken advantage of or else currency notes have to be sent through the post. That is the only remedy; and, in sending currency notes, the safest course is to cut them into two halves and send the first half and, when they have reached their destination, then to send the second halves. As Government desire that this practice of cutting notes should be stopped, there is one remedy which, I venture to suggest, is that the Provincial Co-operative Banks should be taken in the list of scheduled banks. Even a Provincial Bank has not got actually branches in many places: there are about 10 or 12 branches of that Bank in the Bombay Presidency, but then there are people's banks, there are also village banks, and so on, which are affiliated and which are working through the Provincial Co-operative Bank. So if facilities for transmitting money through these co-operative societies and people's banks and district banks are given, it will, of course, be a very great advantage and will afford good facility to the merchants and traders of various places. And then this process of cutting currency notes into halves can be stopped. In the Simla Session, a promise was made of appointing a Committee; but some months have passed and we are still in the same position. I hope the Finance Member will now, when this legislation is out of the way, appoint this Committee and set this matter at rest. As Dr. Ziauddin Ahmad has pointed out, clause 28 provides for all three contingencies and piled them into one—mutilated notes, lost notes and stolen notes. Of course, the Bank or Government cannot take any serious notice of stolen or lost notes, because, if they were going to give compensation for them, perhaps much dishonesty might creep in and Government might find it very difficult to find out which are the genuine claims and which are the bogus ones. But, in the case of mutilated notes, there is no such difficulty, because, a portion, more than half of the currency note, is actually presented and, therefore, the claim is so far substantiated, and such cases ought certainly to be distinguished from the other cases in which there is not sufficient proof of the genuineness of the claim. Therefore, I think the Honourable the Finance Member should accept this amendment, because this real distinction between a mutilated note and a lost or stolen note is certainly necessary. The proof in the first case will not have to be so very strict, while, in the latter cases, it will have to be strictly proved. I trust that this amendment will be taken into consideration as it is supported by this House.

The Honourable Sir George Schuster: Sir, I must oppose this amendment. I quite recognise that there have been complaints about our rules for dealing with out notes, and I have already indicated that we are willing to give the fairest possible consideration to the whole position and, if necessary, to alter the rules. I undertook that we would set up a small expert Committee and, as I have already said, we propose to associate one or two Members of this House with that Committee, and that we are going to do. I have not been able to take any steps yet, because I made it clear when I gave that undertaking that this whole matter, was subject to the consideration of the Select Committee on this Bill, and, as Honourable Members know, that consideration has only just been concluded; but we do propose to take steps at once, as soon as this Session is over, to get the Committee together. I think that those Members who have spoken have probably no practical knowledge of the problems which the currency authority has to deal with in the way of mutilated

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notes. Our experience has made us to come to the conclusion that this must be a matter on which there is discretion and that the right of those who present mutilated notes must be limited in the sense given in this clause that any compensation given must be given as of grace; and what I say on this applies to certain other amendments which are down later in the list. For instance, if somebody comes along and presents a wad of charred notes which often happens, and the numbers may be obliterated, it is quite possible that those notes may be forged notes; the matter has to be gone into very carefully and what can be done by the currency authorities must be left to their discretion. What I mean by that is that there must be a certain number of marginal cases which can only be decided according to the discretion of the currency authorities. There might, I quite admit, be certain cases which are quite clear, but if you want to cover all the cases, you must leave a loophole for marginal cases which are not clear, and in those cases compensation can only be given as of grace. That is my real objection to this amendment, that it seeks to lay down an absolute binding obligation on the Bank, an obligation which may have to be applied in cases where it would put the Bank in an entirely unfair position. We feel that this is a matter which deserves further investigation and that, closely connected with this problem, is the problem for remittance facilities as between various parts of this country. The Committee which we set up will be able to consider that linked problem of remittance facilities, not merely remittances as between Banks, but also whether the remittance facilities given by the post office now are adequate and cheap enough. I can assure the House that the whole question will be fully considered, and I must ask them to accept our view that this amendment, as it stands, would put the new Bank into an impossible position.

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

"That for clause 28 of the Bill, the following be substituted:

"28. The Bank is required to give compensation for damaged, mutilated or imperfect currency notes of the Government of India or Bank notes, where the bearer presents a part of this note which is larger than one half of the whole or, if he produces only the half or less, can prove that the rest has been destroyed.

That Bank is under no obligation to give compensation for notes which have been destroyed or lost;

Provided that the Bank may, with the previous sanction of the Governor General in Council and approval of the Central Legislature, prescribe the circumstances in and the conditions and limitations subject to which the value of such destroyed or lost currency notes, or bank notes may be refunded as of grace."

The motion was negatived.

Mr. Lalchand Navai: Sir, I move:

"That in clause 28 of the Bill, after the words 'or bank note' the words 'as would be defined by the Governor General in Council' be inserted."

This is an amendment which, when read with the clause itself, would make out that any person may not be entitled to get the money on notes which are lost, stolen or mutilated or imperfect. My object in moving this amendment is to get a definition of what is a mutilated or imperfect note, and it should be properly defined by the Governor General in Council. My amendment is simpler than the previous one. . . .

The Honourable Sir George Schuster: Has my friend read the proviso, because, I think, that meets his point:

"Provided that the Bank may, with the previous sanction of the Governor General in Council, prescribe the circumstances in, and the conditions and limitations subject to which the value of such currency notes or bank notes may be refunded as of grace."

That kind of definition which my friend has in mind would be covered by that proviso.

Mr. Lalchand Navalrai: Sir, it seems to me that it is not clear enough.

The Honourable Sir George Schuster: Much clearer.

Mr. Lalchand Navalrai: I have not asked for any Statutory provision to be made, nor do I suggest that the definition should be embodied in the Statute itself. I only ask that it should be properly defined by rates. Now, the Finance Member has drawn my attention to the proviso, but if the definition of a mutilated or imperfect note will be clearly put down in certain rules, I shall consider whether I should press for this amendment or not; all that I want is that the definition of a mutilated or imperfect currency note should be properly defined, because, in practice, we have seen that very fanciful interpretations are put upon the words "mutilated or imperfect currency notes". This question was fully debated at the last Simla Session and instances were given of notes which were rejected,—which should not have been rejected,—with the result that people actually lost money, simply because the officer, who decided what a mutilated note was, gave a wrong decision. In the case of a note which is cut, sometimes there may be a slight mistake in re-joining it. A man takes care when cutting these notes, but if he makes a little mistake in cutting it, and if one of the figures, say, for instance, 19—the figure one goes on one part of the note and the figure nine to the other,—such notes are rejected, and the people get no value for such notes. These are real difficulties which people feel in every day experience, and I would be prepared to withdraw this amendment if the Honourable Member assures me that the Committee that is going to be appointed will consider this question and clearly lay down the definition.

The Honourable Sir George Schuster: Yes, Sir, that is really the essence of our intentions. I would remind my friend that in the Currency Notes Refund Rules definitions are given; there is a definition of mutilated note, mismatched note, an obliterated note, and so on. That is one of the points that this Committee will have to consider. It really was intended to be covered by this proviso.

Mr. Lalchand Navalrai: In view of the statement made by the Honourable the Finance Member, I would only say that the present definition seems to be very misleading, and it is on account of such a definition that notes are often refused. Therefore, now that the Honourable Member has given me an assurance that the question will be considered by that Committee in all its bearing, I do not wish to press for this amendment, and I would ask the leave of the House to withdraw it.

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

Dr. Ziauddin Ahmad: Sir, I move:

"That in the proviso to clause 28 of the Bill, after the words 'Governor General in Council' the words 'and approval of the Central Legislature' be inserted."

Sir, we have got a very sad experience of the rules that now exist, and the convenience of the public is not sufficiently taken into consideration, and if the rules framed by this expert Committee will be laid before the Executive Council, then only the convenience of the public will be fully considered. It very often happens that these rules are framed not for the convenience of the public, but for the convenience of the officers, and they always forget that the officers exist for the convenience of the public and not that the public exist for convenience of the officers or the Departments. They first consult what is most convenient for the officers to do, what is the method by which they could save, say, Rs. 200, and probably one clerk could be spared. They do not consider that, by spending a small sum of money, they will very much increase the facilities of the general public. It is only when this question comes before the Legislature

The Honourable Sir George Schuster: I do not know whether it will meet my friend, but I should be quite prepared to accept an amendment that these rules should be laid on the table of the House. I think that would be more satisfactory than my friend's proposal, because that would give an opportunity to the House to raise any particular points for discussion. If my friend would like to alter his amendment so as to provide for that, I shall be quite prepared to accept it.

Dr. Ziauddin Ahmad: I am prepared to agree if he alters the amendment in the sense he has just suggested.

Mr. President (The Honourable Sir Shanmukham Chetty): The amendment may be in this form:

"At the end of the proviso to clause 28 of the Bill, add the following words :
'and the rules made under this proviso shall be laid on the table of both Houses of the Central Legislature.'"

Dr. Ziauddin Ahmad: Yes, Sir, that would be all right.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is that that amendment in the amended form be accepted.

The motion was adopted.

Mr. T. N. Ramakrishna Reddi (Madras ceded Districts and Chittoor: Non-Muhammadan Rural): Sir, I move:

"That in the proviso to clause 28 of the Bill, the words 'as of grace' be omitted."

The Finance Member has made a statement that a special Committee would sit and frame certain rules regarding mutilated currency and bank notes. These words "as of grace" will give a lead as it were to the Committee that whatever they do will be done only as a matter of grace. When you are appointing an expert Committee to go into the question, we should leave everything to their hands and abide by the rules which they frame. This phrase "as of grace" restricts the scope of

the enquiry of the Committee. That is why I want that these words should be omitted in order to give the Committee a free hand to frame rules in such manner as they deem fit.

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

"That in the proviso to clause 28 of the Bill, the words 'as of grace' be omitted."

Dr. Ziauddin Ahmad: I have given notice of a similar amendment that these words should be removed. Whenever currency notes are presented, the value of those notes is not given as a matter of grace, but as a matter of right. If the currency notes are effaced or not properly presented, then we have to make rules whether we can exercise the right of asking for the value of those notes. Again, if the Government be the authority, I would not seriously object to the words "as of grace", because we know that the words "as of grace" in the case of Government have some meaning and probably it will be exercised in favour of the person to whom the value is given. But the position is very different when the awarding authority is a bank. When you provide a loophole by adding the words "as of grace", you may take it that in 99·99 per cent. of the cases the Bank will not give the value of the notes to the person who presents them. When the Bank knows that it is giving this money only as a matter of grace and not as a legal liability, it is very likely that it would never pay. I would not have insisted very strongly on the deletion of these words, if the power had been in the hands of the Government, because Government would probably do justice. The Bank, on the other hand, would try to fill up its pockets. The Reserve Bank having become a Shareholders Bank, the position has been altered, though I would not have seriously objected to the words "as of grace" if the Bank had been a State Bank, because the State would also consider the interests of the public. I am afraid that these words might give a loophole, that might lead to serious litigation. You may frame rules, but the Bank may say, "Since it is a question of grace, it would not like to give the amount to you". You might argue that the word "grace" is used merely as a matter of politeness and that there are certain rules under which you must get it. Then the question will be taken to law courts. In order to be consistent, I think it is very desirable that these words should be omitted. As Honourable Members have got experience, if we retain the word "grace", the Bank will exercise the grace only in the case of those whom they want to favour, and not in the case of those to whom it would not be convenient to show favour. We should make rules which must be impartially applied to everybody and the payment should be made according to the rules, which the Honourable Member has given us to understand, will be framed by an expert Committee and will be laid on the table of the House.

Another difficulty is this. Perhaps the Finance Member has not got much experience of it, but those who deal with Banks have experience of it, and that is, if the deciding authority is some Rs. 30 or Rs. 40 clerk in a bank, how will he decide? Probably other considerations will come into play and those considerations will help him to decide whether the money should be paid or not. This will lead to a great deal of maladministration. Poor people will suffer enormously in the hands of the petty clerks, because little things will not go to the Agent; they will have to be dealt with by the person who sits at the counter of the Bank. I think, therefore, that the words "as of grace" should be removed in the interests of the

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convenience of the public, and the whole thing should be regulated by means of rules that may be framed in this behalf. Sir, I support the amendment.

Khan Bahadur H. M. Wilayatullah (Central Provinces: Muhammadan): I rise to oppose the amendment. We must take it that the main clause remains as it is, and that lays down:

"... no person shall of right be entitled to recover from the Governor General in Council or the Bank the value of any lost, stolen, mutilated or imperfect currency note of the Government of India or bank note."

Having laid down that a man cannot as of right claim a refund, when you add a proviso to permit a refund in special cases you must use the words "as of grace". If you take away the words "as of grace", it will mean that refund can be claimed as a matter of right. This will make the proviso inconsistent with the main clause. For this reason, I think these words "as of grace" are necessary. Again, you have the phrase "may be refunded as of grace". It means that in certain cases it may be refunded and in certain others it may not be refunded, and so you will have also to change the word "may" and the main clause will have to be considerably and substantially altered. For these reasons, I oppose the amendment.

Mr. B. R. Puri (West Punjab: Non-Muhammadan): I also intended to point out the same flaw, because, having passed the substantive provision where we have said that it will not be as a matter of right that a party would be in a position to make a claim, we cannot, for the sake of consistency, omit these words "as of grace" from the proviso. Otherwise it will create an anomalous position, and there will be a clear conflict between the substantive provision and the proviso which is added to it. Having committed ourselves to the main provision, I submit that we have got no other course left open to us but to allow the retention of these words.

The Honourable Sir George Schuster: My Honourable friends, who have just spoken, are, I think, perfectly right, and even if the words "as of grace" were omitted, the proviso could only have any meaning if the idea of grace was implied; otherwise it would have no meaning at all. On the merits also, I should have opposed this amendment, because, according to our experience, as I have already said, however well you may be able to frame the rules and however clear a proportion of the cases there may be falling under the rules, we find that there is always a certain margin of discretionary cases, and, if we omit any provision for dealing, as a matter of grace, with hard cases which are not covered by the rules, we shall really be doing something which is prejudicial to the persons who present these claims. My Honourable friend suggested that the officials of the Bank might not exercise this discretionary power fairly, because they would be thinking of the Bank's profit. But the Bank would, I presume, follow the same sort of procedure as we do in the Government. Now, we do not take into account profits from notes which are not presented until after a period of something like 40 years, and I do suggest to my Honourable friend that the Bank official who is dealing with this matter will not be much interested in the Bank's profits 40 years after. I think that this provision

as it stands, is well conceived, and I again repeat the assurance I have given that we will endeavour to see that very adequate rules are framed.

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

"That in the proviso to clause 28 of the Bill, the words 'as of grace' be omitted."

The motion was negatived.

Mr. President (The Honourable Sir Shanmukham Chetty). Mr. K. P. Thompson wants to add a new clause after clause 28. This deals with the profits of the Issue Department. There are various amendments at a later stage for the abolition of the Issue Department altogether, and since this in any case attempts to incorporate a new clause, the Honourable Member may, if he so desires, after all the clauses are disposed of, ask for permission to move for the addition of a new clause. It can be done if it is found necessary by the Honourable Member at that stage.

The question is:

"That clause 28, as amended, stand part of the Bill."

The motion was adopted.

Clause 28, as amended, was added to the Bill.

Clause 29 was added to the Bill.

Clause 30 was added to the Bill.

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

"That clause 31 stand part of the Bill."

Dr. Ziauddin Ahmad: My amendment No. 220 is practically the same as Nos. 221 and 222. I do not like to move 220, but I shall move Nos. 221 and 222 at the same time. I beg to move:

"That in the proviso to clause 31 of the Bill, the word 'or', in the fourth line, be omitted and that, at the end of the proviso to clause 31 of the Bill, the words 'or constituent' be added."

After this amendment, the proviso in the original Bill will read as follows:

"Provided that cheques or drafts including hundis, payable to bearer on demand or otherwise, may be drawn on a person's account with a banker, shroff, agent or constituent."

This is really a very important amendment and, if it is not accepted, it will create a great handicap to trade in the country as it is carried on at present. In the old Currency Act, we have got a similar provision which says,—it is on page 11, section 25:

"Provided that cheques or drafts payable to bearer on demand or otherwise may be drawn on bankers, shroffs or agents on their customers or constituents in respect of deposits of money in the hands of the bankers, shroffs or agents and held by them at the credit and disposal of the person drawing such cheques or drafts."

I will tell you how it will affect the whole thing. If you add the words "or constituent", it is quite possible to draw hundi by any tradesman in

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Upper India to a man from whom he is going to sell or purchase in Calcutta. In India the banking facilities are very very limited and, if this hundi system is abolished, persons carrying on trade in smaller towns will be very much handicapped. In the next clause, there is a penalty provided. The clause says that if any one violates clause 81 and writes a hundi, he will be punished. This practice of writing hundis is very convenient. It has got the sanctity of centuries behind it. It has been tested and immensely used in this country in the absence of regular banking facilities, and I want that these facilities should not be curtailed unnecessarily in this country, when we all know that there are not enough banks in this country and there will not be enough banking facilities for some time to come. If you had established banks in various places, then there would have been some sense in this provision. The provision which actually existed in the Currency Act has been removed by this new Bill. This may be a small matter from the point of view of this Bill, but from the point of view of trade, this is a very important amendment. People have already been seriously affected and, if this facility is also denied to them, then trade will be hampered. Hundis are sent by one person to another in the name of a third party. This is the way in which business has been carried on for generations and this system should not be done away with by a stroke of the pen as is sought to be done. I urge the Honourable the Finance Member to accept the addition of the words I have proposed. I know this practice prevails very largely in Upper India and I would strongly urge that the present facilities be not denied. With these words, I move my amendment.

