

Tuesday, 12th November, 1946

# COUNCIL OF STATE DEBATES

(OFFICIAL REPORT)

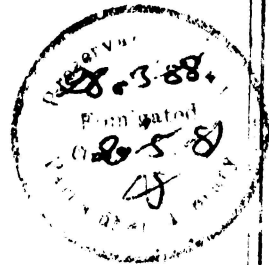
VOLUME II, 1946

*(7th November to 12th November, 1946)*

## TWENTIETH SESSION

OF THE

# FOURTH COUNCIL OF STATE, 1946



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COUNCIL OF STATE

Tuesday, 12th November, 1946

The Council met in the Council Chamber of the Council House at Eleven of the Clock, the Honourable the President in the Chair.

MEMBER SWORN :

The Honourable Mr. Abdur Rab Nishtar (Communications Member).

QUESTIONS AND ANSWERS

POTATO PRICES

36. THE HONOURABLE RAJA YUVERAJ DUTTA SINGH : Is it a fact that over 120 motor trucks are plying daily on the Hindustan-Tibet Road to transport about 5,75,000 maunds of potatoes grown at elevations ranging from 3,500 to 10,000 feet ? If so, will Government state the quota of potatoes allotted to each Province's and their graded prices ?

THE HONOURABLE MR. C. H. BHABHA : The answer to the first part of the question is in the affirmative. A statement showing the allocation of these potatoes to various areas is placed on the table of the House.

The f. o. r. Simla price of potatoes of the first grade is approximately Rs. 16-10-3 per maund and of the second grade Rs. 15-9-6 per maund.

THE HONOURABLE SIR SOBHA SINGH : Are Government aware that this Hindustan-Tibet road is not built for heavy wheeled traffic ?

THE HONOURABLE MR. C. H. BHABHA : Government are fully aware of that position, Sir.

THE HONOURABLE SIR SOBHA SINGH : Are Government aware that it is dangerous to the public safety to run heavy wheeled traffic on that road ?

THE HONOURABLE MR. C. H. BHABHA : We have no information to that effect, Sir.

Allocation of Simla Hill potatoes main 1946 crop.  
(All figures in maunds.)

Recipient	For seed.	For table purposes
1. Punjab . . . . .	50,000	30,000
2. Delhi . . . . .	...	36,000
3. N. W. F. P. . . . .	1,200	3,000
4. Sind . . . . .	1,500	...
5. Bombay . . . . .	1,50,000	1,00,000
6. U. P. . . . .	10,000	...
7. C. P. . . . .	19,000	...
8. Bengal . . . . .	1,50,000	50,000
9. Bihar . . . . .	...	30,000
10. Army (Central and Northern Command) . . . . .	...	63,000
11. Rajputana States ( <i>viz.</i> , Jodhpur, Bikaner, Sirohi and Shahpura) . . . . .	1,100	34,000 (of this 8,000 mds. are meant for Bikaner.)
12. Palanpur . . . . .	8,000	...
13. Gujrat States . . . . .	1,400	...
14. Kolhapur Residency . . . . .	200	5,000
15. Baroda . . . . .	28,000	...
16. Hyderabad . . . . .	3,400	...
17. Khairpur . . . . .	500	...
18. Malerkotla . . . . .	1,900	...

19. W. I. States including Kathiawar States . . . . .	20,000	9,000
20. Bhopal . . . . .	8,000	...
21. Gwalior . . . . .	5,000	...
22. Mysore . . . . .	37,000	...
23. Bundhélkhand . . . . .	40	...
24. Ratlam . . . . .	2,000	...
25. Central India States (less Ratlam) . . . . .	1,300	...
26. Holkar . . . . .	5,000	...
27. Rewa . . . . .	300	...
28. Alwar . . . . .	...	270
29. Dhar . . . . .	400	...

### POTATO PRICES

37. THE HONOURABLE RAJA YUVERAJ DUTTA SINGH: Is it a fact that about 5,000 tons of dehydrated potatoes have recently arrived in Madras from America? If so, will Government state the quota of potatoes allotted to each Province and their graded prices?

THE HONOURABLE MR. C. H. BHABHA: About 5,000 tons of dehydrated potatoes from the United States of America have recently arrived at Madras. An additional 2,400 tons have arrived at Bombay also, making a total of 7,400 tons. These have been allocated to the Provinces as follows:—

	Tons.
Madras . . . . .	2,232
Bombay . . . . .	1,000
Bengal . . . . .	4,168
Total	7,400

The landed cost of these dehydrated potatoes is about Rs. 1-5-0 per lb. It is for the Provincial Government to fix the retail price.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: Why are potatoes being purchased at so high a price?

THE HONOURABLE MR. C. H. BHABHA: There was scarcity of potatoes in this country and that is why these imports were made.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: Are further exports at the same price expected from America?

THE HONOURABLE MR. C. H. BHABHA: I want notice of that question, Sir.

### ISSUE OF TICKETS TO THIRD CLASS PASSENGERS AT KUREPHAR, E. I. R.

38. THE HONOURABLE RAJA YUVERAJ DUTTA SINGH: (a) Will Government make an enquiry into the general complaint that tickets to third class passengers from Kurebhar to Fyzabad (East Indian Railway) are issued only to groups of passengers of at least 10 in number and not to individuals, and that the person holding the pass seldom takes the trouble to collect at Fyzabad Junction Station all the persons for whom the joint pass is issued with the result that many passengers including women and children who have paid the fare, are subjected to harassment and extortion at the destination station?

(b) Are they aware that similar incidents often happen at many other stations not only on the E. I. Railway, but also on the O. T. Railway resulting in harassment, detention and extortion to illiterate third class passengers?

(c) Do they propose to issue strict orders to the station authorities not to compel third class passengers to accept joint Railway fare passes, but to give separate tickets to individual passengers?

THE HONOURABLE MR. D. D. WARREN: (a) Yes, Government have ordered an enquiry into the general complaint, but at the moment no information is available

at the headquarters of the E. I. R., and this is being obtained from Divisional headquarters. A statement containing detailed information will be placed on the table of the House.

(b) Government are not aware of this, but both the railways have been directed to investigate.

(c) The Railway Administrations are being asked to draw the attention of station staff to the standing instructions that individual tickets are to be issued to passengers if required.

#### THEFT OF SUGAR, O. T. R.

39. THE HONOURABLE RAJA YUVERAJ DUTTA SINGH: (a) Has the attention of Government been drawn to a letter from the General Secretary, Cawnpore Sugar Merchants' Associations published in the *National Herald*, dated the 9th October, 1946 (City edition), that sugar consignments to Cawnpore, over the O. T. Railway are frequently tampered with in transit, and "bags of sugar are relieved of their contents", and that "no attention is paid to the complaints made to the Traffic Manager of the Railway", and on flimsy pretext, claims are disallowed?

(b) Will they have a thorough enquiry made into this and take drastic action to prevent pilfering?

THE HONOURABLE MR. D. D. WARREN: No. Government have no information, but have asked the O. T. R. Administration to conduct an enquiry into the complaint, and a statement containing detailed information will be placed on the table of the House.

#### RE-EXPORT OF JUTE FROM THE U. S. A. TO SOUTH AFRICA.

40. THE HONOURABLE RAJA YUVERAJ DUTTA SINGH: Are Government aware that some commercial firms in U. S. A. have recently been exporting jute goods from India, and then importing them from America to South Africa? What steps have they taken to stop this and with what result?

THE HONOURABLE MR. Y. N. SUKTHANKAR: Government have seen a Press report to the effect that 350 bales of jute goods of Indian origin were re-exported from the United States of America to South Africa and they have instructed their representatives in the United States to investigate the matter and to lodge a protest with the appropriate authorities, if necessary.

It is understood in this connection that owing to the scarcity of jute manufactures in the United States, action has already been taken by the authorities concerned to stop leakage at ports, as also to suspend issue of export licences for used bags for South Africa and certain other destinations.

#### EXPANSION OF TEXTILE MILLS.

41. THE HONOURABLE RAJA YUVERAJ DUTTA SINGH: (a) Will Government enunciate their policy with respect to the establishment and development of textile mills in India *vis-a-vis* the production of hand-woven and hand-spun *khadi*?

(b) Do they propose to take steps to prohibit the total import of foreign cloth in this country? If so, will the production of *khadi* be adequate to provide cloth to four hundred million people of India, in case the Indian textile mill production is seriously curtailed by any executive or legislative enactment?

(c) Are they aware that even now the production of Indian textile mills, in addition to *khadi*, is quite insufficient to meet even a fraction of the actual requirements of the general public?

(d) Do they propose to introduce any element of compulsion, direct or indirect in the production of *khadi*?

THE HONOURABLE MR. M. W. M. YEATTS: (a) Government's present target for expansion of spinning and weaving mills falls considerably short of what is needed

to produce enough cloth for the country. Therefore the more *khadi* that is spun and woven the better.

(b) The reply to the first part of this query is in the negative. The second part therefore does not arise.

(c) It has already been admitted in reply to part (a) that the production of Indian textile mills is insufficient to meet the requirements of the public ; but the wording of the Honourable Member's question gives a perhaps exaggerated impression of the shortage.

(d) No, Sir.

#### RIVER GANGES.

42. THE HONOURABLE RAJA YUVERAJ DUTTA SINGH : Are Government aware that the sacred river of the Hindus " Ganga " is wrongly spelt as " Ganges " in official records, geography, maps and other documents of the Government of India ? Do they propose to substitute the word " Ganga " in place of the word " Ganges " ?

THE HONOURABLE MR. A. E. PORTER : Government are aware of the discrepancy but the name Ganges like other adaptations of geographical names throughout the world has become established by long usage and international recognition and the expense of time, labour and money which would be required to make the substitution proposed would not be justified by the results.

THE HONOURABLE MR. G. S. MOTILAL : In what other country is this word used except in England ?

THE HONOURABLE MR. A. E. PORTER : It is used in America and in all other English speaking countries.

THE HONOURABLE MR. G. S. MOTILAL : English speaking countries only ?

THE HONOURABLE MR. A. E. PORTER : I am not acquainted with the other languages.

THE HONOURABLE MR. G. S. MOTILAL : The Honourable Member said " international ". Therefore I say it is used in English-speaking countries only.

THE HONOURABLE MR. A. E. PORTER : That is all I am prepared to say, Sir.

THE HONOURABLE MR. G. S. MOTILAL : Should it not be changed to the correct name ?

THE HONOURABLE MR. A. E. PORTER : I have given my reply to that, Sir.

#### OMISSION OF THE WORD " ROYAL " FROM ROYAL INDIAN NAVY, ETC.

43. THE HONOURABLE RAJA YUVERAJ DUTTA SINGH : Do Government propose to drop out the word " Royal " from " Royal Indian Navy " and " Royal Indian Air Force " which looks incongruous in a free India ?

THE HONOURABLE SARDAR BALDEV SINGH : No, Sir. The time for considering such a change will arise after the future constitution of India is determined.

THE HONOURABLE MR. M. THIRUMALA ROW : Are Government aware that the name of the Imperial Council of Agricultural Research was recently changed to Council of Agricultural Research ?

THE HONOURABLE SARDAR BALDEV SINGH : Yes, Sir. But in this case it is quite different. The armed forces still owe allegiance to His Majesty the King. The change is not therefore possible at present.

THE HONOURABLE MR. M. THIRUMALA ROW : Does the present Government desire to bring about changes by convention if not constitutionally ?

THE HONOURABLE SARDAR BALDEV SINGH : As far as the present Government are concerned, we would have brought about all the changes immediately but I am afraid it has not been found possible for the difficulties that I have explained, i.e. the allegiance of the armed forces to His Majesty.

I. C. S. AND P. C. S.

44. **THE HONOURABLE RAJA YUVERAJ DUTTA SINGH :** Will Government enunciate their policy with regard to recruitment for I.C.S. and P.C.S. ? What changes are contemplated about the recruitment of foreigners for these services ?

**THE HONOURABLE MR. A. E. PORTER :** The Government of India have no concern with the recruitment to Provincial Services. The Secretary of State has decided not to proceed with recruitment to war-reserved vacancies in the Indian Civil Service and the Indian Police and is being urged by the Government of India to wind up these services at an early date. A Conference of Provincial Premiers was convened by the Honourable Home Member on the 21st October, 1946 to discuss arrangements to replace these services. The majority of Provinces were in favour of the formation of new all-India Services for the purpose. Details are being worked out in consultation with the Provinces and when arrangements are finalised, a public announcement will be made.

The considered policy of the Government of India is that non-Indians shall not be appointed to Government service except in very exceptional circumstances and then only on contract for the minimum period necessary. Appointment to the new services will be governed by this general decision of policy.

**THE HONOURABLE MR. M. THIRUMALA ROW :** The Honourable Member said that the majority of the Provinces have agreed to the organisation of an all-India service. Will he please let us know which are the Provinces which differ from this scheme ?

**THE HONOURABLE MR. A. E. PORTER :** I should prefer not to do this, because we still hope that the other Provinces will come into the general scheme.

**THE HONOURABLE MR. M. THIRUMALA ROW :** The Punjab has already published in the press that it differs from the Centre.

**THE HONOURABLE MR. A. E. PORTER :** I am not aware of that publication ; but it is a fact that at present their view is that they would prefer not to come into this scheme.

WAITING ROOMS, O. T. R.

45. **THE HONOURABLE RAJA YUVERAJ DUTTA SINGH :** Are Government aware that :

(a) There are no waiting rooms for inter class passengers and no ladies' waiting room at Lakhimpur-Kheri station (O. T. R.), which is a district headquarters ?

(b) Even one year after the termination of the War, the lights which were in use at Lakhimpur-Kheri station have not yet been restored and that the whole station premises remain in darkness throughout the night, and this causes trouble and inconvenience to the passengers and exposes them to the risk of theft and accident ?

(c) The passengers and the railway staff suffer for want of water at this station, the only source of water being a private well which is situated quite outside the railway premises and at a considerable distance from it ?

(d) Drivers of passenger trains pull the whole train on the water column quite outside the railway platform at this station and passengers are put to great difficulty and danger in crossing the signal wires, specially in the night when the whole station and the yard are plunged in darkness ?

(e) Lakhimpur-Kheri station is situated in the middle of the town, with dense population on both sides, and that in the absence of an over-bridge, and wall enclosure or fencing, the public have to trespass over the railway lines and thereby many accidents happen every year ? Do they propose to put up an over-bridge, and effective fencing to prevent trespassing ?

(f) What steps have been taken, or are proposed to be taken, to remove the complaints noted in (a) to (d) above ?

**THE HONOURABLE MR. D. D. WARREN :** (a) Yes.

(b) High powered lights have not yet been restored but platform oil lights are provided.

(c) No. Hydrants are provided on the platforms and watermen are posted during the summer season.

(d) No. Rules require drivers to stop passenger trains at platforms and detach engines for watering.

(e) There is a level crossing at each end of the station yard by which the public can cross the railway track in safety and there is no reason why the public should trespass over the railway track. The necessity for the provision of an over-bridge will be further looked into.

(f) The necessity for providing additional waiting rooms such as suggested will be looked into and provision will be made as found necessary. Arrangements for adequate lights will be made. Adequate arrangements for the supply of drinking water already exist as stated in reply to part (c) of the question. Action will be taken against drivers found contravening the rules with regard to stoppage of trains at platforms.

THE HONOURABLE MRS. RADHA BAI SUBBARAYAN : With regard to the answer to part (a) of the question, may I ask whether there is no ladies' waiting room for any class ?

THE HONOURABLE MR. D. D. WARREN : That is so. That is what I have said in answer to the question. There is no waiting room for any class.

THE HONOURABLE MRS. RADHA BAI SUBBARAYAN : May I ask whether the Government will take immediate steps to have a ladies' waiting room for the third class which is more urgent than for the other classes ?

THE HONOURABLE MR. D. D. WARREN : I have said in answer to part (f), Sir, that that will be looked into.

#### DISAPPEARANCE OF CLOTH AT KARWI

46. THE HONOURABLE RAJA YUVERAJ DUTTA SINGH : Is it a fact that cloth worth about Rs. 3,50,000 has disappeared mysteriously at Karwi, a sub-divisional headquarter of district Banda (U. P.) ? Will Government state the facts, and the steps taken in that connection ?

THE HONOURABLE MR. M. W. M. YEATTS : We have asked the U. P. Government about this but have not yet had their reply.

#### SUPPLY OF CONSUMER GOODS TO AFGHANISTAN.

47. THE HONOURABLE RAJA YUVERAJ DUTTA SINGH : Will Government state what arrangements have been made or are proposed to be made to overcome the difficulties said to exist in Afghanistan for the supply of goods from India ? What kind of goods will be supplied, and under what terms and conditions ?

THE HONOURABLE MR. A. V. PAI : As a result of the war, Afghanistan, in common with most countries, is suffering from an acute shortage of commodities and in particular of piecegoods, kerosene oil and sugar. The Government of India have been and remain most anxious to do all they can to assist a friendly neighbour over her difficulties in this matter and the essential requirements of Afghanistan are supplied from India to the greatest extent possible having regard to our own difficulties. Subject to Governmental controls, goods are supplied through the ordinary trade channels on a commercial basis.

#### EXPANSION OF TEXTILE MILLS.

48. THE HONOURABLE SIR GOPALASWAMI AYYANGAR : With reference to their resolution, dated the 4th May, 1946, on the expansion of the cotton textile industry, will Government state :

(a) whether orders have issued to applicants allocating the entire new spindleage allotted to the Madras Presidency in the annexure to that resolution under the heads 'fine' and 'coarse' spindles ?



(b) If so, will Government furnish details of the names of applicants, the date on which the orders on their applications were passed and the number of spindles, fine and coarse, sanctioned for each of them ?

THE HONOURABLE MR. M. W. M. YEATTS : (a) Yes, Sir, with the exception of one unit of 5,500 spindles which is still under discussion between the Madras Government and the Government of India.

(b) A statement is placed on the table of the House.

THE HONOURABLE SIR GOPALASWAMI AYYANGAR : May I ask a supplementary question, Sir ? May I take it that the orders to individual applicants in these cases were issued by the Government of India and not by the Government of Madras ?

THE HONOURABLE MR. M. W. M. YEATTS : I do not altogether follow the question, Sir.

THE HONOURABLE SIR GOPALASWAMI AYYANGAR : I am asking whether the allocation to individual applicants was ordered by the Government of India, not by the Government of Madras.

THE HONOURABLE MR. M. W. M. YEATTS : It is discussed between the Governments and it is really a form of agreed decision.

THE HONOURABLE SIR GOPALASWAMI AYYANGAR : Whose was the final order ?

THE HONOURABLE MR. M. W. M. YEATTS : I cannot say. No dispute has come to my notice. But I take it since it is professed to be all-India, the final order would be that of the Government of India.

THE HONOURABLE SIR GOPALASWAMI AYYANGAR : Is it not a fact that the Madras Government only recommended certain applications and did the Government of India not say in a Press Note the other day that promoters were nominated by the Provincial Governments.

THE HONOURABLE MR. M. W. M. YEATTS : That is correct.

*Statement*

Name of applicant	Date on which orders passed.	Spindles allocated	
		Fine.	Coarse.
<i>New Mills.</i>			
Hemlatha Textiles Ltd., Guntur . . . . .	22-5-46	...	12,000
Kadiri Mills Ltd., Coimbatore . . . . .	22-5-46	13,500	...
Kandan Textiles, Ltd., Madras . . . . .	22-5-46	...	6,000
Murugananda Mills, Ltd., Tinnevely . . . . .	22-5-46	6,000	6,000
Peerdan Textiles, Ltd., Trichinopoly . . . . .	22-5-46	6,000	6,000
Karnatak Spg. & Wvg. Mills, Ltd., Bellary . . . . .	22-5-46	...	17,000
Kanlapuram Spg. & Wvg. Mills, Cuddapah . . . . .	22-5-46	...	12,000
Tungbhadra Textiles Ltd., Kurnool . . . . .	22-5-46	...	12,000
Rayalseema Mills, Bellary . . . . .	22-5-46	...	12,000
Anantapur Spg. & Wvg. Mills, Anantapur . . . . .	22-5-46	...	7,700
Rayalseema Textiles, Anantapur . . . . .	22-5-46	...	12,000
India Textiles, Ltd., Tinnevely . . . . .	22-5-46	6,000	6,000
Sri Ganpathi Mills, Tinnevely . . . . .	22-5-46	6,000	6,000
Rambhadra Textiles, Ltd., East Godavari . . . . .	22-5-46	9,000	9,000
Kistna Textiles, Ltd., Kistna . . . . .	22-5-46	6,060	6,000
Tuticorin Spinning Mills, Tuticorin . . . . .	22-5-46	6,000	6,000
Kartikeyan Mills, Ltd., Kurnool . . . . .	22-5-46	6,000	6,000
South India Textiles, Ltd., Ramnad . . . . .	22-5-46	9,000	9,000
Sri Ram Krishna Mills, Coimbatore . . . . .	29-5-46	6,000	...
Srinivas Mills, Madura . . . . .	29-5-46	6,000	6,000
Kannabiran Mills, Coimbatore . . . . .	29-5-46	7,000	...
Rajeshwar Mills, North Arcot . . . . .	29-5-46	6,000	...
Aaron Spg. & Wvg. Mills, Malabar . . . . .	12-3-46	12,000	...