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

"That in the proviso to clause 31 of the Bill, the word 'or', in the fourth line, be omitted and that, at the end of the proviso to clause 31 of the Bill, the words 'or constituent' be added."

The Honourable Sir George Schuster: I did not interrupt my Honourable friend, because I had found that interruptions were not always very effective, but my Honourable friend has represented this clause as providing a revolutionary change in the existing position, and he has said that we are departing from the practice as prescribed in the Indian Paper Currency Act of 1923. May I read to my Honourable friend again the provision to which he was referring? It says:

"Provided that cheques or drafts payable to bearer on demand or otherwise may be drawn on bankers, shroffs or agents by their customers or constituents."

Not on constituents. I confess, when I read this amendment, I was quite unable to understand what it meant. The only constituents I had in mind were the constituents of Members of this Assembly, and I thought my Honourable friend, having been excluded from any power of sitting on the Central Board of the Reserve Bank, was anxious to set up as a note-issuing authority by drawing drafts on demand on his constituents. (Laughter.) That may be a desirable position, but my Honourable friend has misread the clause. He has not appreciated that this clause is the ordinary form which has been in existence, I think,

for over fifty years, the purpose of which is to prevent any private individual issuing what would be the equivalent of a bank-note, putting into circulation what would be treated, as I say, as a bank-note. The exception made is that an individual may draw a draft or cheque on his banker.

Dr. Ziauddin Ahmad: May I ask one question? Is the provision here the same as in the Paper Currency Act?

The Honourable Sir George Schuster: It is exactly the same in effect.

Dr. Ziauddin Ahmad: Now, in both cases you will find that it may be drawn on bankers, shroffs, customers or constituents, but here we find that they are drawn on shroffs and agents, and that there is no mention of constituents?

The Honourable Sir George Schuster: It makes no difference at all. In this case we say:

"Provided that cheques or drafts, including hundis, payable to bearer on demand or otherwise may be drawn on a person's account with a banker, shroff or agent."

The proviso as amended would read:

"Provided that cheques or drafts, including hundis, payable to bearer on demand or otherwise may be drawn on bankers, shroffs or agents by their customers or constituents."

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

"That in the proviso to clause 31 of the Bill, the word 'or', in the fourth line, be omitted and that, at the end of the proviso to clause 31 of the Bill, the words 'or constituent' be added."

The motion was negatived.

Clause 31 was added to the Bill.

Clause 32 was added to the Bill.

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

"That clause 33 stand part of the Bill."

Mr. T. N. Ramakrishna Reddi: Sir, my amendment is:

"That in sub-clause (1) of clause 33 of the Bill, for the words 'Issue Department', wherever they occur, the word 'Bank' be substituted."

Mr. President (The Honourable Sir Shanmukham Chetty): Order, order. The Chair would like to have the position cleared before this amendment is proceeded with. Clause 33 deals with the assets as against the note-issue. Now, if the amendment of Mr. Reddi is adopted, does it fit in all right? It simply says that:

"The assets of the Bank shall consist of gold coin, gold bullion, sterling securities, rupee coin and rupee securities to such aggregate amount as is not less than the total of the liabilities of the Bank as hereinafter defined."

"Assets" against what?

The Honourable Sir George Schuster: Sir, as far as I have been able to understand, it makes complete nonsense of the whole Act. I thought my Honourable friend tried to start on this plan of his by a previous amendment which had been rejected and I understood from him that he was not going to move these amendments. I do not know what my Honourable friend's purpose is, but it would, as I say, make the whole of the provisions of the Bill complete nonsense.

Mr. President (The Honourable Sir Shanmukham Chetty): The object of the Honourable Member is presumably to abolish the distinction between the Issue Department and the Banking Department and have only one Department to deal with both. But if that has been his object, he has not succeeded in his object in the form in which he wants to move it, because, in section 94 also, if, instead of the words "Issue Department" he substitutes the word "Bank", it would mean that "the liabilities of the Bank would be equal to the amount of the currency notes of the Government of India and bank notes for the time being in circulation". But the liability of the Bank is not only for notes, but also for deposits. So the whole thing has absolutely no meaning.

The Honourable Sir George Schuster: May I also point out, Sir, that this House has already passed clause 23 which says:

"The issue of bank notes shall be conducted by the Bank in an Issue Department which shall be separated and kept wholly distinct from the Banking Department, and the assets of the Issue Department shall not be subject to any liability other than the liabilities of the Issue Department as hereinafter defined in section 34."

Mr. T. N. Ramakrishna Reddi: That was my original intention, but since I did not move any amendment to clause 23, I do not propose to move this amendment.

Mr. K. P. Thampan (West Coast and Nilgiris: Non-Muhammadan Rural): Sir, I beg to move:

"That in sub-clause (2) of clause 33 of the Bill, for the word 'two-fifths' the word 'two-thirds' be substituted."

As I understand it, the purpose of the reserve in the currency department is in the first place to ensure the confidence of the public with regard to the notes that are issued, and, in the second place, to make use of this reserve when the balance of trade is against us and the Bank is forced to issue reverse councils. The trade balance of this country has, of late, been reduced to very small dimensions. Time was when we had a very large favourable balance, but, since last year, it has dwindled down to nearly rupees three crores. If the present depression continues, the chances are that next year we may have not even the three crores to our credit, and while the balance of trade is in that position, our commitments have been increasing. Even under normal conditions, the Government of India have to remit to the Secretary of State about £25 million sterling. Over and above that, the invisible remittances come to another £25 million. So it may easily be put down that every year our commitments in sterling will be not less than £50 million. That works out at nearly Rs. 70 crores. Then, over and above that, there are remittances of capital to England.

Very often we hear complaints about the flight of capital, and, but for the adventitious circumstance of the large export of gold, serious consequences would have ensued and the position would not have been what it is today. As regards the function of the external reserve of a country, I would invite the attention of the House to a small paragraph in the Macmillan Committee's Report. At page 122 of their report, the Committee say:

"Its primary duty indeed remains to maintain the value of its notes at par with gold, but it fulfils it, not by its obligation to change them into gold coin, but by freely shipping gold bullion or selling foreign gold balances to maintain the par value of its exchange. The sole use of a gold reserve today is, therefore, to enable a country to meet deficits in its international balance of payments, until the appropriate measures can be taken to bring it again to equilibrium."

Sir, we must, therefore, provide at least for the normal remittances of a year and a fair margin for backing the currency notes, and, I think, my suggestion is not very difficult for the Government to accept. The two-fifths that has been provided for in sub-clause (2) works out to about 72 crores of rupees on the basis that the currency notes issued are about 180 crores of rupees. We have got gold bullion and coins at present in the gold standard and the paper currency reserve departments. They have been valued at the old parity and, if they are valued according to the present market rate, they will fetch a decent amount. Then there is the home treasury balance and, when the Government of India begin to dispose of their silver according to the arrangements that have come to at the International Conference, which we ratified the other day, there will be sufficient funds available. So, it cannot be urged that it would be difficult to find this amount. I, therefore, suggest that the provision under this sub-clause may be two-thirds instead of two-fifths. Sir, I move my amendment.

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

"That in sub-clause (2) of clause 33 of the Bill, for the word 'two-fifths' the word 'two-thirds' be substituted."

Dr. Ziauddin Ahmad: Sir, this whole question of our reserve has not received the amount of consideration which the importance of the subject deserves. In India, we do not want a reserve simply to meet our paper currency liability, but there are two other important factors which we should also consider when we begin to distribute our reserve under different categories. Attention was drawn to these important cases in the Minority Report when they said:

"In determining the amount of reserve and especially the nature of external reserve, we must consider three important factors, that is, paper notes, the silver rupees in circulation and our annual external obligations which amount to roughly about 70 crores."

These are the three important matters which we ought to consider. I should like to add one more important item. When there is a State Bank or when the State is the currency authority, then the amount of metallic reserve need not be very large, but when it is going to be handed over to a private bank, then it is necessary that the public should have some confidence in our notes. If they do not have the confidence in the notes, then the whole fabric falls down. Therefore, these are three important factors which must be taken into consideration when we begin to distribute

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our reserves under various heads. We have got our reserve which is equivalent to the paper currency notes approximating 180 crores. Now, the question is how this amount should be distributed. How much of it should be in gold, how much in sterling securities, how much in rupee securities and how much of it should be in the shape of silver rupees themselves?

Now, another thing which has not received sufficient attention is this, that the rupees in circulation are not really rupees, but they are also notes printed on silver, because the amount of silver in a rupee is about $6\frac{1}{2}$ annas or seven annas at the most. So, as it is important to have some kind of reserve for the paper currency, equally important it is to have some kind of reserve for the silver rupees as well. It may be argued that no reserve is maintained for silver rupees which are in circulation in other countries. My answer to that would be that the number of silver coins which are in circulation in other countries is very small as compared to the silver coins circulated in this country. The number of rupees which are in circulation is estimated at 400 crores. Even if we reduce their number having regard to the fact that some of them have been lost, some of them buried and, therefore, not available to the public, and some of them have been converted into ornaments, their number is bound to be no less than 200 crores which is really much more than the amount of paper currency which is in circulation. May I ask the Honourable the Finance Member if there is any country in the world in which the small silver coins are greater in value than the currency notes in circulation? Sir, if we had a small number of silver coins, say five or ten crores, we might have ignored the question of having any reserve for them, but since the number of rupees is larger than the paper currency, it is idle not to consider this important fact. Sir, we are in a very peculiar position. As I said, we have got a very large quantity of silver rupees in circulation and this point has not been properly brought out in any of the sub-clauses of the clause we are now considering. I had thought that this matter would be particularly brought out by the Joint Select Committee and that they would provide some kind of reserve for the devaluation in the value of rupee on account of the fall in the price of silver. So, when we begin to consider the reserves due to paper currency, we must also consider that we have not only got the currency notes in this country worth about 180 crores of rupees, but we have also got silver rupees which amount to 200 crores of rupees at the least and the value of which is only a nominal one. Another factor which we must bear in mind is that we have to remit a substantial amount of money to the United Kingdom which is estimated at about 70 crores. Now, where is this money to come from? If, by any chance, our balance of trade is upset and we have not got sufficient balance in our favour to pay this amount, then we can only pay this amount either by means of a reserve which we may build up in England in the shape of sterling reserve or by means of gold and thus diminish the quantity of gold further. These are important matters which must be taken into consideration.

Another point to which I would like incidentally to draw the attention of the House is this. So far, in the paper currency reserve, we had silver also as one form of our reserve. In this connection I would give the figures of the paper currency reserve as published in the Currency Report of 1933. There I find the paper currency reserve amounted to

176 crores on the 31st March, 1933, and as much as 15·52 crores were invested in silver bullion in India. Now, the reserve in the shape of silver bullion has been removed altogether in this clause. All transactions in silver are now being taken up by Government alone and the Bank is not allowed to have anything to do with it. That is a very important change that we have made that all transactions in silver will in future be conducted by the Government, and not by the Reserve Bank. Transactions in gold, in sterling and in other securities may be conducted by this Bank and the transactions in silver in future will not be conducted by means of this Bank. There is no provision anywhere that silver will also form part of the reserves of this Reserve Bank. This is an important change and it really means that silver worth about 15 crores will now be taken away from these reserves and handed over to Government. In what form will it be substituted? That is really the important issue. Are you going to substitute silver for paper and change the silver into some kind of security either in sterling or in rupees? If you remove it altogether from the paper currency reserve, it is fair to ask that silver should be replaced by gold, that metal should be replaced by metal and not by paper. This is really unsound and uneconomic, especially in a country which is really very badly off. This provision has not been made anywhere. The Government have quietly removed 15 crores worth of silver bullion from our reserve and probably it will be replaced, by means of Indian Government Securities or by any other paper, or even perhaps they may be replaced by means of rupees which is still worse. I always maintained on the floor of the House and I emphasised several times that though we may have some Indian securities in order to regulate the prices, really it is a very unhealthy form of our reserve. Can I say that I possess in my pocket a crore of rupees when I only have a promote of a crore of rupees written by me on myself? Nobody will come forward and tell you that he has got a crore of rupees in his pocket, simply because he has got a promote drawn on himself for one crore of rupees. This is really not money, but it is really a kind of financial quibble. Therefore, if you have a reserve in the shape of Indian currency to a very large extent, it is not really a healthy form of reserve. The healthy forms of reserves are firstly gold and that is still recognised by the world as a very important form of reserve. The world has not given up for good the question of gold standard. We do not know whether we may not again come back to the gold standard in the near future. When we begin to build up a reserve, we must keep this thing specially in mind that the world is likely to come back to the gold standard and, if we all have paper securities of this form or that form, that will not help us very much when the world including India later on comes up to the gold standard. We have accused the Government on the floor of the House—not myself, but several other Honourable Members—that the Government have allowed 160 crores of our gold to be taken away from India. The people have come out to sell their gold due to economic depression which the Government could not altogether avert. I frankly admit that the Government could have met it had they desired to do so. But there was no desire on the part of Government to meet this thing and they passively allowed 160 crores to go out of this country. Was it not possible for Government even at this late stage to purchase some of this gold and keep it in their gold reserve? Out of 100 crores, which we sold in the open market in India to America and other places, why did the Government allow the whole to go outside this country, and why did they not keep a portion of it to build up the reserve as some countries built up their reserve to meet exigencies that might possibly arise when

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the world may come back again to the gold standard. We have not done this thing and it is wrong if we do not do it in the future. Therefore I strongly emphasise that when we determine our form of reserve, we should pay special attention to the healthiest form of reserve, i.e., gold and it must be admitted that when the world comes back to the gold standard, the countries which have got a larger stock of gold will always be better off than those countries which are devoid of gold. May I ask the Honourable the Finance Member that, if gold is not considered the best reserve, why the Bank of England is trying to purchase more and more gold and increasing the gold reserve, why is America trying to put more and more gold into its reserve?

Mr. G. Morgan (Bengal European): Not for the reasons mentioned by the Honourable Member.

Dr. Ziauddin Ahmad: Are these countries being compelled by other considerations to sell their gold? We have laid great stress that the Government ought to put some kind of embargo on gold and that gold should not be allowed to leave this country, but the Government did not pay heed to our requests. We offered a second alternative. If the Government do not put any kind of prohibition on the export of gold, at least they should come forward and purchase this amount of gold and thus improve their gold reserves, and this also the Government did not do. I now come to the amount of gold which is now in possession of Government. I see from the Currency Report of 1932-33 that there are two kinds of reserves, one the paper currency reserve and the other the gold standard reserve. The paper currency reserve is meant that whenever you issue any note whatsoever, then you must have some kind of reserve in order to honour these paper notes. But the gold standard reserve is really intended to stabilise our exchange. It is now proposed that these two should be amalgamated. Let us see what is the amount of gold now kept. According to this Currency Report, on the 31st March, 1933, I find that in the gold standard reserve the Government had 2,152,334.

The Honourable Sir George Schuster: May I point out to my Honourable friend that this particular question surely does not arise on this particular amendment which is merely as to the combined proportion of gold and sterling reserves. This amendment does not raise the question as to what proportion of that combined total should be held in gold.

Dr. Ziauddin Ahmad: I wanted to review the whole situation on this amendment, otherwise I will have to take a lot of time on each of the amendments. I thought it would be better if I had said all I wanted on this amendment so that the time of the House may be saved on other amendments. But if the Honourable Member interrupts me often, then the law of inverse relation applies, and the more I am interrupted, the longer I will take to speak. (Laughter.) Sir, I was discussing the quantity of gold. I find in this Currency Report that we have got in England gold amounting to two million odd sterling and gold in India amounting to Rs. 11,626,000 and converting this amount into rupees at the rate of 1s. 6d. per rupee, the amount of gold bullion comes to 18.4 crores of rupees. So, in our gold reserve, we have got 18.4 crores

and, in the paper currency reserve, I find it is 25.99. So the total amount of gold both in India and England in the two forms of reserve which are now in the possession of Government is really 44.3 crores of rupees. That is the amount which the Government have already got. My second contention is that they have got silver amounting to Rs. 15.52 crores and this silver is no longer going to be a reserve. It will be handed over to the Government and probably sold to America through the British Government or to the Bank of International Settlements or to some other country at a profit or without profit. So, where will the money go? I maintain that this thing ought to be converted into gold when you dispose of the silver. Whenever the Government dispose of their silver, they should replace it by gold and not by paper. And if

our silver is also replaced by gold, what will happen? The position is that we already possess gold worth 44.3 crores to which we may add another sum of 15 crores which may be obtained by disposing of silver. So the whole amount of our metallic reserve is about 60 crores. But this 60 crores has been reduced to 40 crores and nothing has been indicated in the whole of this Bill as to what would happen to the remaining 20 crores. That is a point on which I should like to have a clear explanation from the Finance Member as to where these 20 crores will go, how it will be disposed of, who will get the benefit and how the metallic reserve of 60 crores would not be deposited as reserve under this Bill. I again emphasise, Sir, that gold is the only form of good and substantial reserve, and any attempt to fritter away the total quantity of gold will have a very bad effect on India and a very bad effect on the future position of our Indian Government. We are asked to think about the Bank of International Settlements and to think about the Reserve Banks of European countries and America and Chile and South Africa. But we forget the noble examples of England, France and America which have always kept up a very substantial quantity of gold reserves. This is a point which ought to be taken into consideration. In the first place, I press that we ought to increase our metallic reserve of gold which is now being sold in the open market as distress gold by the poor people, because they cannot pay the landlords' rents, and by the zamindars, because they cannot pay the land revenue; and they want to be saved from going to jail. They are thus disposing of their distress gold, which they had in the shape of ornaments, in the open market. This distress gold ought to have been purchased by Government and they ought to have put some kind of embargo so that it might not go out of this country. But they never attempted to increase the quantity of gold now or even in the future. But the position is much worse, because they are going to diminish our metallic reserve by 20 crores. As I said before, we have already got 44 crores of gold and 15 crores of silver that is, about 60 crores of metallic reserve. Why should this be reduced from 60 crores to 40 crores as contemplated in this Bill? I thought the Finance Member would recommend the increase of that 60 crores by another five or ten crores so that we may be able to purchase the distress gold already in the market. But gold and silver is gone and you will have only paper left, and even about this paper the discretion is left to the Bank to honour it or not; and, on account of so many restrictions, you cannot demand it as a matter of right. I do not know how far it is fair that India which has got long traditions of centuries behind it should be treated in this particular manner. Sir, so far I have said about metallic reserve and I say that the policy which underlies this clause 38 is a bad policy and a ruinous

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policy which no honest Government would ever adopt in these days. Every country is trying to develop its metallic reserve, but we, on the other hand, are trying to diminish it. |

Now, as regards the silver reserve, I frankly admit that we are legislating here that silver should not be treated by means of banks. Probably it will be to the good of the country if Government exercise the full control over transactions on silver for the benefit of the tax-payer. But it should be brought out very clearly that in future all these transactions will be made by Government. But what I do emphasise is that if you take away silver from the reserve, it should be replaced by gold and it should not be replaced by paper. :

So far I have said about metallic reserve and now I come to the second category,—sterling security reserve—which is also a very important thing. These are really very important for us because we have to make remittances to the United Kingdom partly on account of our commitments, partly to the transmission of money by private individuals and firms, and they roughly amount to about 70 crores of rupees. That is an estimate of various things, but we will leave out for the present the invisible remittances, and take into account the remittances only by our Government to the Secretary of State for expenditure incurred on behalf of India in the shape of pensions and other expenses. Even that amounts to 50 crores odd. So these 50 crores have to be paid every year in the shape of goods; and, if our balance of trade is not favourable, how is this amount to be met? It may be said that this amount will have to be met by borrowing in sterling; but are you going to legislate and lay down a policy in which our foreign commitments should always be met by borrowing in sterling? And we know that, if we are forced to borrow money in the London market, the rate would be very high and the burden will ultimately fall on our budget, because we will have to pay interest on these borrowings. We are not, of course, discussing the principle here which we will discuss in great detail when we come to the question of the ratio how the present monetary policy of the Government of India has prejudicially affected our export and our balance of trade, and how the policy is leading to the export of gold in such large quantities. We will discuss this in greater detail when we come to clauses 41 and 42. but I want to emphasise very strongly that we should have a sufficient amount of sterling securities, not in long term securities like ten years which is a big period although my Honourable friend said yesterday that it was a small period, but in short term securities. We are passing through a time of crisis and depression and we are required to pay for our external obligations any sum of money at any time, and if our money in sterling is locked up in long securities, we will have to take them at a very cheap price and all the interest that we have accumulated will practically go in the discount at which we will be able to sell these securities. This is a very important thing which we discussed yesterday, but we must keep in mind that, for the next few years, we will have to pay our external obligations by means of the export of gold and, the moment this export of gold is stopped, there will be no other alternative but to pay money by means of loans, and these loans, when they are compulsorily raised, will be raised at a high rate of interest, and we do not know how much we will have to pay. Therefore, I emphasise the fact that this is also a point which we should bear in mind, that our external securities, specially the sterling securities, should be invested in such a manner that they may

be readily obtainable and by means of which we may be able to pay our external obligations. Now, what should be the amount of these sterling securities is also a point which we will have to discuss and consider carefully, and we cannot lightly pass over it by saying 2/5ths, 1/5th or 3/5ths unless there is some kind of scientific argument behind it. As a matter of fact, when the Finance Member laid his proposals before us, he never said a word about the reasons according to which he distributed these various categories of reserves in these proportions: he gave no reasons: he simply mentioned 40 crores of rupees without mentioning the fact that we already possess 60 crores, in the metallic reserve of silver and gold bullion. That is a point which ought to have been taken very seriously into consideration before we admitted to its reduction: we only considered the gold reserve of 40 crores, but nobody ever considered the silver in the metallic reserve which was withdrawn and which has not been replaced by metallic reserves either in terms of silver or of gold.

Coming back now to sterling, we ought to bear this in mind, that our sterling securities should be sufficient in amount and should be kept in such a manner that, if at any particular time our balance of trade fails to achieve the desired object, if it is not sufficient to pay for the external obligations, then these obligations should be met by reserve in sterling securities which we have got in the United Kingdom. This is also a very important point to consider. Before I give any idea, therefore, of how these things should be distributed, I would like to see the principle laid down.]

I would like to emphasise that our sterling securities should be sufficiently large in order that we may be able to meet our external obligations if at any time our balance of trade is not favourable. Times are very hard for India and I admit that it is the same in every other country, but the difference between this country and other countries is this: that the Governments of those countries are making every effort to meet the depression while our Government are sleeping over the matter and taking absolutely no steps to meet the general condition of depression. I feel very strongly on this point: but when we discuss the question of 1s. 6d., they say that "it is outside the terms of reference of this Bill: so we will consider it at some future date." Perhaps they will consider it when all the rich men have become poor and the poor men have all passed away to the next world: that perhaps will be the time when they will consider this matter. Our Government are such that arguments never appeal to them: you may bring forward any kind of argument; but, in the intoxication of their power and strength, in the shape of votes or anything else, they will never listen to our arguments. They listen to some other kind of arguments to which we cannot have recourse always. At the same time, I say that it is really the duty of the Government to meet the general condition of depression in this country. We appeal to them that some means ought to be found so that our export trade may be favourable, so that

Mr. President (The Honourable Sir Shanmukham Chetty): That subject is clearly irrelevant to the issue before the House.

Dr. Ziauddin Ahmad: I do not want to repeat it—I just want that Members should consider this question also and understand

Mr. President (The Honourable Sir Shanmukham Chetty): But the Honourable Member should be able to understand what is relevant to the

[Mr. President.]

issue before he attempts to make other Honourable Members understand.

Dr. Ziauddin Ahmad: I said that I discussed the entire principle of reserve, in order to save other speeches on this clause . . .

Mr. President (The Honourable Sir Shanmukham Chetty): The House now stands adjourned till 2 O'clock.

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.

Dr. Ziauddin Ahmad: Sir, I first of all want to mention certain things which have been referred to me by some responsible person. An old man was once planting a date tree which generally yields fruit after 40 or 50 years. Another man asked him why he was planting the date tree as he would not eat its fruit. The old man replied that he was not planting the tree for himself, but he was doing it for his grandchildren. His grandfathers sowed the seeds of the tree from which he was eating the dates, and, in the same way, the old man said that he was planting the date tree for his grandchildren. In the same way, whatever I am saying here will fall on deaf ears, and I know the fate of all my efforts to convince the opposite side, but whatever I say is really intended for the larger crowd outside the Legislative Assembly, and though this House cannot be persuaded to accept our view point by our arguments, I am sure the outside public will be persuaded to accept our point of view by our arguments, and pass correct verdict.

Then, Sir, I am not anxious to introduce any irrelevant issues. The proposition before us is that we must have a certain percentage of sterling reserve in gold, but no argument has been advanced why and how. Really I am making a preliminary speech to establish why and how, that is really the object of my whole speech. I am not going to repeat whatever I have said already, but I will briefly refer to what I have said merely to refresh the memory of Honourable Members and then I will proceed further. I have established that we have got at present gold reserve to the extent of 44.85 crores. We have got also silver approximately 15.28, and my first proposition is that the metallic reserve should remain metallic reserve and the silver should be changed into gold and not into paper. That was my first proposition. My second proposition was that we should have sterling securities in the United Kingdom of a value which may be sufficient to pay up our liabilities. For instance, we may have a bad time, and we may not be able to pay up our external commitments by means of export favourable balance of trade, and then we should be able to pay out of these reserves, and, I suggest, that must be in the shape of short term loans, so that they may be recovered immediately. Now, I am going to establish how much sterling they have got already. I said that we have got sterling security amounting to 38.53 crores. This

amount can be increased slightly. The Finance Member knows that he has already taken a loan this year amounting to 22 million sterling. Out of this, 16 million has been spent in paying off old debts, and, therefore, six millions are still remaining in England out of the loan which we have raised. Therefore, the point I emphasise is that, whatever sterling securities they possess, whether in the shape of gold standard reserve or whether as a result of borrowing this year, the whole of the sterling securities ought to be transferred to this Bank. In this case, without any extra trouble, we will have 88 million, and I think we can safely put down seven for that, so altogether it will be about 48 crores. This is just equivalent to our annual commitments, so that if by any chance we are not able to pay up the entire amount, we will be able to pay out of our sterling commitments. Therefore, the conclusions I have arrived at so far are—that we already possess 60 million in the shape of metallic reserve, and the whole of it should be handed over to this Reserve Bank and it should be taken as the reserve for paper currency. Then we have got sterling securities in our gold standard reserve and also some money lying which is really out of the loans raised this year, and I think the whole of this amount ought to be given to this Reserve Bank, so that we will have about 48 crores and odd in the shape of sterling securities. So, without going to any extra trouble, if we only take the figures as they exist today, we will have 60 crores *plus* 48 crores, that is to say, 108 crores in sterling and gold reserve. This 108 crores out of 180 makes $\frac{3}{5}$ ths which we already possess. It is the *defacto* figure, but what my friend, Mr. Thampan, demands is that we ought to go a little further, and, on account of the export of gold and the gold which is now in the market, we must purchase some more gold and increase the gold reserve up to extent of two-thirds liability. I think $\frac{3}{5}$ ths we already possess, and, if we slightly improve it, it will really be to our own advantage. Sir, the question was raised, and we might discuss it to-day, as to at what value the price of gold is to be calculated, at gold parity, or at the present value. Forty-four crores of rupees is the value of gold according to the old parity, that is, when the value is about approximately Rs. 21-3-10. This is the value according to the old price, but if we take it according to the present parity, which is Rs. 32, then it will rise to Rs. 60 crores. So, in the present gold reserves there is a kind of hidden reserve amounting to about 20 crores. That is really a hidden reserve, but I say we ought not to take into account that hidden reserve, because we have got a large number of silver rupees, about 50 crores of silver rupees. The value of silver, as was contemplated by the Hilton-Young Commission, was 24*d.* and now the value has fallen to about 11*d.* Therefore, there is a kind of hidden loss in the rupees that we have got in the reserves, and, therefore, this hidden loss and hidden gain equalise each other. Taking all this into consideration, I think it is very fair that we ought to fix very definitely a higher percentage of gold, a higher percentage of sterling securities, and less in other forms of securities which are very unhealthy. On previous occasions I have said on the floor of this House that we want to establish some kind of reserve for our rupees also which are in circulation, and I have said also that rupees are a very unhealthy form of securities for our paper currency reserve. The only way in which provision can be made for this reserve is the one proposed by Mr. Thampan. We ought to increase substantially the amount of our gold and sterling securities in the paper currency reserve. That is an important point and that is why I very strongly support this amendment. I do not want to discuss here reserves in other forms, that is, in the form of rupee securities and in the

[Dr. Ziauddin Ahmad.]

form of silver rupees. That is a thing which will probably be taken up later, but I think that it is really desirable that we should lay down in this particular clause very definitely the proportion of these four forms of securities, that is, gold, sterling securities, rupees and rupee securities. I have not taken into consideration the gold standard securities. This question would probably arise. It was suddenly sprung upon us when we began to talk about the Bank of International Settlements. When we were talking about it, we forgot altogether about our reserves in this particular form, whether they will be calculated according to the gold value of the sterling or not. We forgot about it. It was a harmless amendment on the face of it, but it will be found to be a dangerous one in practice. Of course, I do not want to open a discussion on that particular clause, because it has been decided and that is in our favour. But what we ought to take into consideration is this. If we have some kind of securities of the Bank of International Settlements—if we purchase shares and so on, whether they would be considered as securities or not. I think they ought not to be considered as securities, they may be considered as assets of the Bank against its own liabilities, and not assets of the Issue Department. That must be clearly brought out not only in the course of discussion, but somewhere in the Act itself. I have always considered that this reserve of the Bank of International Settlements is a very dangerous form . . .

The Honourable Sir George Schuster: My Honourable friend may save himself the trouble of elaborating this point further by acquainting himself with the provisions of clause 33. It is quite impossible that shares of the Bank of International Settlements could form any part of the currency reserve of the Bank.

Dr. Ziauddin Ahmad: I am very glad that the Finance Member has settled this point. I had some apprehension when this dangerous clause was moved in innocent words yesterday, and, though it appeared to be innocent, it will be found to be exceedingly dangerous, or prove to be dangerous later on . . .

Mr. President (The Honourable Sir Shanmukham Chetty): Order, order. It has absolutely nothing to do with the present amendment.

Dr. Ziauddin Ahmad: I shall just say one word and then leave that topic altogether. This Bank is called as Reparation Bank, and only recently it has changed its name into the Bank of International Settlements. However, I will discuss that question in the third reading of the Bill when we will review the Bill as a whole. This was only an introduction for supporting the motion so ably moved by Mr. Thampan. If we want to build up our reserves for the benefit of the people of India, and also in consideration of our commitments to the United Kingdom and also of the fact that the world may go back again at any moment to the gold standard about which we know nothing, I think it is very desirable that we should build up a substantial amount of our reserves in the shape of gold and in the shape of sterling securities. We already possess such securities to the extent of three-fifths. They should be increased to two thirds. With these words, I strongly support the amendment of Mr. Thampan.

The Honourable Sir George Schuster: With the proposition that the Bank should start off with as large an amount as possible of external reserves, I think no one will quarrel, and it is, of course, the intention of the Government to do all that they can to build up external reserves and to hand over all that they possibly can spare from what they possess to constitute external currency reserves for the Bank. But what we are discussing in this clause is what should be the Statutory minimum percentage of external assets. Because we lay down that 40 per cent. shall be the Statutory minimum, that does not mean that we shall be content with starting the Bank with only 40 per cent. of external reserves. In fact, we have already provided that the Bank should start off with at least 50 per cent of external reserves, although the Statutory minimum is only 40 per cent. I do not think that my Honourable friend, who moved the amendment, and certainly not the learned Doctor, who has just spoken, has made clear to the House what the effect of accepting this provision would be. Supposing the note issue is about 180 crores, which is about the figure which we have at present, according to that, the 40 per cent. to be held in gold and sterling as a Statutory minimum would be 72 crores—72 crores in external assets, 108 crores in silver rupees and rupee securities, which would include, of course, trade and agricultural bills. If the Statutory minimum of external assets is increased to two-thirds, then gold and sterling would have to be, not 72 crores out of 180 crores, but 120 crores out of 180 crores, leaving only 60 crores to be held in the form of rupees, rupee securities and trade bills. As the notes are to be convertible to an unlimited extent into rupees, the Bank will have to hold a stock of about 50 crores of silver rupees. That would leave only 10 crores over for rupee securities and trade bills.

Mr. K. P. Thampan: Will not the public always prefer the currency notes to heavy silver rupees and the contingency anticipated by the Home Member ever come?

The Honourable Sir George Schuster: I had better complete my explanation. I think it is only necessary to hear those figures to appreciate what an absurd position would be created, and I would remind both my Honourable friends who have spoken of the result of this sort of provision. Supposing it is necessary, in times of business activity, to expand the currency for which we have made provision in this Bill and which kind of expansion would normally be undertaken against trade bills, if we have a provision that two-thirds of the note issue must be covered by external assets, it would be extremely difficult for the Bank to give the currency the necessary elasticity. For every nine crores that it had to expand, it would, unless it had surplus external reserves over its Statutory minimum for every nine crores, only take in three crores of trade bills and would have to find somehow or other six crores of external assets. Now, if the original provision were as high as two-thirds, it is most unlikely that the Bank would ever be in the position of having a margin in excess of that, and, therefore, that restrictive result would practically always be the case. Apart from that, of course if we were to lay down now that the Bank could only be started off with a two-thirds reserve in external assets, we should delay the starting of the Bank quite indefinitely. We hope that we are in sight of the position where we can start off the Bank with a sufficient margin of external assets, but if we have to put that up to two-thirds or 66 per cent. then, as I say, I do not know when the time would

[Sir George Schuster.]

come when we should be able to start it. Sir, I think the whole of this amendment is, as I explained in my opening remarks, moved under a misconception. We are talking here about minimum reserves, and minimum reserves are reserves which ought in normal times not to be trenced upon. My Honourable friends have talked about the possible needs of supplementing India's ordinary balance of external currency out of her balance of trade, of supplementing that by drafts on the currency reserves in bad times; but that means supplementing them from excess of currency reserves held over and above the Statutory minimum or at least that is what should normally be the case. Once you trench upon the Statutory minimum, you create feelings in the country that the situation is unsound. Therefore, there are very great dangers in making the Statutory minimum too high. On all these grounds I must strongly oppose this amendment.