<i>Extensions</i>					
Trichinopoly Mills, Trichinopoly	.	.	24-5-46	...	9,000
Balasubramanys Mills, Coimbatore	.	.	24-5-46	5,000	...
Kumaran Mills, Coimbatore	.	.	24-5-46	1,300	...
Palamalai Ranganathar Mills	.	.	23-5-46	6,000	...
Mahalakshmi Textile Mills, Madurai	.	.	24-5-46	10,000	...
Sarda Mills, Coimbatore	.	.	24-5-46	6,000	...
Vijayalakshmi Mills, Coimbatore	.	.	23-5-46	10,000	...
Tirumurthi Mills, Udumalpet, Coimbatore	.	.	24-5-46	10,000	...
Asher Textiles, Tinepput, Coimbatore	.	.	24-5-46	10,000	...

#### IMPORT OF PRODUCTIVE MACHINERY.

49. THE HONOURABLE SIR GOPALASWAMI AYYANGAR: (a) Has any sanction for the import of productive machinery for replacement, in excess of the quantities allotted to new mills and expansion of existing mills, been given for the Madras Presidency?

(b) If so, will Government furnish details as to the names of applicants and the description and quantities of the machinery permitted to be imported by them?

(c) Have any applications under paragraph 11 (c) of the Khatau Committee report for productive machinery for balancing the existing plant been received from mills in the Madras Presidency? If so, will Government state particulars of the names of applicants and the description and quantities sanctioned in each case?

THE HONOURABLE MR. M. W. M. YEATTS: (a) Yes, Sir.

(b) A statement is laid on the table.

(c) Yes, Sir. A statement is laid on the table.

<i>Statement I</i>		
Name of mill	Description of machinery	No. of spindles.
Loyal Mills, Koilpatti	Spinning machinery from blow-room to ring frames	20,000
Pankaja Mills, Coimbatore	6 ring frames	2,640
Radha Krishna Mills, Ltd., Coimbatore.	1 blow room line; 12 roving frames and 30 ring frames	12,000

<i>Statement II</i>		
Name of mills	Description of machinery	No of spindles.
Pankaja Mills, Coimbatore	One slubbing frame, one roving frame, two ring frames	880
Shri Balasubramania Mills, Singanallur.	Two ring frames	864

#### RESERVATION OF SPINDLES FOR THE HANDLOOM INDUSTRY.

50. THE HONOURABLE SIB GOPALASWAMI AYYANGAR: With reference to para. 5 of the resolution, dated the 4th May, 1946, will the Government of India state whether the Madras Government have since informed them whether, out of the new spindles which have been allocated to that province, they will reserve 25 per cent. or a higher percentage for satisfying adequately the needs of handloom weavers?

THE HONOURABLE MR. M. W. M. YEATTS: The Madras Government, like all other Provincial Governments, were obliged to reserve at least 25 per cent. They have not informed the Government of India whether they intend to reserve a higher percentage than 25 per cent. The Textile Commissioner will however keep a check while scrutinizing applications for Import Licenses.

**THE HONOURABLE SIR GOPALASWAMI AYYANGAR :** Are the Government of India aware that the largest number of handlooms in any single Province is in the Madras Province and that the Madras Government have not asked for reservation of a larger percentage than 25 ?

**THE HONOURABLE MR. M. W. M. YEATTS :** That is correct.

**THE HONOURABLE SIR GOPALASWAMI AYYANGAR :** Are the Government of India aware that the handlooms in the Province today get yarn which will give them work only for 10 days in the month ?

**THE HONOURABLE MR. M. W. M. YEATTS :** The figure we had was more or less 15.

**THE HONOURABLE MR. M. THIRUMALA ROW :** Did the Government of India divert a large quantity of yarn from Madras to other Provinces ?

**THE HONOURABLE MR. M. W. M. YEATTS :** Yes.

**THE HONOURABLE MR. M. THIRUMALA ROW :** Is it not the duty of the Government of India to see that the local needs are first satisfied ?

**THE HONOURABLE MR. M. W. M. YEATTS :** The control, as the Honourable Member will see, professes to be an all-India one.

**THE HONOURABLE MR. M. THIRUMALA ROW :** The Government of India is responsible for the shortage of yarn in the Madras Province.

#### EXPANSION OF THE TEXTILE INDUSTRY

51. **THE HONOURABLE SIR GOPALASWAMI AYYANGAR :** With reference to the recommendation of the Khatau Committee in the last sentence of paragraph 20 of its report, namely, that "should there not be sufficient applications from persons approved in the manner detailed above to absorb the planned expansion in any particular zone, the surplus should be allocated to applicants from other zones including the Bombay surplus area", will Government state whether there has been any insufficiency of applications for the planned expansion in the Madras Presidency ?

**THE HONOURABLE MR. M. W. M. YEATTS :** There has been no such insufficiency.

**THE HONOURABLE SIR GOPALASWAMI AYYANGAR :** May I take it that the only condition on which any spindlage and loomage allotted to the Madras Province could be taken away from them and allotted to other provinces would be insufficiency of applicants ?

**THE HONOURABLE MR. M. W. M. YEATTS :** That is what the question contemplates, Sir.

**THE HONOURABLE SIR GOPALASWAMI AYYANGAR :** That arises from the Khatau Committee's Report which you have accepted. I would not pursue that. I would only ask this whether the Government of India would be prepared to transfer any portion of the spindlage allotted to the Madras Province not on the ground that there is an insufficiency of applicants but on representation from the Government of Madras.

**THE HONOURABLE MR. M. W. M. YEATTS :** Actually that point is coming up in one of the Honourable Member's subsequent questions.

#### EXPANSION OF THE TEXTILE INDUSTRY.

52. **THE HONOURABLE SIR GOPALASWAMI AYYANGAR :** (a) Is it not the intention of the Government of India that the plan for the further expansion of the cotton textile industry could be framed and carried out only on an all-India basis ?

(b) Have they not accepted without demur the recommendation of the Khatau Committee contained in the following words :

"We wish it to be clearly understood that if the Government of India cannot arrange for the compliance of all Provinces and States to the principles of this post-war plan, we are of the opinion that the whole question of planning for the expansion or erection of new mills in India must be abandoned" ?

**THE HONOURABLE MR. M. W. M. YEATTS :** (a) and (b) Evidently an all-India Plan ought to be all-India ; and if the all-India aspect was seriously affected, the viability of the Plan itself might be in danger. Much however would depend on the nature and extent of Provincial or State deviations from the all-India aspect before the Government of India could give a categorical ruling of the kind desired.

#### EXPANSION OF THE TEXTILE INDUSTRY

**53. THE HONOURABLE SIR GOPALASWAMI AYYANGAR :** (a) Has the attention of Government been drawn to the following statement made by the Prime Minister of Madras of the policy of his Government :

“ It has been decided not to allow any new cotton textile mills to be set up in this province ; even the expansion of the existing mills will not be permitted ; and the Central Government will be informed that the allotment of spindles and looms made to this province under the post-war plan be cancelled ” ?

(b) Have Government proposed, or do they propose to acquiesce in the implementing by the Madras Government of this policy of non-co-operating with the policy laid down by the Government of India ?

(c) Has any communication been received from the Madras Government asking the Government of India to cancel their orders already issued as regards the allotment of spindles and looms to that province ? If so, how has that communication been disposed of ?

**THE HONOURABLE MR. M. W. M. YEATTS :** (a) Yes, Sir.

(b) and (c) The Government of India have received no communication from the Madras Government on the subject, and are asking them to clarify.

**THE HONOURABLE SIR GOPALASWAMI AYYANGAR :** Not even within the last day or two ?

**THE HONOURABLE MR. M. W. M. YEATTS :** Not until the moment I left for the House this morning.

**THE HONOURABLE SIR GOPALASWAMI AYYANGAR :** Apparently newspapers get information sooner than the Government of India do ?

**THE HONOURABLE MR. M. W. M. YEATTS :** Apparently so, Sir.

**THE HONOURABLE SIR GOPALASWAMI AYYANGAR :** I am asking what will be done after the receipt of such a communication ?

**THE HONOURABLE MR. M. W. M. YEATTS :** That is a hypothetical question, Sir.

**THE HONOURABLE SIR GOPALASWAMI AYYANGAR :** Now, Sir, has the Honourable Member in charge of Industries received a telegram in the following terms :—

“Thungabhadra Mills Nandyal obtained capital issue import permits for textile mill twelve thousand spindles. Company registered. Machinery ordered. Received today communication Madras Government intimating surrender spindles quota Madras and cancelling distribution. Action illegal. Pray interfere.”

Has the Honourable Dr. Matthai whose name I find amongst the addressees in this telegram, received that telegram ?

**THE HONOURABLE MR. M. W. M. YEATTS :** I could not say, Sir, but if we can assume the efficiency of the Post and Telegraph Department he probably has.

**THE HONOURABLE SIR GOPALASWAMI AYYANGAR :** May I ask, Sir, whether the Madras Government have any powers to cancel allocations, import permits, capital issue sanctions issued by the Government of India ?

**THE HONOURABLE MR. M. W. M. YEATTS :** No, Sir.

**THE HONOURABLE SIR GOPALASWAMI AYYANGAR :** Will that not be impeding or prejudicing the exercise of the executive powers of the Central Government in the Madras Province ?

**THE HONOURABLE MR. M. W. M. YEATTS :** That is a matter of opinion, Sir.

**THE HONOURABLE SIR GOPALASWAMI AYYANGAR :** I am pointing out that the orders were issued by the Government of India and that the Madras Government later issued their communication cancelling those sanctions. Will that be not impeding or prejudicing the exercise of your executive powers in the Madras Province ?