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

"That in sub-clause (2) of clause 33 of the Bill, for the word 'two-fifths' the word 'two-thirds' be substituted."

The motion was negatived.

Mr. B. Sitaramaraju (Ganjam cum Vizagapatam Non-Muhammadan Rural): Sir, I rise to move:

"That in sub-clause (3) of clause 33 of the Bill, the words 'Government of India', in the second line, be omitted."

The reason for moving this amendment is that I do not want any such restriction to be placed in order to give scope for other securities, for instance, those of the Provincial Governments and land mortgage banks and securities like that. In order to prevent this restrictive sense in which this original clause is framed, I suggest the omission of these words in order to give latitude. With these words, I move.

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

"That in sub-clause (3) of clause 33 of the Bill, the words 'Government of India', in the second line, be omitted."

The Honourable Sir George Schuster: I am afraid I could not hear all that my Honourable friend said. I really am unable to understand the purpose of this amendment. I see no reason to object to the clause as it stands at present.

Mr. B. Sitaramaraju: The purpose of my amendment is this. I want the Provincial Government securities also to come in and, under the other amendments that I am bringing up, the land mortgage securities also to come in. I want them to be treated in the same way as the Government of India securities.

The Honourable Sir George Schuster: I still oppose the amendment with a little more certainty than I did before I knew on what ground my Honourable friend was supporting it. We shall certainly consider the

securities of Provincial Governments to be unsuitable forms of investment to be held in the currency reserves. The Bank can hold them in its banking department. but, as part of the currency reserves, the rupee securities should most certainly be restricted to Government of India securities.

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

"That in sub-clause (3) of clause 33 of the Bill, the words 'Government of India', in the second line, be omitted."

The motion was negatived.

Mr. V. K. Aravamudha Ayangar (Government of India: Nominated Official): Sir, I move:

"That in sub-clause (3) of clause 33 of the Bill, for the words and figures 'or under Section 18' the words and figures 'or under sub-section (1) of section 18' be substituted."

Sub-clause (3) of clause 33 provides for the inclusion in internal assets bills of exchange and promissory notes as are eligible for purchase by the Bank under sub-clause (a) or sub-clause (b) of sub-clause (2) of clause 17 or under clause 18. As these clauses originally stood, sub-clause (a) and sub-clause (b) of sub-clause (2) referred to self-liquidating paper having the signature of a scheduled bank or a provincial co-operative bank and clause 18 only referred to the same kind of eligible paper, but without the signature of a scheduled bank or a co-operative bank. Clause 18 was subsequently amended by the Joint Committee so as to include within the scope of that clause loans and advances on various forms of securities, including, for instance, silver. This widening of the scope of the clause was unintentional and I am only restoring by this amendment the original purpose of clause 33. Sir, I move.

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

"That in sub-clause (3) of clause 33 of the Bill, for the words and figures 'or under section, 18' the words and figures 'or under sub-section (1) of section 18' be substituted."

The motion was adopted.

Mr. President (The Honourable Sir Shanmukham Chetty): We now come to the amendments to sub-clause (4) of clause 33 of the Bill. Sub-clause (4) of clause 33 provides for the valuation of gold bullion in the reserve and the amendments seek to vary the figure mentioned in the clause. Though in a sense the valuation of the gold in the reserves can be considered independent of the value that may be fixed for the rupee, yet the Chair thinks, considering the amendments that stand on the Order Paper, Honourable Members want to co-relate this value to the value that might be fixed for the rupee itself. Therefore, what the Chair proposes to do is that it will postpone for the present the consideration of sub-clause (4) of clause 33 until the House disposes of clauses 40 and 41. Will that suit the convenience of the House?

Honourable Members: Yes, Sir.

Sir Cowasji Jehangir (Bombay City: Non-Muhammadan Urban): Sir, if you rule that this amendment is a consequential amendment to amendments that may be passed to clauses 40 and 41, I am prepared not to move it just now, but at a later stage.

Mr. President (The Honourable Sir Shanmukham Chetty): The Chair quite understands the Honourable Member's position. The Chair advisedly did not say that it was consequential, because it might be held that, irrespective of the ratio, the Honourable Member might fix a certain arbitrary rate for valuing the gold in the reserves. That might be opposed by some Honourable Members. That is why the Chair proposes to hold this in abeyance and the Chair will come back to it when clause 33 comes up again. The amendment is held in abeyance.

Sir Cowasji Jehangir: You hold this, Sir, as consequential?

Mr. President (The Honourable Sir Shanmukham Chetty): No.

An Honourable Member: Co-related.

The Honourable Sir George Schuster: Sir, if it is of any use to my Honourable friend, I am quite prepared to make it clear that, so far as we are concerned, we will be prepared to regard my Honourable friend's amendment as deliberately consequential. (Laughter.)

Mr. K. P. Thampan: Sir, I rise to move:

"That in sub-clause (6) (b) of clause 33 of the Bill,

The Honourable Sir George Schuster: Sir, there is one amendment on clause 33 (4) which is quite distinct from the phrase to which you, Sir, were referring,—amendment No. 235 by Dr. Ziauddin Ahmad. That raises quite a different point. Perhaps it would be convenient to take that now?

Mr. President (The Honourable Sir Shanmukham Chetty): Why does the Honourable Member think that that raises a different point? The Chair thinks it would, on the whole, be convenient to postpone the consideration of sub-clause (4) altogether.

The Honourable Sir George Schuster: My point was that my Honourable friend's amendment refers to "securities to be valued at the market rate for the time being obtaining"—it does not refer to gold at all.

Dr. Ziauddin Ahmad: May I say that I should like to wait till the other amendment has been discussed. I may not move it at all.

Mr. President (The Honourable Sir Shanmukham Chetty): That is rather an attractive prospect. (Laughter.)

Mr. K. P. Thampan: Sir, I beg to move:

"That in sub-clause (6) (b) of clause 33 of the Bill, after the word 'signatures' the words 'arising out of bona fide trade with India' be inserted."

Sir, it is contemplated for the first time, if I am right, that the reserves of the Currency Department might be held in bills payable outside India. The primary object must be to help the internal trade of this country, and if it is decided to extend to foreign trade also, it should be restricted to *bona fide* trade with India. To me it appears that it might otherwise be made use of by speculators. It is for that purpose that I move this amendment.

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

"That in sub-clause (6) (b) of clause 33 of the Bill, after the word 'signatures' the words 'arising out of *bona fide* trade with India' be inserted."

The Honourable Sir George Schuster: Sir, I am afraid I must take the view that my Honourable friend's amendment is misconceived. We are considering here the securities in which the Bank can safely be allowed to invest. We are not considering doing anything to encourage trade with India, and it would be very restrictive to the Bank if it wants to buy bills in London only to be able to buy bills which were drawn for the purpose of, or arising out of, *bona fide* trade with India. It would put the Bank into a very undesirable position and it would be very difficult for the Bank to ascertain in every case what the purpose was for which a particular bill had been drawn. I think my Honourable friend proposes to look upon the matter rather differently and had in mind the question of what would be done with regard to *internal* bills. For the purpose of these sterling bills, we only want to give the Bank a convenient form of investment.

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

"That in sub-clause (6) (b) of clause 33 of the Bill, after the word 'signatures' the words 'arising out of *bona fide* trade with India' be inserted."

The motion was negatived.

Mr. President (The Honourable Sir Shanmukham Chetty): Clause 33 is held in abeyance. The only sub-clause open for amendment will be sub-clause (4) of clause 33.

The question is:

"That clause 34 stand part of the Bill."

Now the amendments that stand in the name of Mr. Reddi are either barred or not in order.

The question is:

"That clause 34 stand part of the Bill."

The motion was adopted.

Clause 34 was added to the Bill.

Clause 35 was added to the Bill.

Clause 36 was added to the Bill.

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

"That clause 37 stand part of the Bill."

Mr. V. K. Aravamudha Ayangar: Sir, I rise to move:

"That the proviso to sub-clause (1) of clause 37 of the Bill, be omitted."

The reasons for the deletion of this proviso have been stated in the note appended by the Government members on the Joint Select Committee. Sir, stated in simple terms, the object of gold in the reserve under the standard that we are contemplating is two fold. In the first place, it operates as a psychological factor designed to maintain the confidence of the public. In the second place, it is to act as a buffer, for the needs of the Reserve Bank on the one hand and the security market on the other in order to prevent any undue strain owing to the sale of securities by the Reserve Bank. The proviso inserted by the Joint Committee, while on the one hand it exaggerates the importance of the first factor, makes it impossible for the Bank to fulfil the second of the objects with which this gold is held in the Reserve Bank. Sir, I move that that proviso be omitted.

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

"That the proviso to sub-clause (1) of clause 37 of the Bill, be omitted."

Dr. Ziauddin Ahmad: Sir, I do not want to deliver a speech on this occasion (*An Honourable Member*: "Thank you"), but here is a recommendation of the majority of the Joint Committee. The Honourable gentleman, sitting behind the Honourable the Finance Member, delivered a speech against the insertion of this recommendation and that speech was not audible. We did not hear a word of what he said. Sir, I think some good case ought to have been made out by the Government as to why this recommendation of the majority of the Joint Committee should be set aside. I like to know what are the implications and we are committing to what?

Mr. Gaya Prasad Singh (Muzaffarpur cum Champaran: Non-Muhamadan Rural): Sir, I as a member of the Joint Select Committee, formally take objection to this amendment moved by my Honourable friend. The proviso was added deliberately by the majority of the members of the Joint Committee signing the report after full discussion.

Mr. President (The Honourable Sir Shanmukham Chetty): And the Government members also deliberately oppose it.

Mr. Gaya Prasad Singh: And they will also deliberately carry their position with the help of the majority of the votes they command.

Sir Cowasji Jehangir: Sir, I oppose this amendment. I do not think Honourable Members have realised the importance of the amendment moved by my Honourable friend opposite, and I do think that Honourable Members who were not members of the Select Committee have some ground for complaint—I say this with due respect to my Honourable friend—for the shortness of his speech and, if I may say so, for the rapidity with

which he spoke. This is an important matter and I do think the Honourable Member might have made the purpose of his amendment a little clearer. Well, I will try and make good that deficiency to the best of my ability. (Hear, hear.) Sir, the House is well aware of the fact that we have got in this Bill a provision that gold of Rs. 40 crores shall be the minimum in the reserves. I am not going into the history of how we came to that figure of 40 crores. It has some history behind it, and, as time is valuable, it is not essential for me to explain how we came to that figure of 40 crores. Therefore, you must take it for granted that we have agreed that 40 crores shall be the figure and not 44 crores and a fraction as was desired by some. Now, clause 37 allows the Reserve Bank, with the sanction of Government, to reduce the minimum under certain contingencies. That is to say, under certain very urgent contingencies the Bank will be allowed to have a reserve of less than 40 crores of gold. We insisted that, as it was a compromise and there was no provision made in the Bill for the inclusion of a certain minimum percentage, it was only fair that if Government ever allowed clause 37 to be put into operation, they should first make use of sterling securities before they reduced the 40 crores minimum of gold. Now, by the omission of this proviso, Government, under urgent circumstances, may reduce the minimum of 40 crores of gold without touching the sterling securities. That is the position we object to. We contend that before you touch this 40 crores of gold, you must first make use of your sterling securities. It may be due to our sentiment and it may not be following the advice of experts and it may not be following the latest experience of other Central Banks and of the reserves of Governments in other parts of the world, but there is a strong sentiment in this country that this Government should hold a certain minimum amount of gold. You have today at the old valuation 44 crores and a fraction worth of gold and my Honourable friend opposite will admit that 40 crores was fixed after a compromise. He started with 30 crores originally about a year ago and then he gradually came to 35 crores. Finally, he was persuaded—I must say perhaps against his better judgment, I will give him credit for that—to allow 40 crores to be inserted in the Bill by the Select Committee. On our side we gave up the inclusion of a minimum percentage in the Bill.

The Honourable Sir George Schuster: I am sure, my Honourable friend does not suggest that I did not make our position quite clear in the Select Committee.

Sir Cowasji Jehangir: I am giving credit to my Honourable friend that even perhaps against his better judgment he came to the figure of 40 crores.

The Honourable Sir George Schuster: We always made it clear in the Select Committee that we should have to take this line,—that we should have to put in a dissenting minute on clause 37.

Sir Cowasji Jehangir: My Honourable friend certainly objected to the inclusion of this proviso, but my Honourable friend will remember that when certain gentlemen came before us to give evidence and when they thought that 40 crores was not sufficient, I pointed out to them that it was the intention of the Committee to have such a proviso. It was on that understanding that some of them were inclined not to go further and press the point that we should have 44 crores and a fraction.

The Honourable Sir George Schuster: I only wished to correct any possible apprehension that there was any understanding given by the Government. I am sure, my Honourable friend is not suggesting that.

Sir Cowasji Jahangir: I am not suggesting that for a moment. But the non-official side very much urged this and I personally pointed out to a witness who was objecting to 40 crores and wanted 44 crores and a fraction, that we would include such a proviso in clause 37 and, therefore, it is my duty to point out to this House how important it is to retain this proviso and how it is that this proviso is an important factor of the whole scheme, the whole scheme being to have 40 crores without a percentage and to have this proviso. Of course, it is very difficult to go into all these details here, and I know time is very precious, but I would point out to this Honourable House that there are many in this country who believe that we have gone as far as we possibly should or could in this compromise at which we have arrived. I would earnestly appeal to all sections of the House, that, before they vote, they should weigh up the pros and cons. I do not know whether I have made the position perfectly clear or not, because it is not an easy subject to explain especially to those Honourable Members who may not be acquainted with all these facts. It may be possible that my Honourable friend, the Finance Member, will, when his turn comes to speak, point out to you the inconveniences from which the Government and the Reserve Bank will suffer if this proviso were included. I do not know what he is going to say, but I may point out to him that there will be Government sterling securities on the Banking side as well, and he can increase the amount of those sterling securities. At any rate, we attach a great deal of importance to this proviso and we consider it as much a safety valve as the Government consider the whole clause 37 a safety valve. I think I might explain in a few words what is the point of view of the experts who believe that no minimum of gold reserve is necessary. Everybody realises that under the present conditions every country is trying to increase its gold reserves. There is no doubt about that. But they contend that there should be no Statutory minimum put down in the Bill. For, if you have a Statutory minimum, it means that you tie up that amount of your assets, and as one expert said, that amount of your assets might as well be at the bottom of the well. That is to say, although your assets may be considerable, you tie up a certain amount and make it unavailable to Government and to the Reserve Bank at critical times and, therefore, you reduce your credit in the world by that amount. I do not know whether I have made myself perfectly clear. That is their view. Now, I will tell you, Mr. President, what is our point of view and, I may say, the Indian point of view. It is that the ratio question plays an important part in this discussion and we do not desire the Government to make use of our gold reserves in order to maintain a certain ratio. (Hear, hear.) Therefore, we are anxious to tie up our gold reserves by Statute, notwithstanding the fact that it may, of course, decrease our credit in the money markets of the world. Besides that, there is a sentimental point of view and, speaking for myself rather as a materialistic sort of person, I am not attaching very great value to this sentimental point of view, but we cannot neglect it in this Honourable House, but, on the merits of the question, placed as we are in this country and placed as we shall be in the future under the new Constitution, I have come to the conclusion that the only way of preventing Government from maintaining a ratio policy which, we believe, is not in the interests of this country, is to tie up our gold reserves by Statute. That being the position,

naturally I protest against the deletion of a clause which will, under certain contingencies, allow the Government to go below that 40 crores minimum. It may be that those contingencies may arise due to the policy of Government in connection with exchange and currency. They may create a situation which would make it necessary for clause 37 to come into operation. Having created that situation themselves, without this proviso they would be enabled to go below 40 crores minimum and retain their sterling securities. The proviso says that we shall certainly maintain the credit of the country under any circumstances till the very last farthing that we have, but our contention is that you shall first use the sterling securities before you touch your gold. I think, Sir, I have tried to explain it as clearly as possible and I do hope that my Honourable friends will support the Select Committee in including this proviso notwithstanding whatever my Honourable friend, the Finance Member, with his persuasive language, may be able to tell you as to the inconvenience that the Bank may suffer or that the Government may suffer under certain circumstances.

Mr. N. N. Anklesaria (Bombay Northern Division: Non-Muhammadan Rural): Do I understand that the Government are now going back upon their definite promises?