**THE HONOURABLE MR. M. W. M. YEATTS :** I think, Sir, that the Honourable Member is rather straining the position. It is not the executive authority of the Government of India which is affected in this case. It is a matter of an agreed distribution in which apparently according to the newspaper intimation but not to any letter which has yet reached us one party no longer wishes to play.

**THE HONOURABLE SIR GOPALASWAMI AYYANGAR :** I am afraid, Sir, the Honourable Member does not exactly apprehend the legal position. Are import permits, capital issue sanctions issued by the Government of India under statutory powers under the Defence of India Act and the Rules made thereunder ?

**THE HONOURABLE MR. M. W. M. YEATTS :** That is so but there would be no interference with the import.

**THE HONOURABLE THE PRESIDENT (to the Honourable Sir Gopalaswami Ayyangar) :** Don't you think the answer enough ? What is the good of—

**THE HONOURABLE SIR GOPALASWAMI AYYANGAR :** No, Sir. I am proposing to suggest to the Government of India what they might do in the awkward position in which the Provincial Government has placed them. I am asking, if you agree that it is an interference with your executive powers, will you issue a direction to the Provincial Government under sub-section (1) of section 126 of the Government of India Act to withdraw their orders ?

**THE HONOURABLE MR. M. W. M. YEATTS :** That asks for a statement or Government policy which, I am afraid, I cannot give at present.

#### EXPANSION OF THE TEXTILE INDUSTRY.

54. **THE HONOURABLE SIR GOPALASWAMI AYYANGAR :** (a) Will the Government of India state :

(i) whether their policy is that the cotton mill industry in the country—both spinning and weaving—should not only continue to exist but should be expanded from time to time to meet adequately the growing demands of consumers in India and to produce a surplus for export, and

(ii) whether the planning and control of its development in the future under federal auspices are expedient in the public interest ?

(b) If the answer to (a) is in the affirmative, do the Government of India propose to undertake legislation under item 34 of list 1 of the Seventh Schedule to the Government of India Act, 1935 ?

**THE HONOURABLE MR. M. W. M. YEATTS :** (a) (i) Yes, Sir.

(a) (ii) and (b). These matters are under consideration.

#### DIRECTORATE GENERAL, INDUSTRIES AND SUPPLIES

55. **THE HONOURABLE MR. N. K. DAS :** (a) Will Government state whether the Directorate General, Industries and Supplies consist of the Supply Wing and the Development Wing ?

(b) Is it a fact that the Purchase Branches of CCP (M) and CCP (S) constitute the present Supply Organisation while the "Planning" Organisations of DGMP and DG (S) constitute the present Development Cell ?

(c) What are the functions of the Development Wing ?

(d) Is it a fact that with the abolition of the Post War Department, the Development Department of the DGI&S has assumed all its responsibility ?

**THE HONOURABLE MR. M. W. M. YEATTS :** (a) Yes. There is an Inspection Wing also.

(b) The present structure of the Directorate General contemplates a broad separation between the procurement of materials for Government indentors and general assistance to and development of industries. The procurement or supplies side pursues all matters attending on the placing of orders.

(c) The function of this wing is broadly all executive action to assist and develop industries in India. This could be classified broadly as (1) day-to-day assistance with raw materials, technical advice, further use of Indian resources, transportation, assistance against foreign competition and representations to the Tariff Board. Also the encouragement of Associations within a particular industry and the improving of links between industries and the Department ; (2) administration of controls such as machine tools and basic raw materials ; and (3) survey of materials, resources requirements, etc. and other aspects bearing on the development of new industries.

(d) By Post War Department, the Honourable Member presumably means the Planning and Development Department. The responsibilities of the Planning and Development Department with the exception of Mineral Planning and General co-ordination of post-war planning and development, have now been taken over by the Department of Industries and Supplies. The Director General (Industries and Supplies) will be the executive authority for the implementation of decisions of Government on all-India plans for the industries with which he is concerned.

#### RETRENCHMENT IN THE SUPPLY DEPARTMENT

56. **THE HONOURABLE MR. N. K. DAS :** (a) Will Government state whether it is a fact that considerable retrenchment in the personnel of the staff was made in the Supply Department in their post-war set up ? If so, what was the basis on which retrenchment was made ?

(b) Is it a fact that while in other Departments, officers on war-time lien from Provincial Governments, Railways, other Departments and Commercial Houses were reverted back to their parent Departments, officers on deputation in the Supply Department have been allowed to continue at the cost of other officers retrenched ? If so, why ?

**THE HONOURABLE MR. M. W. M. YEATTS :** (a) Yes, Sir. Considerable retrenchment has taken place in the personnel of the late Supply Department. That Department has now been amalgamated with the old Industries and Civil Supplies Department and a portion of the late Planning and Development Department to form the Industries and Supplies Department. The requirements of the Department form the basis for the retrenchment. The criteria adopted in effecting retrenchment were length and quality of service and the need to provide adequate representation for the various communities in the Department.

(b) I have no information on the precise policy followed by other Departments. There is, however, in general no ban on the retention of officers on deputation in any Department provided the circumstances warrant it. The great majority of officers on deputation from commercial houses to the old Supply and Industries and Civil Supplies Departments have returned to their firms. A number of officers on deputation from Provincial Governments and other Departments have been retained in the Industries and Supplies Department. The Industries and Supplies Department being an amalgamation of three war-time Departments, none of which existed pre-war, this is inevitable. A new Department such as this must rely for a nucleus of experienced men upon officers on deputation to it. Officers on deputation constitute, however only a small proportion of the staff compared to those recruited direct.

#### DIRECTORATE GENERAL, INDUSTRIES AND SUPPLIES

57. **THE HONOURABLE MR. N. K. DAS :** (a) Will Government state whether it is a fact that a certain Englishman, a direct recruit to the Supply Department has been retained as a Director in the Supply Wing ?

(b) What are his special qualifications to justify his retention ?

(c) Was no other suitable Indian available to replace him ?

THE HONOURABLE MR. M. W. M. YEATTS : (a) Yes.

(b) He was retained on account of his experience in the purchase of medical stores and surgical instruments.

(c) On account of the experience gained by the officer during the war and his previous knowledge of medical stores it was considered desirable to retain him rather than recruit a new man.

DIRECTORATE GENERAL, INDUSTRIES AND SUPPLIES

58. THE HONOURABLE MR. N. K. DAS : Will Government state whether it is a fact that the Industries and Supplies Department has turned down requests from senior officers on the verge of retirement on the Supply side for leave preparatory to retirement? If so, why ?

THE HONOURABLE MR. M. W. M. YEATTS : Only one senior officer on the verge of retirement of the Supplies Side in D. G. (I. & S.) was refused leave applied for from the 25th July, 1945, preparatory to retirement. In view of his long experience, Government considered it desirable in the public interest to retain this officer in active service up to the 10th November, 1946 in order to tide over the period of reorganisation.

DIRECTORATE GENERAL, INDUSTRIES AND SUPPLIES

59. THE HONOURABLE MR. N. K. DAS : (a) Will Government state whether it is a fact that some of the officers retained in the Supply Wing of the post-war set up are not graduates, either in Engineering, Arts or Science and as such they have not got the essential basic educational qualifications ?

(b) How many such officers are there ?

(c) Why were they retained ?

THE HONOURABLE MR. M. W. M. YEATTS : (a) The Honourable Member is assuming that the possession of a University degree was described as essential for the post in question. This is not so. Ordinarily what was required was sound general education plus appropriate experience in the particular field of recruitment.

(b) Thirteen retained officers are not graduates.

(c) They have been retained on account of their competence and suitability.

DIRECTORATE GENERAL, INDUSTRIES AND SUPPLIES

60. THE HONOURABLE MR. N. K. DAS : Will Government state whether it is a fact that :

(a) Promotions on the "Planning" organisations in war time have been very rapid ?

(b) Promotions on the "Purchase" side were based on All-India seniority and as such have been slow.

(c) In the Post-war set up, the cadres of both "Purchase" and "Planning" Departments were amalgamated with uniform scales of pay ?

(d) Officers from the Planning side have been posted in the Purchase and vice versa ?

(e) Will Government also state whether the seniority of service and grade of each "Planning" officer in relation to "Purchase" officers was taken into consideration in refixing their ranks in the Post-war joint set up ? If not, why not ?

THE HONOURABLE MR. M. W. M. YEATTS : (a) and (b). Promotion in the Planning organisation in war-time was quicker than on the Purchase side and it is the case that promotions on the latter were based primarily on all-India seniority.

(c) The cadres were not amalgamated. There are separate cadres for "Supplies" and "Development" work. The scales of pay were kept uniform. The posts have been sanctioned only on a temporary basis up to 28th February, 1947, and the question of formation of cadres on a permanent basis is under consideration.

(d) Yes.

(e) Yes.

#### DIRECTORATE GENERAL, INDUSTRIES AND SUPPLIES

61. THE HONOURABLE MR. N. K. DAS: (a) Will Government state whether it is a fact that there are instances where non-gazetted staffs in the Planning, Progress and also Purchase wings have been promoted to gazetted ranks and have been retained as Assistant and Deputy Directors superseding the claims of directly recruited gazetted officers of the Supply Wing?

(b) How many such cases are there?

(c) Why were these promotions made?

(d) Do they propose to re-examine these cases and fix up their ranks in accordance with their seniority in grade?

THE HONOURABLE MR. M. W. M. YEATTS: (a), (b) and (c). No. Four officers who originally held non-gazetted posts in the Supply Department and were later promoted on merit to gazetted posts have been, on the reorganisation of the Department, appointed Deputy Directors or Assistant Directors in the Supplies Wing. At the same time, the services of a number of directly recruited gazetted officers were dispensed with. But no question of supersession arises as all the officers retrenched held temporary posts and selection for the new organisation was made on the basis of previous service, experience and efficiency.

(d) No.

#### DIRECTORATE GENERAL, INDUSTRIES AND SUPPLIES

62. THE HONOURABLE MR. N. K. DAS: (a) Will Government state whether it is a fact that:

(i) Purchase Officers of the old Indian Stores Department were Class I Officers of the Government of India?

(ii) Purchase Officers appointed in war-time were recruited in Class I Service and entitled to all the privileges of Class I Officers?

(iii) In the post-war set up these officers have been demoted to Class II Service? If so, why?

(iv) Officers in other Departments of the Government of India and Railway's with equivalent amount of Salary as well as responsibility as that of Purchase officers are in Class I Service?

(b) Are Government aware that discontent prevails among the officers of this Department on their demotion to Class II Grade?

(c) Do Government propose to remedy this discontent?

THE HONOURABLE MR. M. W. M. YEATTS: (a) (i). Yes.

(ii) No. Temporary war-time posts were never formally classified under the Central Services Classification, Control and Appeal Rules. In war-time conditions such officers were treated as Class I Officers for the purpose of travelling allowance only.



(iii) No. So far as the travelling allowance point is concerned, temporary officers in this Department have been allowed travelling allowance in accordance with the general rules which relate to travelling allowance on basic pay, i.e., travelling allowance at the rates admissible to officers of Class I Services is paid only to those whose pay exceed Rs. 750 p. m.

(iv) I am not in a position to make a comparison between the responsibilities of officers of this and other Departments of Government. As I have already said, temporary posts have not formally been classified. In the case of such posts, for the purpose of travelling allowance, officers are classified, as in the case of other Departments, on the basis of their pay.

(b) No.

(c) Does not arise.

DIRECTORATE GENERAL, INDUSTRIES AND SUPPLIES

63. THE HONOURABLE MR. N. K. DAS: (a) Will Government state whether it is a fact that a Deputy Assistant Director and the Assistant Director are both Section Officers and discharge equivalent amount of responsibility? so, why has a distinction been made between these two grades of officers?

(b) Was there any such distinction maintained in the old Indian Stores Department?

(c) Do Government propose to examine the issue and consider introducing a joint cadre?

THE HONOURABLE MR. M. W. M. YEATTS: (a) and (b). Both are Section Officers but the Assistant Director is given more responsible charges and has wider powers. A corresponding distinction obtained in the old I. S. D.

(c) Yes.

DIRECTORATE GENERAL, INDUSTRIES AND SUPPLIES

64. THE HONOURABLE MR. N. K. DAS: (a) Will Government state whether it is a fact that:

(i) Central Government officers at Bombay and Calcutta are paid compensatory local allowance and house rent allowance;

(ii) Officers stationed at the Headquarters at New Delhi are not entitled to these allowances;

(iii) The cost of living in Delhi in the present conditions is equal if not more than the cost of living in Bombay and Calcutta;

(iv) Officers at Delhi are not given house rent allowance on the understanding that Government will provide accommodation for all its officers on rent based on salary; and

(v) There are a number of officers in the different Departments of the Government of India at Delhi who have been allotted no accommodation by the Government and are occupying private houses on rents out of all proportion to their salary?

(b) Do Government propose to examine the whole matter afresh and consider giving compensatory allowances to all officers at Delhi and house rent allowance to those who cannot be provided with houses by Government on account of shortage of accommodation?

THE HONOURABLE SIR CYRIL JONES: (a) (i) Yes, Sir. As a rule officers on general scale of pay who are liable to transfer from one station to another are given both compensatory and house rent allowance while stationed at Calcutta and Bombay.

Non-gazetted ministerial Government servants are entitled only to the house rent allowance.

(ii) In Delhi, the concession of house rent allowance was extended to non-gazetted ministerial Government servants during the war and still continues.

(iii) Government do not consider that the cost of living in Delhi is as high as in Calcutta and Bombay.

(iv) No, Sir. Government do not work on the basis that Government accommodation will be provided to all their employees stationed in Delhi.

(v) It is a fact that some officers have not been allotted Government residences. Government have, however, no information about the rents paid by them for private accommodation.

(b) The question does not arise in view of replies to (a) (ii) and (iii).

#### MANUFACTURE OF VANASPATI

65. THE HONOURABLE RAJA YUVERAJ DUTTA SINGH : (a) With reference to a question of mine in a previous session of the Council, about the opening of new factories in India for the production of what is called "Vanaspati" so called ghee, has the attention of Government been drawn to the following remarks of Mahatma Gandhi (*vide* the "National Herald", dated the 14th October, 1946, City edition)—

"Vanaspati is not, and can never be ghee. If ever it were to become ghee, I would be the first loudly to proclaim that there is no further need of real ghee. Ghee or butter are the fat contents of milk drawn from an animal. To sell vegetable oil or butter in the form and name of ghee is to deceive the Indian public. It is thoroughly dishonest. It is the clear duty of tradesmen not to sell any product of this nature in the guise of ghee, and no Government should countenance such sale".

(b) Do Government propose to cancel the opening of new factories for the production of "Vanaspati" so called ghee, and prohibit totally its production and sale in India; and prosecute those who indulge in such sales under the Merchandise Marks Act, for giving false trade description to their goods?

THE HONOURABLE MR. C. H. BHABHA : (a) Yes, Sir.

(b) The answer to the first two parts of the question is in the negative. Government have already regulated conditions of sale under the Vegetable Products Control Order, 1946, so as to prevent the sale of Vanaspati in premises where ghee is on sale and to provide for Vanaspati containers having a clear description of the contents displayed upon them. Breach of these regulations is punishable under the law.

#### BILLS PASSED BY THE LEGISLATIVE ASSEMBLY LAID ON THE TABLE

SECRETARY OF THE COUNCIL : Sir, in pursuance of rule 25 of the Indian Legislative Rules, I lay on the table copies of the following Bills which were passed by the Legislative Assembly at its meetings held on the 7th and 11th November 1946, namely :—

A Bill to remove certain disabilities and doubts under Hindu Law in respect of marriages between Hindus.

A Bill further to amend the Reserve Bank of India Act, 1934

#### STATEMENTS, ETC., LAID ON THE TABLE,

THE HONOURABLE MR. A. E. PORTER (Home Secretary) : Sir, I lay on the table copies of the Declaration of Exemption under section 6 of the Registration of Foreigners Act, 1939, as published with the notification of the Government of India in the Home Department :—

- (1) No. 1/2/46-Poll. (E), dated the 4th March 1946;
- (2) No. 1/4/46-Poll. (E), dated the 11th April, 1946;
- (3) No. 1/4/46-Poll. (E) dated, the 17th May, 1946;
- (4) No. 1/4/46-Poll. (E), dated the 3rd June, 1946;
- (5) No. 1/13/46-Poll. (E), dated the 27th August, 1946;
- (6) No. 1/14/46-Poll. (E), dated the 27th August 1946;

- (7) No. 1/16/46-Poll. (E), dated the 10th September, 1946 ;  
 (8) No. 1/14/46-Poll. (E), dated the 17th September, 1946 ;  
 (9) No. 1/16/46-Poll. (E), dated the 25th September, 1946.

## NOTIFICATIONS

*Declarations of Exemption*

No. 1/2/46-Political (E.), dated the 4th March, 1946.—In exercise of the powers conferred by section 6 of the Registration of Foreigners Act, 1939 (XVI of 1939), the Central Government is pleased to declare that the provisions of the Registration of Foreigners Rules, 1939, except rule 8 and such of the provisions of rules 4, 14, 15 and 16 as apply to, or in relation to, passengers and visitors, who are not foreigners, shall not apply to, or in relation to General Fleming and Mr. T. H. Macdonald of the Government of the United States of America for so long as they remain in India.

No. 1/4/46-Political (E.), dated the 11th April, 1946.—In exercise of the powers conferred by section 6 of the Registration of Foreigners Act, 1939 (XVI of 1939), the Central Government is pleased to declare that the provisions of the Registration of Foreigners Rules, 1939, except rule 8 and such of the provisions of rule 4, 14, 15 and 16 as apply to, or in relation to, passengers and visitors, who are not foreigners, shall not apply to or in relation to—

(1) Mr. Thomas W. Simons, Senior Economic Analyst to the American Consulate General at Calcutta and his wife ;

(2) Miss Minnie Gay Cox, Clerk at the American Consulate General at Calcutta ;

(3) Mr. George K. Murray, Clerk at the American Consulate General at Bombay; and

(4) Miss Anne Hiers, Clerk at the American Consulate General at Calcutta for so long as they retain their present employment.

No. 1/4/46-Political (E.), dated the 17th May, 1946.—In exercise of the powers conferred by section 6 of the Registration of Foreigners Act, 1939 (XVI of 1939), the Central Government is pleased to declare that the provisions of the Registration of Foreigners Rules, 1939, except rule 8 and such of the provisions of rule 4, 14, 15 and 16 as apply to, or in relation to, passengers and visitors, who are not foreigners, shall not apply to, or in relation to Mrs. Ralph Block, wife of Mr. Ralph Block, Principal Public Affairs Officer of the American Mission in India and her daughter Bridget Block, for so long as they remain in India.

No. 1/4/46-Political (E.), dated the 3rd June, 1946.—In exercise of the powers conferred by section 6 of the Registration of Foreigners Act, 1939 (XVI of 1939), the Central Government is pleased to declare that the provisions of the Registration of Foreigners Rules, 1939, except rule 8 and such of the provisions of rules 4, 14, 15 and 16 as apply to, or in relation to, passengers and visitors, who are not foreigners, shall not apply to, or in relation to Messrs. George Oswald Barraclough and Robert Louis Welk, United States Government officials of the Foreign Liquidation Commission, for so long as they retain their present employment.

No. 1/13/46-Political (E.), dated the 27th August, 1946.—In exercise of the powers conferred by section 6 of the Registration of Foreigners Act, 1939 (XVI of 1939), the Central Government is pleased to declare that the provisions of the Registration of Foreigners Rules, 1939, except rule 8 and such of the provisions of rules 4, 14, 15 and 16 as apply to, or in relation to, passengers and visitors, who are not foreigners, shall not apply to, or in relation to Mr. Stanley R. Chartrand, Assistant Public Affairs Officer, American Consulate in Madras, Miss Huth A. Grover, clerk, American Consulate General at Calcutta for so long as he/she is employed in his/her present post.

No. 1/14/46-Political (E.), dated the 27th August, 1946.—In exercise of the powers conferred by section 6 of the Registration of Foreigners Act, 1939 (XVI of 1939), the Central Government is pleased to declare that the provisions of the Registration of Foreigners Rules, 1939, except rule 8 and such of the provisions of rules 4, 14, 15 and 16 as apply to, or in relation to, passengers and visitors, who are not foreigners, shall not apply to, or in relation to Mr. Terence W. MacDermott of the United Nations Organisation.

No. 1/16/46-Political (E.), dated the 10th September, 1946.—In exercise of the powers conferred by section 6 of the Registration of Foreigners Act, 1939 (XVI of 1939), the Central Government is pleased to declare that the provisions of the Registration of Foreigners Rules, 1939, except rule 8 and such of the provisions of rules 4, 14, 15 and 16 as apply to, or in relation to, passengers and visitors, who are not foreigners, shall not apply to,

or in relation to Mr. Douglas Le Roy Edwards he  
Miss Eugenia A. Richards she  
Mr. John Korkis he are employed in

United States Foreign Liquidation Mission.  
 the American Consulate-General, Bombay,  
United States Mission, New Delhi.