Sir Gomasji Jehangir: I have said, no, in the negative. I do not want to waste the time of the House. I have made it perfectly clear on several occasions. I have replied to the Honourable Member that it may be that even against his better judgement he came to the compromise of 40 crores. I have told the Honourable Member that on our part we gave up the inclusion of a percentage in the Bill. Surely my Honourable friend, who was a Member of the London Committee, ought to be aware of a certain amount of discussion. He ought to know better. I have told this House as much as I could and I know it will be only repeating what I already said if I want to answer the question put by my Honourable friend. But I do desire that my Honourable friend should be satisfied that whatever I have said are the facts.

Mr. President (The Honourable Sir Shanmukham Chetty): The Honourable Member has categorically answered the question. In fact, that question was put by the Honourable the Finance Member and he has categorically answered it in the negative. There is no reason why the Honourable Member should make another speech by way of answering the question put by Mr. Anklesaria.

Sir Gomasji Jehangir: If a few words more from me will capture the vote of my Honourable friend, I think it would be worth our while if I should spend two minutes more to explain the point to him and, for that purpose, the time would be well spent. I hope I have explained the position properly to my Honourable friend and I trust I have captured his vote.

Mr. K. P. Thampan: Sir, I strongly oppose the motion. It will be noticed that I have given notice of an amendment, viz., No. 225, to increase the gold coin and bullion reserve, but I did not care to move it, because I thought I could discuss the principle underlying that amendment on the present motion. Another reason why I did not move it was, I knew that, in spite of our opposition, the Government amendment was

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certain to be accepted by the House. So I propose to discuss the principle underlying this question of gold reserve now. I am afraid that this is one more proof, if proof were needed, that the Government are persisting in their suicidal policy which was responsible for the enormous and fabulous export of gold from this country during the last 2½ years. Sir, the policy of England and other countries that went off the gold standard from the time that they did so had been to accumulate gold. I would invite the attention of the House to the present position of affairs in the United States of America, in France and in England. In the United States of America, Federal Reserve Bank's statement for the week ending the 1st September, 1933, gold held exclusively against Federal Reserve Notes is shown as 28.15 million dollars against Federal Reserve Notes in actual circulation of 29.74 million dollars, that is 94 per cent against 40 per cent required by the Federal Reserve Bank Act. The Bank of France Statement for the week ending the 25th August, 1933, shows gold of the value of 82.226 million francs against Notes in circulation of 81.142 million francs, that is over 100 per cent. The Bank of England return for the week ending the 30th August, 1933, shows gold coin and bullion at £190.28 million against Notes issue of £450 millions, that is, 42 per cent. All these countries are increasing their gold reserves. As I said at the first reading of the Bill, what is good for these countries must also be good for this country. If the intention of the Government is to create confidence in the minds of other countries about the solvency of this country, let alone the confidence of our own countrymen, this amendment ought not to be accepted and I hope fervently that Members of this House are anxious to maintain the financial prestige of this country and will not hesitate to throw out this motion.

Raja Bahadur G. Krishnamachariar (Tanjore *cum* Trichinopoly: Non-

Muhammadan Rural): Sir I congratulate my Honourable friend,

S P. M. Sir Cowasji Jehangir, on the very able and lucid manner in which he explained the object of this amendment and the result of it which would lead to a lacuna which unfortunately exists in the speech of my Honourable friend, Mr. Ayangar, which we were not able to follow on account of the rapidity with which he made it and sat down. Sir, my first impression or feeling is one of regret that, in the few amendments that I moved in connection with what we considered to be national interests, we were deprived of this stirring eloquence of my Honourable friend, Sir Cowasji Jehangir, and if we had it, we shall never have been defeated. But, that is neither here nor there. Another point that strikes me is how the ordinary condition attached to the proceedings of the Select Committee handicaps men who like myself have not been members of the Select Committee. If those of us who have not been there had known all that had happened in the Select Committee, we would be in a better position to appreciate, even better than after hearing the lucid arguments of my friend, Sir Cowasji Jehangir. All these are unfortunately sealed books to us and, consequently, we have got to rely upon what is doled out to us by the courtesy of Members who at one time say that the proceedings are confidential and, therefore, we outcastes should not know anything about them and, at other times, of their own free will, give out what happened there. However, Sir, in this case I admit that it is not graceful on my part to object, because were it not for the fact that these proceedings have been made known to us, we could never have been able to understand the

inner working of this thing. The reason why I complain that the Honourable the Mover's speech was not quite clear upon this point is, what is the idea in leaving sterling securities alone and laying your hands upon the gold? I should like to know exactly what that is. Even now, if the Honourable the Finance Member would kindly come out with an explanation, that would probably clear the air a great deal.

Sir Cowasji Jehangir: Sir, may I interrupt my Honourable friend? I do think that it is fair that the Finance Member should speak twice and give us this explanation before my Honourable friend, the Raja Bahadur, continues his speech. There is a lacuna in the whole argument and we ought to know something of the Finance Member's mind before my Honourable friend is allowed to go further with his speech. If you move an amendment in five or ten words and do not tell us your point of view, how do you expect Honourable Members to reply? Of course, I have some idea, but I do not want to mention it. It is not fair to the other Members who do not know it. I hope, Sir, you will give us this indulgence and you will give all Parties this indulgence in allowing the Finance Member to say only a few words to enable my friend, the Raja Bahadur, to understand the gravity of the position and to reply to the Finance Member if there is any reply to be given.

The Honourable Sir George Schuster: Sir, I shall be very glad to oblige my Honourable friend if that is for the convenience of the House, and I do not think this is a matter for debating skill or anything of the kind. I daresay, if I say now what I have got to say, it may not require a reply. What I was going to say on this matter is that, in the first place, I very much regret that we should be at issue with Honourable Members opposite on this particular matter. I should also like to take the occasion to acknowledge the fact that I think that the members of the Select Committee, with a good deal of strong feeling on this subject, did make a great effort to find a ground on which we could meet. There were certainly people who pressed the fact that some provision should be inserted to the effect that gold should never be touched. They did not push the matter to that point, but they recommended that at least the 40 crores of gold should be left to the last. My Honourable friend, the Raja Bahadur, who just spoke, put this point to me. He said, he could not understand why we should want to leave the sterling securities to the last and turn to the gold. Well, Sir, we have never suggested taking up a position of that kind, and I am glad that my Honourable friend put the matter in that extreme way, because it makes it easier for me to make the position clear. I think our attitude on this whole matter has been made fairly clear in our minute of dissent; and if my Honourable friend, who moved this amendment, did not speak at great length, I think he probably took it for granted that our minute of dissent would have been read and that the House would appreciate what our attitude was. I will take a little time of the House in just reading one or two sentences from it. We refer to the recommendation made in the main report and then we say:

"While we feel that such ideas have force, and while we recognise the strength of Indian sentiment in this matter, we consider that, so far as statutory provisions are concerned, these should not be so framed as to hamper the discretion of the Bank to utilise its currency reserves in whatever manner may be most effective for maintaining the stability of the currency. In exercising this discretion it would of course be

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right for the Bank to take account of Indian sentiment, for any disregard of that might react on public confidence the maintenance of which is a vital factor in the security of the position—a factor of perhaps even greater importance than the actual currency reserves. But it is quite a different matter to convert the recognition of these points into a statutory limitation on the Bank's powers. The mere possession of powers even if they may always be kept in reserve is a strengthening factor, and the mere denial of such powers may be a weakening factor."

Now, Sir, I think that statement of the position does show that we have recognised the other side in this case and this is one of the many cases in the course of these discussions in which we have not really been at issue with Honourable Members opposite as to what should be the practical course to be followed. We have been at issue on the point as to whether a particular restrictive provision should be embodied in the Statute. My Honourable friends, who have sat on the London Committee and on the Joint Select Committee here, know only too well my own personal views on this subject. I went so far in the London Committee as to say that I could not conceive of myself as Finance Member going to the stage of parting with any of our present gold stocks, because I know that that would be taken as a danger signal by the public. It would attract an enormous amount of attention and would do just that thing which we ought to avoid. At a time of crisis, it would disturb public confidence. I repeated that view in the Select Committee and I still hold that view that it would be a most unwise thing for those who are responsible for the currency position in present conditions to trench upon our gold reserves. But even though I hold those views, I must maintain the attitude that to put a provision of this kind into the Statute is a mistake. In all the circumstances that I can foresee, I hold the view that I have just stated. But one cannot foresee all circumstances. Circumstances might arise,—some of the Honourable Members have very vivid imaginations,—but circumstances might arise which even they have not contemplated, and it might be desirable for the Bank—in fact it might really be necessary in the public interest—to do something with its gold reserves

Sir Cawasji Jehangir: Before its sterling reserves?

The Honourable Sir George Schuster: Possibly even before its sterling reserves.

Sir Cawasji Jehangir: That is the only provision here: that you should be allowed to use your sterling reserves before your gold reserves.

The Honourable Sir George Schuster: I answered my Honourable friend's interjection by saying "possibly before exhausting all the sterling reserves". I cannot visualise the circumstances—I frankly admit; but still one cannot tell what circumstances may arise and there is no doubt that in our present position, having all our external obligations as it so happens is sterling, being on a sterling basis, if you look at it from the strictly impartial point of view, what matters to us is our sterling reserves. Sterling reserves are non-speculative reserves for our currency: gold reserves are essentially a speculation: their value in terms of sterling may go up or may go down. I think in all the circumstances it is not right to put upon the Bank an obligation of this kind. It would have been

very gratifying to me and it would have helped us to get on with this discussion and the passage of this Bill, if I had been able to accept the views of the majority of the Select Committee on this matter; but it is a definite question of principle, and we have felt that it was wrong to insert a proviso of this kind and, therefore, we have had to express our views and stand by them. I hope that it will not be made a matter of bitter controversy; it is a question of what one considers to be right, and we do consider that the insertion of a proviso of the kind that the Select Committee has inserted, is, apart from questions of sentiment, not a sound or right provision. That is our position.

Mr. F. E. James (Madras: European): May I ask the Honourable Member one question? Could he indicate in some way or other the kind of circumstances that he would envisage which would make this restrictive proviso a danger? He said it is difficult, but it would help us who are trying to make up our minds on the matter if he could envisage any particular kind of circumstances which would have that effect.

The Honourable Sir George Schuster: My Honourable friend has asked me a question which I have already said I cannot answer. In fact, I should not like to allow my imagination to play on these circumstances, because, possibly one's speech might be reported, and it might be said that the Finance Member is contemplating all sorts of horrible contingencies which at present I do not contemplate, and which I cannot imagine.

Raja Bahadur G. Krishnamachariar: Sir, I am extremely obliged—and I have no doubt will the House be—for the explanation given by the Honourable the Finance Member; but I regret to say it does not take us any further. The position is this: you have got sterling securities and you have got gold. You do not know when you will be compelled to draw upon this gold reserve instead of touching the sterling reserve: the thing might or might not happen: and in order to provide for some contingency of which we have absolutely no idea at all, you are going to lay your hands upon a reserve which appeals, it may be, to the sentiments of the people of this country: even if you put it on that ground, sentiment plays a great part in the disposition of things in this world. It is claimed that it might be that we will not have to exercise this power; but the very existence of the power would be a strength. But, I say, the very existence of the power would be a temptation to use it in cases where it is not absolutely necessary; and, once this Bill goes out of our hands as an Act, who has got control? The Legislature cannot interfere. I suppose the Government can: well, the Government will be told that that circumstance exists and it is to nobody's interest to find out what is the true state of affairs. Why should not the sterling securities be touched and exhausted before gold is laid hands upon? That is the proviso:

"Provided that the gold coin and gold bullion held as such assets shall not be reduced below the amount specified in the proviso to sub-section (2) of section 33 so long as any sterling securities remain held as such assets."

So, the position is, what the Select Committee did—and I respectfully submit, perfectly correctly did—was to say "use sterling securities as much as you like; but before you touch this 40 crores, see that all your sterling securities are exhausted." And the only argument that we have been

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told is that it is better to have that power, for you do not know what might happen. When such an emergency does arise, I have no doubt that the present Government of India Act as well as the future Government of India Act will provide a great deal of power in order to meet that emergency, for emergencies have no general rule to be applied to: they must be met as they arise. In answer to my friend's question, the Honourable Member quite rightly, if I might say so respectfully, said that he cannot envisage any of those things at present; and, therefore, I submit to provide for a contingent future which may, or may not happen, a power which may be well exercised, but which at any rate creates a temptation to exercise it badly, is a power which, under no principle of legislation, you can entrust a body with. That is my objection to the proviso.

Mr. Muhammad Yamin Khan (Agra Division: Muhammadan Rural): I am not one of those, Sir, who will from the very start put in a kind of suspicion on the future Directors, and I would have liked to leave a great deal of power to the future Directors to judge whether a thing is right or wrong and to act in the manner they think best for the welfare of the Bank itself. But some kind of instructions has always to be given before power is given to the Directors. I realise that their hands will be tied down by making this proviso, but we have to see whether it is proper to place this restriction on them or not. We know that the price of gold has been fluctuating within the last two or three years. The reserve we have got is worth 45 crores now, but if it had been taken into consideration several years before, it would not have been of that value, because the value of gold was not so much then as it is today: and there is every likelihood of the value of gold being depreciated in future. That factor has also to be taken into consideration. I have made my position clear. It was decided originally for 35 crores and we stood by that figure. But when I found that there was a change and certain other members were for 40 crores and a certain percentage, I still held that I must stand by my signature to which I had agreed, namely, 35 crores, provided the Government did not change their view. But as I find that they have yielded on this point, my signature for 35 crores is also gone and I had nothing to stand by, because, whatever we had agreed to as a compromise I could stand by. If the Government remained staunch on this point, I would have. But once they have yielded from 35 to 40 crores

Sir Cowasji Jehangir: Do you not give the Honourable Member credit for it?

Mr. Muhammad Yamin Khan: That is what I am going to say

Mr. President (The Honourable Sir Shanmukham Chetty): The Honourable Member's complaint is that he was let down.

Mr. Muhammad Yamin Khan: If the Honourable Member, Sir Cowasji Jehangir, had the patience to listen to me, he would have found that I was going to say what he was saying: when I found that the Honourable the Finance Member yielded from 35 to 40 crores, I at once said that I was not in that case going to stand by 35 crores either: and

I made my position quite clear in the Committee also. But I think it was very reasonable on the part of the Honourable the Finance Member and I must give him credit that he yielded on this point and he did not stick to what had been done outside after due deliberation, viz., 85 crores. Thirty-five crores was not the sum on which the Honourable the Finance Member alone had persisted. It was agreed to not only by the Finance Member, but by the Leader of the Opposition, by the Deputy Leader of the Opposition, myself, Sir Purshotamdas Thakurdas, Mr. Anklesaria, Lala Ram Saran Das and others. All people, who were present there, had agreed, but, in spite of this universal agreement, the Finance Member saw that the pressure from this side was so strong that he agreed to 40 crores. This is certainly a great credit to him; but he made one position clear, and that is, that he would agree to 40 crores if the Bill was not changed materially. Now, I see that no material change is going to be effected in this Bill, and so I lend my wholehearted support to the Bill as it has emerged from the Select Committee. At least I stand by the Report of the Select Committee and I will stand by it on all the material points raised there, whatever the House may now decide. I will not listen to anything, but I will stand by the Report of the Select Committee, as I have done. I think the proviso which has been added after due deliberation, that the gold reserves should not be touched as long as we have other securities to touch should remain. I do not see any reason why we should keep the sterling securities in our hands and go on selling our gold. Our gold must be the last resort to be parted with, at least in the circumstances in which we are standing now. That is the position we should take, but, as regards the future, if the Directors find that it is impracticable to keep the gold and the market gets settled down in the world, then Government can come before this House and get this Act amended. I will have no objection to that course if I find that we must alter our position, but, under the present circumstances, when we find that the market is holding gold, when we find that other countries are also holding gold, I think we must stand by this proviso which has been inserted in the Select Committee. Sir, with these words, I oppose the amendment.

Mr. Bhupat Singh (Bihar and Orissa Landholders): Sir, I also strongly oppose the amendment of Mr. Ayangar. There is a strong feeling in the country that gold should not be touched. The minimum gold reserve should always be kept as long as other securities can be disposed of. Sir, in the Select Committee, there was some talk about fixing a certain percentage of the total reserve which should be kept in gold, as was pointed out by the Leader of the Opposition, but when the Government agreed to have the fixed minimum of 40 crores worth of gold, we abandoned the idea of fixing any percentage. In many countries, where there are Central Banks, there is a provision to keep a Statutory percentage of gold which does not find place in the present Bill, and, therefore, Sir, it is very necessary that there should be some understanding that the gold reserve should only be touched as a last resort and it should not be frittered away under ordinary circumstances.

The Honourable the Finance Member said that he could not visualise such a situation when the reserve gold would be sold away by keeping the sterling securities intact, but may I point out to him that even if circumstances not imagined by him did arise, then Government would be quite at liberty to bring forward an amending legislation to make the necessary changes. There are many provisions in this measure where the

[Mr. Bhuput Sing.]