No. 1/14/46-Political (E.), dated the 17th September, 1946.—In exercise of the powers conferred by section 6 of the Registration of Foreigners Act, 1939 (XVI of 1939), the Central Government is pleased to declare that the provisions of the Registration of Foreigners Rules, 1939, except

rule 8 and such of the provisions of rules 4, 14, 15 and 16 as apply to, or in relation to, passengers and visitors, who are not foreigners, shall not apply to, or in relation to Miss Phyllis Elizabeth Somerville, Private Secretary to Mr. Terence W. MacDermott of the United Nations Organisation.

No. 1/16/46-Political (E.), dated the 25th September, 1946.—In exercise of the powers conferred by section 6 of the Registration of Foreigners Act, 1939 (XVI of 1939), the Central Government is pleased to declare that the provisions of the Registration of Foreigners Rules, 1939, except rule 8 and such of the provisions of rules 4, 14, 15 and 16 as apply to, or in relation to, passengers and visitors, who are not foreigners, shall not apply to, or in relation to Miss Beth Elene Davis, for so long as she is employed in the American Mission, New Delhi.

### DEFENCE CONSULTATIVE COMMITTEE

**THE HONOURABLE SARDAR BALDEV SINGH** (Defence Member) : Sir, I beg to move :—

“That this Council do proceed to elect, in such manner as the Honourable the President may direct, four non-official members to serve on the Defence Consultative Committee for the remaining portion of the financial year 1946-47.”

**THE HONOURABLE PANDIT HIRDAY NATH KUNZRU** (United Provinces Northern : Non-Muhammadan) : May I inquire what is the number of members elected by the Assembly to this Committee ?

**THE HONOURABLE SARDAR BALDEV SINGH** : The members elected by the Assembly are twelve.

**THE HONOURABLE PANDIT HIRDAY NATH KUNZRU** : I suggest, Sir, that the number of members elected by the Council of State should be six in that case. I would have proposed that in March last but as the personnel of the Committee was not altered then and no new election was held I could not do so. It has been an unwritten rule observed by the Government so far that the Council of State is called upon to elect to a Committee half the number of members elected by the Assembly. I see no reason why that practice should be departed from in this case and I hope that my Honourable friend, Sardar Baldev Singh, will not object to an increase in the number of representatives of the Council of State on the Defence Committee itself.

**THE HONOURABLE SARDAR BALDEV SINGH** : Sir, if the House so desire I will certainly agree that the Council of State should elect six members. My own opinion is that membership of the Consultative Committee as 18 will be too big ; it will not remain consultative. I had hoped that the number of members elected by the Assembly should be reduced but that was not possible as the motion had already been moved in the Assembly. In the circumstances, I have no objection if the House so desires to six members being elected from this House.

**THE HONOURABLE PANDIT HIRDAY NATH KUNZRU** : That will give representation to all parts of the House. If the number of members to be elected by the Assembly is decreased the Honourable Member can then certainly ask us to be content with the number he has proposed now but since that cannot be done I think it is fair to this House that it should be allowed to elect six members, particularly as that will give all parties in this House an opportunity of sending a representative to the Committee.

**LT.-COL. THE HONOURABLE SIR BUTA SINGH** (Punjab : Sikh) : I also strongly support the proposal of Pandit Kunzru. When the number of members are reduced in the other House, the same can be done in this House. But at present there seems no reason why the number should not be raised to six.

**THE HONOURABLE HAJI SYED MUHAMMAD HUSAIN** (Sind : Muhammadan) : Moreover, it is for a short period. As my Honourable friend says that the Motion has already been moved in the Assembly and they have elected 12 members, it is only fair that he should allow this House to elect six members.

**THE HONOURABLE THE PRESIDENT** : Motion moved :—

“That this Council do proceed to elect, in such manner as the Honourable the President may direct, six non-official members to serve on the Defence Consultative Committee for the remaining portion of the financial year 1946-47.”

The Motion was adopted.

## STANDING COMMITTEE ON PILGRIMAGE TO THE HEJAZ.

THE HONOURABLE MR. A. V. PAI (Commonwealth Relations Secretary): Sir, I move:—

“That this Council do proceed to elect, in such manner as the Honourable the President may direct, one Muslim member to serve on the Standing Committee on Pilgrimage to the Hejaz *vice* the late Honourable Mr. Abdul Razak Hajee Abdool Suttar, deceased, for the unexpired portion of the life of the Committee constituted on the 1st April, 1944 and due to expire on the 31st March, 1947.”

The Motion was adopted.

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## STANDING COMMITTEE FOR THE COMMERCE DEPARTMENT.

THE HONOURABLE MR. Y. N. SUKTHANKAR (Commerce Secretary): Sir, I move:—

“That this Council do proceed to elect, in such manner as the Honourable the President may direct, one non-official member to serve on the Standing Committee to advise on subjects with which the Commerce Department is concerned—*vice* the late Honourable Mr. Abdool Razak Hajee Abdool Suttar, deceased.”

The Motion was adopted.

THE HONOURABLE THE PRESIDENT: Honourable Members, as this is going to be a very short session, I am obliged to fix the time for receiving nominations up to 11 A.M. to-morrow. Otherwise we shall not have sufficient time for the elections. Nomination papers must be submitted by 11 A.M. to-morrow.

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## RESOLUTION *RE* CONTINUATION OF INDIA'S MEMBERSHIP OF THE INTERNATIONAL MONETARY FUND AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT.

THE HONOURABLE SIR CYRIL JONES (Finance Secretary): Sir, I move:—

“That this Council do approve India's membership of the International Monetary Fund and the International Bank for Reconstruction and Development.”

From the time, Sir, that it became apparent to thinking and far-seeing men that in view of the impact of the long drawn out and bitterly waged war on the economies of the various nations of the world, the economic outlook for the world for many years to come after the end of the war would be bleak indeed unless the nations could see their way to agree to combine in the economic development of all nations for their mutual benefit, and that the first step in such economic co-operation could appropriately be taken in the monetary field, from that time down to the formulation of a concrete scheme for international monetary co-operation, complete in all its technical details, as formulated at Bretton Woods, is a long history into which I do not propose to enter for purposes of the present debate. Similarly, I do not propose to recapitulate past history in regard to the question of India's adherence to these Agreements. I would suggest for the consideration of Honourable Members that the matter now before the House be considered on the basis of facts as they stand today and be decided strictly on the merits of the case irrespective of past history.

Of the facts as they stand today the two chief are these, that two international institutions, the Monetary Fund and the Bank for Reconstruction and Development have been set up and will shortly be ready to begin active operations; and, secondly that India is a member of both these institutions. The present Government, after full consideration on merits, judged by the one criterion as to whether India's participation is in India's interests or not, are of the opinion that India should continue her membership, and they are desirous that their view should receive the endorsement of the Legislature. That, Sir, is the plain issue before the House today. If the Legislature agrees, India will continue her membership, enjoying the rights and privileges of membership, and also automatically assuming the obligations of membership all of which are clearly defined and laid down in the Articles of Agreement, including among others, the payment of subscriptions as they fall due from time to time. If the Legislature should disapprove of India's membership, then India could withdraw

[Sir Cyril Jones,]

from either or both of these institutions at any time without notice and without penalty. But in the interests of strict accuracy I should perhaps modify that statement. India is at liberty to withdraw from the International Bank at any time, and in that case she has full option either to continue or to withdraw her membership of the Monetary Fund. But if on the contrary India withdraws her membership from the Monetary Fund, then she will automatically cease to be a member of the International Bank; she loses the option, and it rests with the Bank itself to decide whether if India desired to continue her membership of the Bank she should be allowed to do so, such decision on the part of the Bank requiring a three-fourths majority. But by and large it is true that India has full option to continue or to discontinue her membership of these two institutions.

Honourable Members of this House will probably remember that the Articles of Agreement of these two institutions, called for short the Bretton Woods agreements, were hammered out by the representatives of 44 nations by a long drawn out process of give and take where differences of opinion or conflicting interests manifested themselves. The Articles of Agreement are, therefore, of the nature of a compromise. Possibly no single nation is altogether and completely satisfied with the result. That is generally true of all compromises. The actual details of any International financial and monetary agreement are necessarily highly technical and possibly appear somewhat mysterious and confusing to the non-expert mind, and I would ask Honourable Members of this House in the course of today's discussion not to let themselves get lost in a minute examination of the technicalities and the technical details but to consider the question before the House on broad general lines. I make this request with greater confidence because it is a fact, on practical grounds, that it is hardly possible for any one country at this stage to obtain any modification of the details embodied in these agreements. To do so would involve the calling together of a fresh International Conference, and that would reopen all the issues which were decided by this process of give and take to which I have referred by the various countries and on which agreement was reached sometimes with great difficulty at Bretton Woods. Therefore in actual practice, although it may not be so in theory, it is a case of accepting or rejecting this scheme of international monetary co-operation as it stands. If in the course of experience the working of either the Fund or the Bank were to show defects, technical or otherwise, in the set up of these institutions or the provisions governing their working it will be open to the managements of those institutions on which India if a member, will be duly represented, to make such changes as are agreed upon as necessary. But, at this stage, it is not practical politics to make any changes in the details of the schemes themselves.

In order to assist the House, Sir, in considering the proposition which I have moved on broad general lines it would perhaps be appropriate if I were to say a few words at this stage on the general purposes and objectives to secure which the collective wisdom of the representatives of 44 nations regarded these two institutions as a most appropriate means. To take first the International Monetary Fund, it has two main purposes which although separate and distinct are yet inter-dependent. The first one is to assist in stabilising rates of exchange and the second one, which is really a means to an end of the first purpose is to provide short-term credit facilities to member countries in order to enable them to overcome temporary difficulties in their balance of payments position without resorting to restrictive monetary practices which otherwise would be unavoidable but are nevertheless injurious to world trade. This scheme of short-term credit facilities in a sense carries into the international sphere the ordinary banking principle of overdrafts. Honourable Members might remember that that was the basic principle of the original scheme put forward by the late Lord Keynes, in which he carried this principle to its logical conclusion although his scheme was, in my opinion, too clever and certainly too novel to secure general acceptance. But the scheme as it has finally emerged does rest on the same principle, that if a person or a company or even a country is in temporary difficulties in the matter of paying his way, it will serve to his advantage and to the mutual advantage of many other people if he is given temporary accommodation to enable him to tide over his difficulties. The functions of the Bank are quite different, and

yet in a way they are complementary to the functions of the Fund. The International Bank is designed to assist with long-term loans in the development of the economic resources of member countries, especially for securing the restoration of war-ravaged countries and the development of backward countries, where it is particularly necessary in the interests of those countries and of the world in general to raise standards of productivity, to raise standards of purchasing power and to raise standards of life. In so far as India is an industrially backward country I suggest that she is the more directly interested in the inauguration and proper functioning of the International Bank. I said just now that these two institutions are to a degree complementary in character and I would express that in this way. Few people, I imagine, will deny that stability of exchange rates is desirable, since only if order exists in the field of exchange rates will the flow of international investment be facilitated. *Per contra*, the International Bank, by supplying nations in need with initial purchasing power, will free the resources of the International Fund from abnormal strain. Now, the view has been expressed, and I think with some reason, that stability of rates is an objective which, if carried too far, might be a menace or a danger to the economic health of an individual country. I would agree at once that stability of exchange rates is only an acceptable objective provided that reasonable freedom is allowed to adjust rates as and when found necessary to avoid intense deflationary pressures. Such freedom is in fact allowed in the Articles of Agreement governing the working of the International Monetary Fund. They were put in at the instance largely of the United Kingdom and of Australia, which foresaw the necessity of national policies aiming at full employment and were strongly of opinion that if it were necessary to choose at any time in the future between that national policy and the maintenance of stable rates of exchange, then it was the national policy which should have preference. That as I say, has been allowed for in the Articles of Agreement, in that the Fund is not allowed to question national policies, and if in the implementation of an accepted national policy a country finds itself in difficulties in maintaining its balance of payments at the current rate of exchange, rather than force that country to alter its policy and perhaps adopt deflationary measures which would result in unemployment and economic distress the Fund is under obligation to permit of such exchange depreciation as might be necessary to correct the position.

As regards the relative importance of these two institutions, Sir, it is not very easy to dogmatise. I think one can say this, that in the immediate future the crying need for the post-war world will be new investment, and the International Bank would provide an ideal agency for the international planning and directioning of this new investment and for the mobilisation of investible resources. In the immediate future, therefore, it is possible that the Bank may be of more importance than the Fund. But the Fund's value will become increasingly apparent as conditions become increasingly settled, since it caters for fluctuations in conditions governing current trade transactions and is not concerned with long-term investment. Nonetheless we must remember that no effective international economic plan can work or will work in the absence of reasonably stable foreign exchange rates. It was the unregulated and anarchical competitive depreciation of foreign currencies in the inter war period which was largely responsible for the severe malaise which affected international trade in that period.

Now, Sir, if India subscribes to the purposes and objective which I have very briefly enumerated, then I submit that it follows that her participation in these international organisations would seem to be fully justified. I would go further and say that her participation will be essential if India is to rise to the height of her new dignity and status and take her place as an equal in the councils of free nations of the world. I would mention in passing that the provisions in these Articles of Agreement relating to the organisation and management of the two institutions give India, as they give to other countries, her due and proportionate share in the management of both these institutions. I would suggest, Sir, that it is hardly necessary to complicate what seems to be a fairly simple issue by introducing extraneous considerations such as the Sterling Balances and the Dollar Pool, which on a broad view are really irrelevant to the simple straightforward issue before the House.

[Sir Cyril Jones.]

Sir, I have no wish to take up the time of the House unduly, because there may be a number of Honourable Members who wish to express their views on this motion. But there is perhaps one point to which I might refer. It has been stated, it has been argued, that adherence to the International Monetary Fund involves a partial loss of monetary sovereignty on the part of the member countries. That I think is undeniable. It has been inferred from that that for that reason alone India should not adhere in order that she might preserve her monetary sovereignty free and untrammelled. From that point of view, Sir, I must emphatically dissent. I do not think the conclusion follows at all. All forms of co-operation, all agreements, involve a voluntary restriction on the freedom of action of the party who enters into those agreements. For instance, India could not give in the sphere of tariffs Most Favoured Nation treatment to any country in the world without limiting her freedom of action in the matter of varying her tariffs when she will, at pleasure; and if it is a question of preserving national sovereignty in that sense, 100 per cent., then no agreements, no co-operation would be possible at all. It is I think legitimate to argue that India would not be bartering away her national sovereignty by making of her own free will a voluntary relinquishment of untrammelled freedom of action, as accepted by all the participating countries if the objectives of the Fund are to be secured; because it is obvious that if every country in the world intends to hold itself free at any time for any reason to vary its rate of exchange to any extent, then we are heading for economic chaos and not for order in world economic affairs. One can argue by analogy from the national sphere to the international sphere. No citizen of a country feels that he is demeaning himself when he voluntarily submits to a regime of order and gives up his freedom of individual action in the interests of society at large. The individuals of the country agree to abide by a regime of law which is enacted by a Legislature of their choosing and administered by an executive of their choice, and if they are dissatisfied with the way in which either the Legislature or the executive acts, they have the option in course of time of changing the one or the other. Similarly, I would suggest that in the international sphere countries are in no sense losing their sovereignty when, in the interests of all and for the purpose of living in a world of economic order rather than economic chaos, they voluntarily restrict their freedom of action subject to the proviso that they remain free agents to dissociate themselves from that co-operative arrangement whenever they are not satisfied that it is working to their interests, therefore, Sir, I would suggest that this consideration, although it contains an element of truth, is not sustainable as an objection to India's participation in these international co-operative efforts.

I think, Sir, that is all I need say at this stage, except on behalf of the Government to commend this Resolution for the acceptance of the House.

Sir, I move.

THE HONOURABLE MR. M. N. DALAL (Bombay: Non-Muhammadan): There was a time when any suggestion made by His Majesty's Government or even the Government of India was looked upon with suspicion and hostility. Times have now changed.

[At this stage the Honourable the President vacated the Chair which was occupied by the Honourable the Chairman (The Hon. Sir David Devadoss).] We have now at the Centre a representative Interim National Government and India's political and economic prestige is gradually rising high. We must, therefore, approach important issues in a constructive spirit again, not on sentiments but on merits.

The question is for simpler than what some financial jugglers make of it. The House has been merely asked to approve membership of the International Monetary Bank and its fund for reconstruction to development. At a time, Sir, when India needs help of almost every country of the world and at a time when foreign countries need the help of this vast continent, I for one feel it would be futile to refuse co-operation. It is to India's advantage to help the fund by co-operating and subscribing a commensurate share taking into consideration India's size and the vast population of the country.

Let us first consider, Sir the main risks involved in becoming a member of the International Bank and its fund. The first and foremost risk is that we will not b



in a position to manipulate our foreign exchange by more than 20 per cent. without the sanction of the other members of the Fund and that we have to declare immediately the par value of our currency. This has been called as surrendering the sovereignty of our currency. This would be a great disadvantage in a helpless country where foreign goods are dumped against its indigenous products and when that country is not in a position to depreciate the par value of its currency to such an extent as to prevent competition, but such an exigency does not arise in India today with a representative Interim National Government at the Centre. There is no question of giving up the sovereignty of our currency. This is in fact, Sir, a freely joined partnership of two countries with all its advantages and consequently also to a certain extent a few of its disadvantages.

The second risk is that we may have to accept restrictions on tariff policies in common with other countries of the world, thereby restricting our right with regard to safeguarding our industries by means of protection. The only other alternative to this is subsidization, but we must remember there are limits to subsidization and we cannot give subsidies on a very large scale to our industries. I must, therefore, request Government to warn our representatives at international institutions not to commit themselves to its findings if they make inroads into our economic and fiscal field. India should definitely reserve her full freedom in regard to tariffs, especially during the transitional period in bringing this country in line with the other highly industrialised countries of the world.

The third risk, Sir, is the danger that the International Bank might commit shady transactions or undertake liabilities far beyond her capacity with the result that a poor member like India may have to shoulder high financial burdens far in excess of her capacity, leading perhaps even to the failure of the Bank. My reply to such an argument is that an International Bank is not and cannot be one of that type. Its Board of Directors shall consist of men of true and tried integrity and they will not lend themselves to any transaction which is not in keeping with the highest traditions of honest dealings. Further, India holds the largest quota in voting power in this institution. Our representatives will exercise considerable influence in regard to transactions and will not allow the Bank to endanger the interests of our country.

As against these risks, the advantages in becoming a member of the International Bank and the fund are real and substantial. First and foremost, India will be one of the original Big Five of the fund, initiating policies and guiding deliberations from the very beginning having the privilege, the most important privilege, of having a part of the fund in this country. India can also develop its productive resources with foreign capital, can even get loan to finance the import of capital goods from anywhere in the world's cheapest market. The advantages of membership of the International Bank and Fund are so great and so many that they cannot all be recounted here except at very great length. The policy of isolation, Sir, has not suited the mighty industrial giant, the United States of America and much less, therefore, will it suit this country. We cannot have a closed economy in this country. We have to buy and sell in the world markets and we cannot therefore do without the co-operation of foreign countries if India is to achieve her full economic and fiscal potentialities. It is again, Mr. President, a wrong lead to suggest the repatriation of our sterling assets, as a condition precedent to our participation in the International Bank & Fund. I would impress upon the Interim Government, Sir, to have an orderly liquidation immediately of our sterling assets but it must be remembered that we have no counter-bargaining factor except perhaps the International Trade Conference if His Majesty's Government insist on scaling down sterling assets or plead helplessness under the Anglo-American financial agreement.

In conclusion, Mr. Chairman, it must be remembered that the membership of the International Bank and the Fund is subject to a review periodically and there is nothing to stop this country from resigning its membership if at any time it feels that it no longer serves the interests of this country or that of the world.