Government have laid down that in times of need to meet certain circumstances in future amending legislation will be brought forward by them, and so I ask, why not include this emergency if it ever arises for being tackled by a future amending legislation? Why are you insisting that the Central Board should have power to sell away gold at any time they think to be desirable to do so? It has always been said that the Reserve Bank should carry public opinion with it, and in this matter public opinion is very strong. I, therefore, strongly recommend to the Government not to press this amendment, but I would rather request them to withdraw it.

Mr. S. O. Mitra (Chittagong and Rajshahi Divisions: Non-Muhammadan Rural): Sir, I very much regret the attitude of the Government in this matter, and I congratulate my friend, Mr. Yamin Khan, who is always sincere in his convictions and stands by what he says. As a matter of fact, he said that he wanted to stand for 35 crores worth of gold, and if Government changed, he would also change. Therefore, it is perfectly fair and right that he has changed when Government have changed their position.

As regards the Government attitude, Sir, all along they were the masters of the situation. They had to accept dictation from elsewhere. It is certainly true that the Finance Member said that he could give no undertaking, and everybody understood his position and everybody understands his position even now. If left to himself, I certainly believe that the Finance Member would not have pressed for such an unnecessary amendment against the decision of the Select Committee which was almost unanimous.

Then, as regards clause 33 (2), I remember that we on the non-official side in the Select Committee agreed not to press for any percentage, provided that the provision about forty crores gold was accepted by Government as a matter of compromise. Though there may not be any understanding, yet certainly there was general agreement about it. It may not be a promise or understanding in the technical sense, knowing full well that there cannot be any agreement between persons who are not free agents. Even now the Finance Member said that he could not conceive of any circumstances, he could not realise any circumstances at present, when it might be necessary to touch gold instead of touching sterling. Now, if even the Finance Member who is such an expert financier, cannot conceive of any circumstances to touch gold, why is this anxiety to make provision for it? If such unprecedented and unnatural circumstances arise, certainly they can come to the Assembly and amend the Bill, otherwise we can only conclude that they are apprehending that there might be some demand for gold from the Bank of England and they will have to yield then. If that is so, then they should make the position clear that this Reserve Bank should be run in the interests of the Bank of England, and so all sorts of possible eventualities must be provided for, otherwise, after the statement of the Finance Member in reply to the question put by my friend, the Raja Bahadur, that he could not conceive or realise any circumstances when such a necessity might arise, I think Government will now see their way, unless, of course, their hands are tightened by instructions from elsewhere, not to press for it. I do not know what will be the attitude of the Members of the European Group. I expect that they are free to exercise their judgment, because

their Leader was also a party to the Select Committee's Report. If necessary, I shall read the relevant portion from the Select Committee's Report.

"We have added a proviso to ensure that the minimum gold holding specified in clause 33 (2) shall in any case be retained as the last reserve. We consider that if the currency reserves had to be drawn upon so heavily that they were reduced to 40 crores a situation would have been created which would in any case require consideration of the whole position. In that event we think it of the greatest importance that the Bank should possess at least this minimum holding of gold as a nucleus of reserves with which to maintain the currency position on the new basis which might be settled after such reconsideration. It is because we consider that a stock of gold will in such circumstances be the most valuable nucleus that we think this minimum should be preserved in the shape of gold rather than in sterling securities. In making this recommendation we do not imply that a provision of this nature, earmarking a certain portion of the currency reserves for special treatment, is necessarily suitable as a permanent provision, and we recognise that it may have to be reconsidered when the occasion contemplated in the preamble to the Bill arises and it is possible to frame measures for establishing the Indian monetary standard on a permanent basis."

It is no secret that Indians have a special inclination for preserving as much gold as possible. We are not of such a scientific turn of mind as the Finance Member. Though we know that gold cannot be eaten, it has been the experience, not only of an antiquated people like ourselves, but also of the most modern people, the Americans and the French, that they go in for gold, and, therefore, the Finance Member will excuse the people of India, with a traditional love for gold, if they want to keep as much gold as possible.

The Honourable Sir George Schuster: It is a very bad and foolish world!

Mr. S. C. Mitra: Since in this foolish world, when there is only one wise man, that wise man must wait till the rest of the world comes up to his level. I do think that my Honourable friend's speeches should be circulated more in America and in Europe than in this country. I understand that the Finance Member further said that gold was more speculative than sterling securities. It is a very amazing remark. An expert like our Finance Member says that, and we have swallowed many things that he has said, but I may say that his new theory about gold being more speculative than sterling securities may be reserved for people with greater culture and civilisation than ourselves. I am sure that even now, if he were a free agent, he would not press this amendment.

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

"That the proviso to sub-clause (1) of clause 37 of the Bill, be omitted."

The motion was negatived.

Clause 37 was added to the Bill

Clause 38 was added to the Bill.

Clause 39 was added to the Bill

Mr. President (The Honourable Sir Shanmukham Chetty): We now reach clause 40. Clauses 40 and 41 deal with the obligation imposed upon

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the Reserve Bank to maintain the external value of the rupee at a particular figure. There are quite a number of amendments on the Order Paper as regards both these clauses. While it is necessary that every variety of amendment must have a chance of being moved and argued, it is also necessary that the discussion must be concentrated and not be duplicated on each of these two clauses. Therefore, the procedure that the Chair proposes to follow is this. The Chair will put the question that clauses 40 and 41 do stand part of the Bill. The amendments fall roughly into three classes. One class of amendments wants to leave the rupee to take its own course and not to fix a value. Another class of amendments seeks to fix a lower value than that provided in the clauses; and a third group seeks to enact that the value should not be decided now and here, but that the value of the rupee must be such as may be existing under the law for the time being in force when these clauses come into operation. These are the three groups of amendments. The amendments dealing with the first group, that is, to leave the rupee to find its own level without fixing a rate, are the amendments Nos. 251 and 252 in the name of Mr. Thampan and Raja Bahadur G. Krishnamachariar respectively. The Chair was given to understand that these two Honourable Members did not wish to move their amendments.

Raja Bahadur G. Krishnamachariar: That is right.

Mr. President (The Honourable Sir Shanmukham Chetty): Therefore, we are left with the other two groups, one group fixing a lower value, and another group allowing it to be fixed at the value that prevails under the law for the time being in force. The Chair proposes to take one amendment from each of these groups and to allow a comprehensive discussion on that. Analysing the amendments, the Chair finds that amendment No. 254, standing in the name of Mr. Sarma, and amendment No. 259, standing in the name of Sir Cowasji Jehangir, are typical amendments in the last group. The Chair would, therefore, allow Mr. Sarma first to move his amendment, and then the Chair will ask Sir Cowasji Jehangir, if he so desires, to move No. 259. Then, what the Chair proposes to do is to ask Shaikh Sadiq Hasan or Dr. Ziauddin or Mr. Sitaramaraju to move one of those amendments which seek to fix the value of the rupee at 1s. 4d. The discussion will take place comprehensively on these three amendments, and Honourable Members must understand that, when the discussion on these three amendments has taken place, the discussion will close and then the necessary questions will be put on clauses 40 and 41. There are other amendments which are slightly a shade different from these, but in substance are the same, and, therefore, the Chair does not propose to ask those Honourable Members to move the amendments that stand in their names. That is the procedure that the Chair proposes to follow.

Mr. Vidya Sagar Pandya (Madras: Indian Commerce): What about the amendments that suggest reduction from 1s. 6d. to 1s. 4d?

Mr. President (The Honourable Sir Shanmukham Chetty): They come under the second group of amendments.

Sir Cowasji Jehangir: You have referred to amendments—an amendment in the name of Mr. Sarma, No. 254, and an amendment in my name, No. 257, on clause 40.

Mr. President (The Honourable Sir Shanmukham Chetty). The Honourable Member's amendment, No. 259, is better.

Sir Cowasji Jehangir: I will move either the one or the other. What about clause 41 which does not stand quite on the same basis as clause 40?

Mr. President (The Honourable Sir Shanmukham Chetty). Quite so. The point is that the discussion must be comprehensive. Clause 40 fixes the rate at which sterling has to be sold by the Bank, and clause 41 the rate at which sterling ought to be purchased by the Bank. The decision of the House will be definitely given when the amendment of Mr. Sarma or Sir Cowasji Jehangir is put to vote; but, in spite of that, if the Honourable Member wants to take a decision on a corresponding amendment of clause 41 he can simply take the vote and there will be no discussion. Whatever he has to say on that, he must say now. The Chair wants the House to discuss in one comprehensive discussion both the rates for the purchase and sale of sterling and the Chair cannot allow a second discussion all over again on clause 41.

Mr. S. O. Mitra: What about my amendment No. 263, which is slightly different in this way

Mr. President (The Honourable Sir Shanmukham Chetty): The Chair quite realises that. That amendment is only to a very slight degree different from the amendment of Sir Cowasji Jehangir. If the Honourable Member insists on moving it, the Chair has certainly no objection to ask him to move it.

Mr. S. O. Mitra: My amendment should be confirmed by this Legislature.

Mr. President (The Honourable Sir Shanmukham Chetty): The amendment of Sir Cowasji Jehangir would be the same. Any law for the time being in force must have the sanction both of the Governor General and of the Legislature. Therefore, in that sense, Mr. Mitra's amendment is substantially the same as the other amendment.

Mr. H. P. Mody (Bombay Millowners' Association: Indian Commerce): The other amendments of Sir Cowasji Jehangir go out?

Mr. President (The Honourable Sir Shanmukham Chetty): All the other amendments go out.

Raja Bahadur G. Krishnamachariar: What about 276?

Mr. President (The Honourable Sir Shanmukham Chetty). That is exactly the explanation that the Chair gave to Mr. Mitra just now. If a rate is fixed by the Governor General and subsequently approved by the

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Legislature, it comes to the same thing as the rate for the time being in force. If Mr. Mitra takes a different view, the Chair will certainly allow him to move it.

The question is :

"That clauses 40 and 41 stand part of the Bill."

Mr. R. S. Sarma (Nominated : Non-Official): Mr. President, I move :

"That for clause 40 of the Bill, the following be substituted :

'40. 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'."

May I move the other amendment also?

Mr. President (The Honourable Sir Shanmukham Chetty): Not necessary. The real discussion will be on this. If the verdict of the House goes against Mr. Sarma and if he still wants to move the corresponding amendment to clause 41, he will have simply to move it and go to the vote.

Mr. R. S. Sarma: Sir, I consider it a rare privilege and honour to move what I conceive to be the most important amendment of all the 200 odd amendments that are on the Order Paper. (Hear, hear.) Sir, even if the interruption is ironical, I may say that I consider it important, not because it comes from me, but it is important, because the whole House will recognise that after the disposal of the clauses referring to Shareholders *versus* the State Bank, clauses 40 and 41 are the most important and vital in the Reserve Bank Bill and, as my amendments refer to them, I consider them as the most important of the 200 odd amendments that are on the Order Paper. I am also in the very very happy position that in moving this amendment, I am not only having considerable support among my own Party, but I also understand that my amendments have the sympathy and support of a large body of non-official public opinion in this House. Sir, I must at once frankly and candidly state that I do not pretend to any expert knowledge of finance or banking or currency and I realize that these particular amendments must be defended from the agricultural point of view, from the industrial, statistical, and economic points of view. I have been able to get, I think, the support of people like my friend, Mr. Neogy, the Leader of the Democratic Party, Mr. Scott, Mr. Mody and Dr. Ziauddin Ahmad. I am sure that the constitutional aspect will be fully dealt with by Mr. Neogy than whom there is no one better fitted to deal with that aspect of the subject, the statistical aspect by Dr. Ziauddin Ahmad, the economic aspect by Mr. Mody, last, but not the least, the industrial aspect by Mr. Ramsay Scott. Sir, I realise that the responsibility of moving this momentous amendment is a very great one. I have on this occasion gone back upon my usual practice of making extempore speeches. I have put down in paper what I have got to say on this subject. I propose to read from notes making my comments wherever necessary.

In the devising of these two amendments standing in any name, I have kept three very distinct things in mind.

Firstly, I have assumed, without admitting that the ratio is not to be discussed in the present Bill, that advantage should not be taken of the present Bill to raise that question. Secondly, I have given the fullest weight to the assurance which the Honourable the Finance Member gave that, as far as this Bill was concerned, he did not seek to alter the existing law. Thirdly, I have provided, I believe, for an early occasion when this Assembly will perforce be called upon to discuss the ratio on its own merits. So far as the first two objectives are concerned, the country should be happy that there is to be an early opportunity for the discussion of the ratio in this House. Nor is this an objective which the Finance Member should disapprove of. When there is such strong feeling in this matter both in the House and outside, it is but fair that the issue is not evaded but, faced straight and square at as early a date as possible.

In his concluding remarks on Thursday, the 30th November, Sir George Schuster said that he was only picking up the provisions of the existing law. He also gave the assurance that he had not the least intention of altering the existing law. I want to invite the attention of the House to the reiteration of the words "the existing law". The existing legal position—that and only that—is what he professes to maintain in the clauses of the Bill. Let me take the Finance Member at his own word and he cannot have any complaint if we examine the clauses which he has put in the Bill from the standpoint of what he himself stated in clear, unambiguous and emphatic terms. The simple test, therefore, is this. Do these two clauses maintain the existing legal position? Are they just picking up the provisions of the existing law? Does his intention to do nothing by way of altering the existing law stand vindicated? This is the criterion by which I shall judge the two clauses and Sir George would agree that this criterion is fair and proper as it arises from his own clear and explicit statement in the House on the 30th November.

For any par of exchange, there should be an upper point and a lower point. The par of exchange is itself, as is usual, never stated in the Bill, but it is clear that the par of exchange intended to be incorporated in this measure is 1s. 6d. sterling. What the Bill does is to provide, in clause 40, the lower point at 1s. 5 49/64d., and in clause 41, the upper point at 1s. 6-3/16d. The same thing can be expressed in another way. The Bank is to be statutorily required to sell sterling for unlimited quantities at 1s. 5 49/64d., so as to prevent exchange slipping below this rate and to buy sterling for unlimited quantities at 1s. 6-3/16d., so as to arrest exchange soaring beyond this rate.

Clause 40, which deals with the sale of sterling, reads as follows:

"40. The Bank shall sell, to any person who makes a demand in that behalf at its office in Bombay, Calcutta, Delhi, Madras or Rangoon and pays the purchase price in legal tender currency, sterling for immediate delivery in London, at a rate not below one shilling and five pence and forty nine sixty-fourths of a penny for a rupee:

Provided that no person shall be entitled to demand to buy an amount of sterling less than ten thousand pounds."

Sir, the corresponding section in Act IV of 1927 is section 5 of which sub-section (1) is as follows:

"5. (1) the Governor General in Council shall sell, to any person who makes a demand in that behalf at the office of the Controller of the Currency, Calcutta, or of

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the Deputy Controller of the Currency, Bombay, and pays the purchase price in legal tender currency, gold for delivery at the Bombay Mint at the rate of twenty-one rupees, three annas and ten pies per tola of fine gold or, at the option of the Controller or the Deputy Controller, as the case may be, sterling for immediate delivery in London at an equivalent rate :

Provided that no person shall be entitled to demand an amount of gold or sterling of less value than that of 1,065 tolas of fine gold."

Sub-section (2) deals with the method for determining the equivalent rate; and sub-section (3) lays down that the equivalent rate so determined shall be notified in the Gazette of India. On April 1st, 1927, that is, the same day on which Act IV of 1927 came into force, a Gazette Notification was issued fixing the equivalent rate at 1s. 5 49/64d. Thus section 5 of the Currency Act of 1927 provides for the sale of gold at a specified price or the sale of sterling at the specific rate of 1s. 5 49/64d. Clause 40 of the present Bill omits the provision for the sale of gold as ineffective and contains that for sale of sterling at the same old rate. It may, therefore, be said that so far as clause 40 is concerned, both the sale of sterling and the rate for such sale are exactly as in the existing law. Let us now, Mr. President, turn to clause 41 which reads as follows :

"41. The Bank shall buy, from any person who makes a demand in that behalf at its office in Bombay, Calcutta, Delhi, Madras or Rangoon, sterling for immediate delivery in London, at a rate not higher than one shilling and six pence and three-sixteenths of a penny for a rupee :

Provided that no person shall be entitled to demand to sell an amount of sterling less than ten thousand pounds :

Provided further that no person shall be entitled to receive payment unless the Bank is satisfied that payment of the sterling in London has been made."

The corresponding section in the Currency Act, Act IV of 1927, is section 4 which reads as follows :

"4. Any person who offers for sale to the Governor General in Council at the office of the Master of the Mint, Bombay, or at any other place notified in this behalf by the Governor General in Council in the Gazette of India, gold in the form of bars containing not less than forty tolas of fine gold shall, subject to such conditions as the Governor General in Council may, by notification in the Gazette of India, prescribe, be entitled to receive payment for the same at the rate of twenty-one rupees, three annas and ten pies per tola of fine gold."

Here is the real point to which I must invite the careful attention of the House. This section provides only for the purchase of gold at a specified price. There is no mention whatsoever of the purchase of sterling. Much less does it lay down any rate for such purchase of sterling. Clause 41 of the present Bill omits the provision for the purchase of gold on the plea that it is ineffective, contains a Statutory obligation to buy sterling and lays down the rate at 1s. 6 8/16d. The question I ask of the Honourable the Finance Member is this. From what Currency Act or other legal enactment does he get this rate of 1s. 6 8/16d? Is there any mention of this rate in any "existing law"? Let me stress on the words "existing law" in this question. I am only pointing out that the Honourable Member in his earlier speech in this House said that in what he was doing he was not altering the existing law, but was reproducing it from the existing Currency Act. Now, Sir, as far as I have been able to understand, and from the careful inquiries I have made from persons who are knowledgeable in this matter, the rate of 1s. 6 8/16d. for purchase of

sterling is nowhere to be found in the existing law. That is a lacuna which we have got in the legal position of the ratio on the basis of 1s. 6d. sterling, and it seems to be the intention of the Honourable the Finance Member to rectify the lacuna through clause 41 of this Bill. Now, rectifying a legal lacuna is not exactly loyalty to the assurance that there is not the "least intention to alter the existing law". I maintain, Sir, that if the Finance Member is *bond fide* in the assurance which he, voluntarily and of his own accord, has given us, he should not persist in this attempt to use the present Bill to rectify a defect of the existing law. If he does persist in such an attempt, I am sorry that the House will be constrained to conclude that he is speaking, I am obliged to say, unfairly to sneak this provision into the Bill while blandly pretending perfect innocence. I shall, however, be not so uncharitable as to doubt his motives or question his *bond fides*. I am ready to believe that through an oversight or through a cursory understanding of the detailed provisions of Act IV of 1927, he has been led to incorporate a clause like clause 41 in the sincere belief that clause 41 did not alter the existing law. I should, therefore, make a special appeal to him to take note of the arguments I have urged and to modify this clause in such a way that it would just maintain the existing legal position—neither more nor less. If he sees the inevitability, let alone the reasonableness, of the point of view I have stressed, the Honourable the Finance Member could, I am sure and the House will be sure, easily perceive that my amendments carry out in letter and in spirit the assurance of Sir George Schuster and the objective which he has owned in the assurance while his own clauses belie, and run counter to, that assurance. He must, I urge, be only too glad to drop his own clauses and incorporate mine, and I hope he will do it, and I may also hope that he will not only incorporate my own clauses, but tell me, "Thank you, Sarma, for drawing my attention, in time, to this serious oversight." (Laughter.) (Hear. hear.) As I said, section 5 of the Currency Act of 1927 provides for sale of gold under certain conditions or, in the alternative, sale of sterling at a specified rate. My amendment to clause 40 provides for sale of gold under the conditions specified by law at the time this clause comes into force or, alternatively, the sale of sterling at the rate which is the *de jure* rate on the aforesaid date. It will be seen that while I have made no commitment in this clause for any specified price of gold or any specified rate for sterling, the amendment is devised in a way that it preserves the closest contact with the relevant section of the existing law. By the same token, a careful appreciation of the amendment I have proposed for clause 41 and of section 4 of the Currency Act of 1927 would show that, while I have retained the provision for the purchase of gold and made sure that such purchase will be under the conditions, if any, that are legally in force, I have provided for purchase of sterling not at a rate which has no legal sanction today, but at the rate which, on the day the section comes into force, will be the *de jure* rate. I have, therefore, not gone beyond the limits of the existing law. At the same time, I have made sure that the Bill will contain provisions for both the lower and upper points. To the extent that one of the two points remains indefinite and obscure according to the legal position as it obtains today, that indefiniteness will continue till the necessary steps are taken by the Government to make it definite. It may be that it may not suit the Finance Member to leave one of the two points indefinite. But, as he will realise, it cannot be helped as he himself is responsible for the assurance that what he wants today is to maintain just the legal position.

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If he wants anything over and beyond the existing legal position, he must say so frankly. And after speaking his mind frankly, he must place before this House proposition in connection with the Currency Act of 1927 for insertion in that Act of the definite rate which he wants. From the point of view of the position that he has taken in this Bill, that is the only logical course. He cannot smuggle in any non-existing rate in the present Bill. These are my arguments for pressing my point of view before this House and before the Honourable Member.

Sir, I want to conclude with a personal note. (Hear, hear.) The Honourable the Finance Member, whose term of office will shortly come to a close, has enjoyed a very high reputation. However much people here and outside may disagree with his policy, however much they may think that his financial policy has in many respects not contributed to the welfare of this country.

I have heard it often amongst his worst enemies who have had opportunities of listening to him either from the Press Gallery
4 P.M. or from the Distinguished Visitors Gallery that however much they may have been against him, once they come and listen to his sweet reasonableness and to the appealing manner of his speech, they always wished to revise their opinion and to reconsider their judgment in the light of the reasons given by him on the floor of this House. I appeal to him that even on this occasion he should try to do the same and accept my amendment in the spirit in which it has been moved. I have heard it mentioned by my Honourable friends who sat in the Select Committee and also by other Honourable Members that if these amendments are carried out, Government will withdraw the Bill. Sir, as soon as some of these amendments were published in the Press two or three days ago, as soon as the news paragraph appraised that among the divergent views that are being held both by Government about 18d. and the popular demand for 16d. ratio, the amendments standing in my name and in the name of Mr. Mody seemed to be the most acceptable compromise, Government were anxious to issue a communiqué that they were not going to be a party to any compromise at all. I have also heard it stated that even if the House carried this amendment, the effect of it would be that they would be obliged to withdraw this Bill. I hope they will not do it and, I am sure, they will not do it, but the threat is there. The threat is not simply that the Reserve Bank Bill will be withdrawn, because, if the Reserve Bank Bill is withdrawn, the Central responsibility is also withdrawn. I hope no such threat will be given to this House and that this amendment will be treated on its merits. In any case, this threat need not frighten anybody. Sir, one very interesting feature of the whole of this monotonous debate on the Reserve Bank Bill for the last three weeks has been that now and again the monotony and the dullness of the debate was enlivened by a series of delightful and breezy stories by my friend, Dr. Ziauddin, and Mr. Vidya Sagar Pandya. I have also got the contagion and I want to illustrate how we are not going to be bullied by the State by any threats by narrating a small story. An Italian family were living very near mount Vesuvius and all the time they were threatened by the eruptions of that mountain. Whenever there were rumblings of the mountain, they expected some sort of eruption. So, the family used to send their children to an adjoining village and their friend in that village used to keep them until such time as the eruption was over and then he used to send back the children to their parents. But the children

made themselves such a nuisance at the house of their parents' friend that he did not like the idea of keeping them. On another occasion, when the eruption took place, the father of these children sent a letter to his friend and asked him whether he could send his children to him. The friend replied: "For Heaven's sake do not send the children, but send Mount Vesuvius. It is better of the two evils". In the same way, if we have got to choose between two alternatives, viz., "Central Responsibility with all the ugly features of the Reserve Bank Bill and Government unwilling to modify it even a little bit to bring into line with public opinion" and "No Central Responsibility", I have no doubt what the answer of every self-respecting Indian will be. "We want the lesser of the two evils. Keep Central Responsibility in London, we don't want it. We are sending back your Reserve Bank Bill with Sir George Schuster when he goes home."

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

"That for clause 40 of the Bill, the following be substituted:

'40. 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'."

Does Sir Cowasji Jehangir want to move his amendment?

Sir Cowasji Jehangir: My amendment is like the one that has been moved: it is couched in practically the same language. I will, therefore, support Mr. Sarma's amendment later on when it is necessary to do so.

Mr. President (The Honourable Sir Shanmukham Chetty): Does any other Honourable Member, in whose name an amendment similar to the amendment standing in the name of Sir Cowasji Jehangir stands, like to move it? The amendments are in the names of Mr. Scott, Mr. Mody and Mr. Thampan.

Mr. J. Ramsay Scott (United Provinces: European): I wish to support Mr. Sarma.

Sir Cowasji Jehangir: May I point out, Mr. President, that all these amendments are practically the same and, therefore, there is no necessity to move any of them. The simplest method is to support Mr. Sarma's amendment.

Mr. President (The Honourable Sir Shanmukham Chetty): The Chair would now ask one of the Honourable Members to move an amendment which seeks to fix a definitely lower rate for the rupee. These are amendments Nos. 266, 267, 268 and 269. The first amendment stands in the name of Shaikh Sadiq Hasan and he can move it if he wants to. But there is an error, because he says "one shilling and three pence and forty-nine sixty-fourths". The Chair takes it that he wants to fix the rupee at 1s. 4d. at par exchange in which case the lower point is not just what he said. Probably some Government Member will be able to give the lower point.

The Honourable Sir George Schuster: He can take any rate he likes. It need not be calculated on a logical basis.

Mr. President (The Honourable Sir Shanmukham Chetty): That is not the point. It is understood that the intention is to have 1s. 4d. at par exchange.

Dr. Ziauddin Ahmad: It is 1s. 4d. at par and so is Mr. Raju's amendment.

Mr. President (The Honourable Sir Shanmukham Chetty): The Chair would allow it to be moved as it is, but later on when the question is put, the Chair would permit the correction to be made.

Mr. H. P. Mody: Are not Government in a position to say that straight-away?

Mr. President (The Honourable Sir Shanmukham Chetty): Does Mr. Mitra want to move his amendment No. 263?

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

"That in clause 40 of the Bill, for the words 'not below one shilling and five pence and forty-nine sixths of a penny for a rupee' the following be substituted:

'to be announced by the Governor General in Council after consultation with expert opinion in the country at the time of bringing this Act into operation and that question shall be placed subsequently before the Central Legislature for its confirmation'."

Sir, it is admitted that this Bill is not going to be put into operation immediately. It will take at least a year before this measure comes into force. So, we feel that there is no necessity for us now to fix any ratio, because it is certain that, during the lapse of another 12 months, the circumstances are very likely to change. It is generally believed in India today that the present ratio of 1s. 6d. is not in the best interest of the country. I know that in this Bill we are not directly required now and here to fix any ratio. What I suggest is that the Government should not even now declare the ratio, but, before this Bill actually comes into operation after 12 months, they should appoint an expert Committee which should go through this question in detail and come to a decision and give their suggestions. I agree that it is not for the Legislature even at its public sitting to discuss and decide what should be the ratio of exchange. It certainly lies in the province of experts to decide these matters. In my amendment I suggest that this recommendation of the expert Committee should be placed subsequently before this Assembly for discussion and their opinion. This is not a very unusual course. The executive has to take action in an emergency. But that is no ground why any action taken by Government should not subsequently be placed before the Legislature for their opinion. In my amendment what I suggest is that instead of fixing any ratio about the things that will happen 12 months after, the Government, instead of committing in any way that they would stick to the present ratio even a year hence, should leave it to the wisdom of an expert body which should make the necessary enquiry at that time.

Sir, I know that this ratio question is a very delicate one. Even the anticipation of exchange in any way leads to great speculation. I am just referring to the occurrence that took place only a few days ago. A recognised press agency gave currency to the report that there had been a certain settlement about this ratio question between the non-officials and the Government. In this particular case, the

news agency being a subsidised agency and generally being in a position to express Government views on their inspiration, certain people thought that there must be some truth behind it. It may not be known to Government that there are speculators who may go to any extent and take advantage of the situation to exploit the people. Even on flimsy grounds, they speculate in Calcutta, Bombay and Madras. So I believe that we should leave nothing here in this Bill that should in any way lead to any speculation. As I said, it is the business of the executive Government, and in this matter they should be properly advised by an expert Committee as to the ratio that should be fixed in the best interests of the country. As the Honourable the Finance Member said, this question was not directly at issue in this Bill. So I do not like to go into details. This involves a very interesting and essential question, namely, by changing the ratio how much we can help in the present depression. Some people think that by merely handling of this ratio properly, we can cure all our ills. I am not a believer in that extremist school, though I know that a large body of Indian opinion is on that side. To me the question takes this shape. By changing the ratio, we can certainly make our things cheaper, but I think the real question is whether by changing the ratio, we can create a larger demand for our produce. We can make our things cheaper by lowering the ratio level, but we cannot create a demand if there is over-production everywhere. I am thinking about the jute industry in Bengal. We know that it is a monopoly produce of Bengal, but unless there is a demand for it all over the world, even though it is a monopolistic production of Bengal, we cannot raise its price level. I do not take it as a conclusive proof that a lower ratio alone will help us, but I must also admit that there is strong opinion in the country that, by handling this ratio question properly, it may help in raising the price level in this country. But as I said, I agree to a great extent with the Finance Member that this ratio question is not a live issue in this Bill. The Bill will come into force only after 12 months and we are not in a hurry to fix the ratio here and now. I do not see why the Government should not agree to a suggestion like the one contained in my amendment. I do not in any way wish to encroach on the right of Government to fix that ratio, but it is also certain that, in fixing the ratio, the Government should consult expert opinion. The only question is about its ratification by the Legislature. When Government are every day becoming more and more democratic and want to be responsible or at least responsive to public opinion, I think it is to their interests also to see that whatever they decide may have public support. Why should Government think that the Legislature a year hence will be so unreasonable as to go directly against the decision of experts? This ratio is certainly a question for experts to decide after going through the pros and cons of the matter in detail. So I think it will not be going against the fundamental principles of this Bill or even disturbing the balance of equilibrium of this Bill in any way if my amendment is accepted by Government. Sir, I move.

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

"That in clause 40 of the Bill, for the words 'not below one shilling and five pence and forty-nine sixty-fourths of a penny for a rupee' the following be substituted: 'to be announced by the Governor General in Council after consultation with expert opinion in the country at the time of bringing this Act into operation and that question shall be placed subsequently before the Central Legislature for its confirmation.'"

Mr. President (The Honourable Sir Shanmukham Chetty): One amendment fixing a lower ratio must now be moved. Mr. Raju may move his amendment in the form in which it appears in amendment No. 266, for that is a better form.

Mr. B. Sitaramaraju: Sir, I beg to move:

"That in clause 40 of the Bill, for the words 'one shilling and five pence and forty-nine sixty-fourths' the words 'one shilling three pence and forty-nine sixty-fourths' be substituted."

Sir, this afternoon we had a very eloquent speech and a very well informed speech from quarters where I least expected it. Sir, the speech was from an Honourable Member who is nominated by the Government of India. The speech was no compliment certainly to the Government of India, but it is certainly a compliment to all the brotherhood of nominated Members of the Government of India on the floor of this House, and I have begun to feel respect from now even for the nominated Members of Government in this House.

Sir, while I appreciate all that has been said by my Honourable friend, Mr. Sarma, I venture, however, to move this amendment, because in this country at present, in the great controversy that is going on over this very important question, there are three distinct schools of thought. There are those who think that 1s. 6d. is not too high; there are others who hold that 1s. 4d. ought to be fixed as the proper ratio; and there are again those who consider that the rupee ought to be left to find its own level. To these may be added all those Honourable gentlemen who are anxious to leave this matter to be fixed at the time of the actual operation of the Act. I have adopted the 1s. 4d. school of thought. In adopting that, I do not venture to submit with any great authority that the value of the rupee at the present moment is exactly 1s. 4d., but certainly it is not 1s. 6d. I am convinced of that. There can be no question and there can be no doubt that 1s. 6d. is an over-valuation of the rupee. But I consider that on an occasion like this, unless we fix a definite value, we will be losing a very important chance, and I was always suspicious of postponing matters which can be remedied at the present moment. Again, Sir, I thought that fixing the value at 1s. 4d. would certainly be in the direction of devaluating the rupee because, as I have already stated, 1s. 6d. was far too high. Its value is either 1s. 4d. or even less than that, but let us have at least this 1s. 4d. because of the great relief it would afford to those particular interests which I have the honour to espouse in this House. Sir, in saying that I am going to speak for the large class of people called the agricultural population in this country. I stated on the very first day of the debate on this Bill how this question of ratio was a matter of vital importance to the agricultural population. It is not my desire to repeat today all those arguments and all those facts that I submitted before the House on this question already. I am not justified in repeating them, nor do I propose to do so. But this much I do say that the people for whom I venture to rise and speak with such confidence even in this House should have justice done to them, when there is great need for immediate redress in those quarters. The greatest good to the largest number of people and people who are least able to bear the strain is my justification for an immediate revision of the policy. It may be true that difficulties would come in, it may be also true that there may be other charges to meet, it may also be true

that we may have to pay for any loss in some other directions; but still I say that you have to take into consideration the fact that here is more than 75 per cent. of the population of this country who are suffering great distress on account of your valuation and the needs of these people, people who are poor and least able to bear the strain, is ample consideration for this House to give them the necessary justice. Sir, when we remember how this over-valuation of the rupee has created havoc, how it has contributed to a great fall in the prices of the primary products of the country, how great has been the distress which has been occasioned by it, I think a move in the direction that I have pointed out of devaluing the rupee is urgently called for and there is ample justification for doing so, because it will relieve a great number of people and will enable those people to have at least a fair price for the articles that they produce. Sir, it is not necessary for me to question the international morality of persons who have gone off their gold and have depreciated their currency. But when others are engaged in currency depreciation, why should we not even get a proper value for our currency? But here my humble submission is and all that I want is that you cannot at the point of the bayonet put a high artificial value on the rupee. Let the rupee have its fair value and, so far as we can see, 1s. 4d. seems to be a fairly good value as we understand it, and, if it is not less, let us have at least 1s. 4d. With these words, I move the amendment.

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

"That in clause 40 of the Bill, for the words 'one shilling and five pence and forty-nine sixty-fourths' the words 'one shilling three pence and forty-nine sixty-fourths' be substituted."

The discussion will now take place on all these amendments and the original question.

Mr. J. Ramsay Scott: Sir, I support Mr. Sarma's amendment. All it really attempts to do is to prevent Government from speculating—speculating that the ratio of today will be the same a year or 18 months hence when the Reserve Bank comes into being. There is no apparent reason why any ratio, any more than a Governor, should be mentioned at the present moment, and if the answer is that putting in no ratio in the Bill will encourage speculation, then my reply is that speculation will occur and will always occur whatever the ratio is whenever there is a fall or rise in foreign exchange. For my purpose, I want, as Sir George Schuster claims he wants, the maintenance of the *status quo*, neither more nor less. Let me read to you what the Honourable the Finance Member said on this matter:

"This Bill picks up the provisions of the existing law. It has to do so. Whatever we do, we must make it clear that the provisions of the existing law are going to continue, and, if we were to adopt any other course, we should be grossly deceiving the public, because at present we have not the slightest intention of altering the provisions of the existing law."

Now, let us see what is the existing law. There is no Statutory upper point, but only a Statutory lower point in terms of sterling. The law applicable to this matter is laid down in the Currency Act of 1927 which

[Mr. J. Ramsey Scott.]

conferred a gold-bullion standard as far as the buying obligation was concerned, but a sterling exchange standard in reference to the selling obligation. In other words, the upper point was in terms of gold which the Government undertook to buy at Rs. 23-8-10 per tola of fine gold. With the snapping of the link with gold, this upper point has ceased to be effective. There is, therefore a lacuna with the Currency Act as a basis for an upper point in terms of sterling. While the present law gives no upper point in sterling, the Finance Member seeks to smuggle in the upper point through clause 41. This means undoubtedly that he goes beyond the provisions of the existing law, and I will put a plain and simple question for a categorical answer from the Honourable the Finance Member. How do you justify, in the light of these facts, your claim that you have not the least intention of altering the existing law? It is on this claim that the Honourable the Finance Member has bolstered up his plea that we are only discussing the Reserve Bank Bill and that this Bill has nothing to do with the ratio. It is by this plea that you have got round a good few Members of this House. Now that they know the real facts, I hope that they will realise that they have been misled on the ratio question.

Sir, I want no ratio mentioned in the Bill, and for my purpose 2s., 1s. 6d., 1s. 4d., or 9d. are equally wrong.

I would like to remind the House that in March, 1927, when Sir Basil Blackett introduced his Currency Bill, he stated that it was intended to be operative only during the interim period between the time it was passed into law and the time when the Gold Standard and Reserve Bank Act was to come into operation. The future of the Indian Currency has to be regulated by the provision of the later Act. This Bill was, therefore, only a transitional measure.

The transitional measure became law in March, 1927, or nearly seven years ago by the small majority of three, by 68 votes to 65, and it is now being attempted to make the Reserve Bank responsible for the transitional measure of 1s. 6d.

What does the new Bill say? The Preamble starts away with the assurance that the Bill will operate the currency and credit of the country to its advantage. *The advantage of India*, mark you, Sir. The preamble further states that, in the present disorganization of the monetary systems of the world, it is not possible to determine what will be suitable as a permanent basis for the Indian monetary system. Read further, Sir:

"It is expedient to make temporary provision on the basis of the existing monetary system and to leave the question of the monetary standard best suited to India to be considered when the international monetary position has become sufficiently clear and stable to make it possible to frame permanent measures."

Now, Sir, I ask you, if a transitional measure has been in force for seven years, how long will a "temporary provision" be in existence?

The question of the monetary standard best suited to India is to be considered when the international monetary position has become sufficiently clear and stable to make it possible to frame permanent measures.

A temporary makeshift during a crisis, but I might say that the possibility of the attainment of a stability Utopia is as far off today as it was in Moore's day.

Now, let us see what the Guardians of our Finance have said. Sir Samuel Hoare has openly stated that there is no intention to alter the ratio, and Sir George Schuster said that:

"If we had thought that our introduction of this measure was to be made an occasion for attempting to revise the present position, we should never have introduced the Bill at all."

Our transitional and temporary measures have, therefore, in spite of all Government's previous statements, become unalterable as the law of the Medes and Persians.

Sir, with all the convulsions in the economic sphere, one would have thought that the Government would have made an inquiry into the best rate of exchange in the best interests of India, but I have seen no sign of Government taking such a step, but in an arbitrary manner they have put forward 1s. 6d. and have said that there is to be no argument about the matter. Further, the Honourable the Finance Member has said that we do not seek to get any new confirmation of that ratio from the Legislature. It was well that he said so, for this Assembly is in no mood to repeat the blunder of 1927 and to put 1s. 6d. again on the Statute-book. Sir, the Honourable the Finance Member dare not put the currency question before this Assembly, for although it was carried in 1927 by three votes, it has proved so disastrous to the country that a lower ratio would be carried by a large majority.

Sir, I saw in the *Statesman*, the talk of an Economic Conference urging stability of exchange within the Empire. I would welcome such a Conference and Empire Reciprocity, but only when India has an exchange suited to her best interests and the same powers to adjust her exchange as any self-governing dominion. India within the Empire is at a great disadvantage today as since 1914 her exchange has *appreciated*, while dominions like New Zealand, Australia and Canada have depreciated theirs over twice as much as the depreciation assistance India gets from the depreciated pound. Australia has been quoted before, and the Honourable the Finance Member has said that there is no comparison between Indian and Australian conditions. Australia felt the depression first and felt it worse than India; yet, in a short space, by courageous banking, depreciated exchange and drastic cuts in Government expenditure, it has regained solvency and in its 1933-34 budget last October remitted 7½ million pounds of taxation, that is 10 crores in Indian money. What can India show?—a small increase in railway earnings of probably about a crore and a half and a decrease of five to six crores in customs receipts. There is no hope of the remission of the 5 per cent. cut or 25 per cent. Income-tax in the 1934-35 Budget, unless India has a windfall which perhaps might be realised from the capitation grant refund to India which, according to rumour, amounts to four million pounds.

The Australian Prime Minister in his recent budget speech in October said:

"It is clear that it will not suit Australia, as a debtor country, for sterling to be over-valued, when the time comes to link up again with gold. Whatever the United Kingdom may decide to do in this respect, it is important that we should retain our own right to fix our monetary unit at the point which is consistent with our own price level at the appropriate time. According to the course of world events, this may be late or early.....There is no reason to suppose that any decision will have to be made in the near future."

[Mr. J. Ramsay Scott.]

India must have the same right.

Sir, there is a strong demand from all sections of the House for an immediate currency enquiry, and I hope that the Honourable the Finance Member will agree to this, and will forward the debate to the Secretary of State to show how strong public opinion is in this country.

I would go so far as to say that if Sir Basil Blackett had been asked to break his journey on his return from Malaya and spend a week in studying the relevant data,—it would not have taken more than a week, the matter is so simple,—I have not the slightest doubt that he himself would have recommended that the rupee be devalued. The best argument against the Blackett ratio is the Blackett Book "Planned Money".

Sir Basil Blackett in Malaya said, we ought to impress on Government the raising of prices in India, and, Sir, I ask, what have Government done, and what are Government doing, and what do they intend to do?

You, Sir, must have realised that we are faced with the prospect of a further decrease from customs receipts in the 1934-35 Budget, and yet the Government of this country do nothing.

I suggest that if the Ottawa Preferences have proved a success in stimulating the exports of certain exports, how much greater would be the effect of an all round 12½ per cent. preference which would cost Great Britain nothing.

Before concluding, I may mention that I have the support of the three Chambers of Commerce in Cawnpore which represent the commercial interests of the United Provinces which is no small province containing as it does a population of nearly 50 millions.

Mr. K. P. Thampan: Sir, I have great pleasure in supporting the motion made by my Honourable friend, Mr. Sarma. You will see, Sir, that I have also given notice of a similar amendment, namely, No. 262 on the Order Paper. Though the wording is slightly different, in essence they are both more or less the same. I will, therefore, content myself with supporting the motion of my Honourable friend, Mr. Sarma, and not move my own amendment.

Clause 40 of the Bill wants to perpetuate this 18d. ratio. It is an admitted fact and there is no use shutting our ears to the cry in the country that the 18d. ratio has worked havoc and that keeping up this artificial value of the rupee has been ruining the country and is still bound to create irreparable loss. I wish to take up the view point of the agriculturists on this subject and I will deal only with that aspect of the question.

The price of all primary commodities in that part of the country where I come from has been reduced to one-third. Paddy was selling at more than Rs. 60 a cartload: it is now only Rs. 20 a cartload. Similarly, the price of coconut also which was between 45 and 50 rupees for a thousand nuts is now only 15 rupees: pepper, ginger, cardamom and other produce have all come down to one-third of their previous values. The price of commodities is now much less than the cost of cultivation and, therefore, the condition of the masses has become absolutely hopeless. He has to part with his savings in the shape of jewellery. That accounts for the phenomena of so much export of gold. Though the economic position is so depressing the Government are going on merrily with putting up the land assessment. Resettlement has been introduced in more than 10 districts

in Madras. Though it is not a matter relevant to the subject under discussion, it has to be stressed. Land revenue, I know, is a provincial subject and it is no use wasting my lungs over it in this Assembly, but, all the same, as a landholder and an agriculturist, I feel it my duty to express wherever possible my grievances. The position so far as all the colonies and dominions are concerned is that they have increased the prices by depreciation of their currencies. Australia has done it; Canada has done it; South Africa has done it; New Zealand has done it; everywhere where sterling is adopted as the standard of currency, there has been depreciation of currency. In India alone, it is the other way. The rupee is overvalued. So far as the agriculturist is concerned, the devaluation of the rupee means more money for his produce: he has to pay to meet his demands less in terms of his commodity, less for the interest on his debt, less for his assessment; and he gets more for purchasing his necessities of life, such as salt, kerosene oil, cloth, etc. His purchasing capacity is increased, and consequently the position of trade also improves. It is a blind policy to shut our eyes to these aspects of the question. The attitude of the Government is indefensible. No other country will tolerate it. In this connection, I would invite the attention of the House to a speech which was very recently delivered by Sir Basil Blackett in Malaya. I find in the copy of the *Hindu* of December 10th, a verbatim report of his speech. Speaking about the necessity to raise prices, he says:

"It is a curious thing that almost everybody all over the world agrees that what is most desirable at the present moment is an all-round rise in wholesale prices, but it is quite unusual for economists to agree as to how it is to be done. I always hate being called an economist, but people will call me one. However, the story that I am about to tell you is against the economists, not against me. It is said that where six economists are gathered together there will be seven opinions and two of them will be Keynes. Nevertheless the statesmen and politicians all over the world do agree on this one point, that it is desirable that prices should be raised.....The British Government has consistently said over the last two years that the one thing which is most important, and which is receiving their most earnest and careful attention is the problem of raising prices. But they always say that they are never going to do anything about it until something else has happened that won't happen—until the gold countries do something, until one of the hundred good reasons for doing nothing or all of them are out of the way; and so the British Government has gone on saying that it is of urgent importance, to pull up our socks, and pull up prices, but it has done nothing.

But it has always seemed to me even more extraordinary that countries such as Australia and New Zealand—and I may add, Malaya,—countries dependent on sterling the prices of whose primary commodities are dependent on sterling prices, have not been more vocal in pressing upon the British Government the importance of really doing something about raising prices. If it is important from the view point of unemployment and trade in England, that prices should be raised, it is very much more important from the view point of the Indian ryot, the producer of rubber in Malaya, and the producer of wheat and wool in Australia, that sterling prices should rise, that primary producers should get a larger return in terms of their own currencies and that their debts—particularly agricultural indebtedness—should be reduced to somewhere nearer the level at which they stood when most of them were incurred—during the boom period which ended in 1929."

That is what Sir Basil Blackett, our late Finance Minister, says about the raising of prices. . . .

Sir Leslie Hudson (Bombay: European): Does he say how it is to be done?

Mr. K. P. Thampian: My Honourable friend can read the speech and find it for himself. Every word of that speech is equally applicable to India.

[Mr. K. P. Thampan.]

The point is made by the supporters of the present ratio that, in view of the large home remittances, the present rate ought to be maintained. The amount of home remittances, as I said this morning, comes to about £50 millions a year including our commitments to the Secretary of State and the invisible exports. Of course, there may be a saving of a few crores on that account. The question cannot be judged purely from that narrow point of view. It has to be judged from a wider perspective and what I may call, for want of a better word, a national perspective wherein we should see that the people, particularly the masses, have greater purchasing power, better prospects for trade and employment and greater movement of goods throughout the country and consequently better railway returns and a more satisfactory national budget. That ought to be the proper criterion: the other is not the proper outlook. The average value of our foreign trade during the last three years has been about Rs. 300 crores, but look at the internal trade, the value of agricultural and other productions of this country put together. At a modest estimate, the internal trade is about Rs. 5,000 crores, while the value of our total productions comes to about Rs. 15,000 crores. Now, compare the two and judge the immensity of the harm done to the country.

The Honourable the Finance Member said that the necessity of inserting the ratio clause in this Bill was only a subsidiary one and it arose only as an incident of the Reserve Bank Bill; in other words, the ratio was not the main issue of the Bill. He said, he had no idea to revise the present ratio and get any new confirmation or sanction of the House so far as that was concerned. He said that, for the Bank to function properly, there must be provisions fixing the upper and lower points of exchange. The idea is according to him, only to embody the present law in the Bill. I take it he is sincere in that respect. Pointed attention has been drawn by Mr. Sarma and Mr. Ramsay Scott, who preceded me, to that aspect of the question. If the intention is only to incorporate into this Bill the present law, there ought to be no difficulty in accepting Mr. Sarma's motion. So far as the selling price is concerned, it only says "according to the law for the time being in force when this Act comes in force". That is exactly what the Finance Member also wants. It is only with regard to the buying rate that there is some trouble and controversy. According to the Currency Act, there is no obligation on the part of Government to buy sterling. There is only provision for buying gold. Perhaps there was no necessity to provide for it, for no sane man would offer it at a loss. Clause 41 contemplates in the words of my Honourable friend, Mr. Sarma, to fill up the lacuna, and the proposal is, in the words of my Honourable friend, Mr. Scott, to smuggle in a provision for that purpose. In fairness to the Assembly, the Finance Member ought not to do that in this indirect way without making it a main issue as he still persists that his purpose is not to fix Statutorily the upper point for the ratio, but only to incorporate the present law. If the proposal of my Honourable friend, Mr. Sarma, is adopted, and that is what I and some others plead for, it only means that, so far as the fixing of a rate for the buying of sterling is concerned, Government will have to come to this Assembly on the eve of the Act coming into force, and get legislative sanction for it. If, on the other hand, the Government have any other ulterior motive in bringing forward this proposal, then that is a thing which some of us will not allow. It is up to the Honourable the Finance Member to give us a satisfactory answer. Really we are asked by the Government with a pistol pointed at our head: "You accept this or reject it. In the latter event, you are not getting any reform at all." That

is very unfair, and perhaps too large an order for us to obey. So far as the non-official Members are concerned, we have to judge the whole thing from the point of view of the interests of the country. It is on this aspect of the Bill, namely, on the ratio clauses, more than on anything else that the welfare and destinies of 350 millions of this country depend, and if, by any unwary action on our part, the poor people of this country are made to suffer, we will not only not justify our existence here, but also, as sure as anything, damning ourselves.

Before I conclude, I will refer to a paragraph from a book which was recently written by Mr. A. D. Shroff, the banking expert, called "A Study of the Reserve Bank Bill". At page 41 he says:

"If the economic well-being of over seventy per cent. of our poverty-stricken countrymen which hangs upon the immediate raising of the prices of primary products can, in the opinion of the Assembly, be sacrificed as a price for buying a Reserve Bank to bolster up the 18d. sterling ratio, the responsibility for the ultimate ruin of our agriculturist shall lie heavy on the heads of our legislators."

Sir, I wish to repeat that sentence again and again, but I do hope Honourable Members have already realised the gravity of the question and there is no need for that:

"Let them also not forget that under the White Paper proposals any amendment of the Reserve Bank Act in future will require the previous consent of the Governor General and the present opportunity, if missed, may never recur."

I appeal to all the non-official Members of this Assembly, to whatever Party they may belong, to give due consideration to this aspect of the case and discharge their duty purely in the interests of their country. Sir, I have no desire to take up the time of the House any more, and I have done.

STATEMENT OF BUSINESS.

The Honourable Sir Brojendra Mitter (Leader of the House): With your permission, Sir, I desire to make a statement as to the probable course of Government business in the week beginning the 18th December. You, Sir, have directed that in that week the House shall sit for the transaction of official business on the 18th, 19th, 20th, 21st and 22nd December. The business on these days will be the consideration of the unfinished Agenda in the order in which it appears on the paper today.

The Assembly then adjourned till Eleven of the Clock on Monday, the 18th December, 1933.