Mr. Chairman, I support the Motion.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU (United Provinces Northern : Non-Muhammadan): Mr. Chairman, my Honourable friend, Sir Cyril

Jones, has given us an accurate and lucid summary of the two Agreements with which we are concerned. They concern the International Monetary Fund and the International Bank for Reconstruction and Development. I shall not raise now the question whether it is desirable for us to join either the International Monetary Fund or the International Bank for Reconstruction and Development. This question has been discussed before and I think the concensus of opinion is to the effect that it would be a great advantage to India to join the other countries of the world in stabilising exchange and in promoting the expansion of international trade. As my Honourable friend, Sir Cyril Jones, said, the International Monetary Fund will provide the mechanism for giving stability to exchange rates within limits which will not be permanently or substantially injurious to the economy of any country, and the International Bank for Reconstruction and Development will, by making provision for long-term investment, bring about that increase in employment and that enhancement of the standards of living which is essential to world peace. Stability of exchange is possible even with restricted trade, but that is not the object either of the International Monetary Fund or the International Bank for Reconstruction and Development. The object of the International Monetary Fund, as stated in the Articles of Agreement, is to bring about stability of exchange with a view to the expansion of international trade and the restoration of war devastated economies and the development of those countries whose resources have been inadequately developed. It is obvious thus that the two Agreements with which the Honourable Sir Cyril Jones has dealt are complementary to one another.

India is a member of the United Nations Organisation. If that Organisation is to prosper, it must rest on a sound world economy. Now, such a basis can be provided only if full international co-operation in the monetary, financial and economic fields can be secured. My own view is that notwithstanding the limitations under which the Fund and the Bank will have to work, the Bretton Woods Agreements may be said to have paved the way for the success of the United Nations Organisation in San Francisco in 1945 and that the proper working of these two Institutions will not merely bring about greater co-operation between all the countries in the world but will promote world peace without which civilization itself cannot last long. Having joined the U. N. O., I do not think that we can withdraw from the membership of either the International Monetary Fund or the International Bank for Reconstruction and Development.

There are, however, certain points arising out of these Agreements on which I would ask my Honourable friend, Sir Cyril Jones, to throw a little light. If the International Monetary Fund and the International Bank are to succeed in achieving the purposes for which they are designed, it is necessary that all the countries of the world, particularly all the bigger countries, should lend their help to these organisations. But we find that from the very start one of the big powers, Russia, will hold aloof both from the International Monetary Fund and the International Bank. It is clear to every one that the non-participation of Russia in the Fund and the Bank will have a very serious effect on the working of these organisations. Suppose the United States of America were today to withdraw from the Fund and the Bank ; their withdrawal would mean a blow both to the Fund and the Bank. We may not feel that the non-participation of Russia would affect the Fund and the Bank as seriously as the non-participation of the United States, but it is a matter of concern to those who are keenly interested in the achievement of world co-operation and the maintenance of world peace that one of the major powers should be unable to co-operate with the Fund and the Bank. I should like to know from my Honourable friend, Sir Cyril Jones, whether he can tell us why Russia has abstained from participating in these bodies. There was some hope at one time that she might join the other countries in establishing these organisations. What has happened to prevent her from collaborating with other countries in these matters ? Were the conditions of membership of such a character as to interfere with the economy of Russia or was there any suspicion that these institutions might work in such a manner as to make Russian economy appear in an invidious light ? I should further like to know to what extent the working of the Fund and the Bank would be affected by the non-participation of Russia.

The next question, Sir, that I want to raise relates to the liquidation of our sterling balances. It may be thought that there is no connection between our adherence to the Monetary Fund and the International Bank and the liquidation of our sterling balances. But the financial agreement between the United States of America and Great Britain, as is acknowledged by Great Britain herself, is meant to promote not bi-lateral but multi-lateral trade. There is therefore a real connection between the achievement of the purpose of the Fund and the Bank and the ability of those countries which have a large amount of sterling to their credit to use this credit in order to secure the goods required for the development of their economy in any currency that they might have to use. I know, Sir, that Great Britain has undertaken that within a year of the coming into effect of the financial agreement between herself and the United States of America she would take steps to negotiate with the countries which have large sterling balances to their credit with a view to the settlement of the questions at issue between her and those countries. I should like to know from my Honourable friend, Sir Cyril Jones, what steps His Majesty's Government have taken in this connection or are likely to take in the near future. It is said in the third Report of the Committee appointed by the Assembly on the Bretton Woods Conference agreements that the Finance Member informed the Committee that His Majesty's Government had indicated that they believed that in the interests of a satisfactory and lasting settlement of the problem the negotiations on the sterling balances should be carried on with as representative an Indian Government as possible and that they would be ready to issue an invitation as soon as a representative Government was formed. A representative Government is in existence now. It is therefore pertinent to inquire whether His Majesty's Government have invited the Government of India to enter into negotiations with them for the settlement of this question ; or, if they have not done so, whether it is understood that the British High Commissioner who will soon arrive in India will take steps to start negotiations with the representatives of the Government of India in regard to this matter ?

The third question which I want to raise relates to the position of India in regard to the appointment of executive Directors. At the present time owing to the non-participation of Russia, India will have an executive Director on the Boards of Directors of the Fund and the Bank. But we all hope that the abstention of Russia from the Fund and the Bank will not be of long duration. When she comes in, India will not be automatically represented in the same way as she is now. Is there any way in which it can be made certain that India would always be able to appoint Executive Directors on the Board of Directors of the Fund and the Bank. This was a question to which considerable importance was attached when the Bretton Woods Conference was going on. But I do not know what the present position in this respect is and whether the Government of India mean to take any steps in order to ensure permanent Indian representation on the Boards of Directors of the institutions that I have already referred.

Lastly, Sir, I should like to know what place Indian nationals occupy in the organisations that has been set up by the Fund and the Bank for carrying on its daily work. I do not know what the number of the higher and subordinate officers in the offices of the Fund and the Bank is. I do not even know whether those offices have been completely staffed or not ; but I am anxious to find out whether the Government of India are alive to the importance of securing an adequate proportion of Indians on the staff of those two bodies. My Honourable friend, Sir Cyril Jones, I am sure knows well the dissatisfaction of India with her position in this respect in connection with the International Labour Office and certain other organisations. Knowing this, I hope that he will not allow India's case to go by default when the staff required by the Fund and the Bank is appointed. I think India's case should be very strongly represented. India is no longer in the position in which she was a few months ago. So far as I remember, Sir, one of the reasons why India was not allowed permanent representation on the Board of Directors of the Fund and the Bank was that the Indian vote would only have the result of strengthening the position of Great Britain which would have two votes instead of one. That position no longer exists and we may say not merely with regard to Indian executive Directors but also with regards to any Indians that might be appointed on the staffs of the Fund and the Bank that they

would represent a Government which would not be subject to instructions from His Majesty's Government in respect of the work of these bodies. The position of India should be viewed in the same light as that of the U.S.A., the United Kingdom, Russia, China and France is. India in spite of her undeveloped economy is, I believe, in a better position financially and economically than China. Yet we find that China has permanent representation on the Boards of Directors, but India has not and I shall not be surprised if China's claims are borne more in mind in appointing the staffs of the bodies with which we are dealing than Indian claims unless the Government of India see to it that the managing bodies of the Fund and the Bank realise that India occupies an important position in the world and that she should have an adequate position not merely in connection with the governing bodies but also regarding the officers who will be concerned with the execution of the policies laid down by the governing bodies.

These, Sir, are the important questions that I wished to raise and I hope that my Honourable friend, Sir Cyril Jones, will be able to give such answers to us as would satisfy us on this side of the House that the interests of India in regard to these matters would not be ignored as they have been ignored in regard to comparable matters in the past.

**THE HONOURABLE SIR RAMUNNI MENON** (Nominated Non-official): Sir the question that is before the Council today, namely, India's permanent membership of the two international organisations, is a very important one. It is fitting and it is fortunate that the final decision on this question is to be taken by the Interim Government, which is as national a Government as we can possibly get under existing conditions in this country. That we are able to take a final decision in this appropriate manner is due to the skilful handling of the negotiations by the former executive Government, especially its financial part, which managed to postpone a final decision to the very last moment without committing India in any way and without prejudice to India's status, rights and privileges as an original member. Surely our thanks are due to that Government for this achievement.

I am a layman, but there are general aspects of the question that is before us which are well within the comprehension of a layman and it is with that apology that I say a few words on the merits of the question. I think it is highly gratifying that the Government have practically decided that India shall be a permanent member of the two bodies. I am convinced after the very lucid speech of the Honourable Sir Cyril Jones and after perusing various other speeches and magazine articles and documents which have come into existence on this subject—I am thoroughly convinced that the advantages which will accrue to India from permanent membership far outweigh the possible disadvantages, by way of restriction of freedom and a certain amount of financial liability, which membership will involve; and I am therefore very glad that the Government have practically decided on India's becoming a permanent member.

A famous British novelist has recorded somewhere his opinion that the best seat in a public meeting is a seat near the exit door. I am reminded of this dictum by an argument which I may be permitted to call plausible without offence, which has been frequently used and which has been used here today and in the other place some days ago, by advocates of the two organizations in their persuasive efforts, namely, that any country can withdraw if it is not satisfied with the working of these bodies. To my mind that argument will not be of much practical avail. These institutions are going to work if the United States of America and the United Kingdom are prepared to co-operate; without their co-operation, they will fail. The attitude of the other nations, either singly or collectively, will not be of much consequence. If either the U.S.A. or the U.K. gets out of the agreement, the whole thing collapses. If they stick together, these institutions will work. I think that every country, and this country also, should join these associations with a full determination to remain in them till the very last moment and to work them as successfully as circumstances will allow. I therefore hope that members will not be influenced by considerations of the ability to withdraw, in coming to a decision on this matter.

There are one or two other points on which I would like to say a word. Two issues have been prominently brought forward in the discussion on this subject—

they have also been referred to here today—namely the question of Sterling Balances and the rupee-sterling exchange rate. Now, with regard to the first, Sterling Balances, I have very carefully gone through the speeches made by the Government spokesmen in the other House, the Finance Member and the Honourable Dr. John Mathai. For my part I am perfectly content to leave the handling of the large question of the sterling balances in their hands. I am convinced that they will safeguard interests of this country to the fullest extent. But there is one aspect of this matter on which I have not been able to get sufficient information and on which I feel rather puzzled. Business men in this country have been very loud in their demands for the early repayment of our sterling balances. They have been equally loud in their demands for the removal of all controls. What the first instalment of these sterling balances will be, what the date, on which it would be paid may be, I do not know—I don't suppose anybody knows—but what one is interested in knowing is this: How will the amount released be distributed? Will it be paid to anybody, to all and sundry who may ask for it, or have the Government got a plan? Surely, the welfare of this country requires that in the immediate transitional period and after the transitional period there should be a well-thought-out and co-ordinated plan of economic development. Such a plan will involve a considerable amount of State control, if not of State ownership and management. Have the Government a plan of that sort? Unless it has a plan, a haphazard distribution of the sterling assets will not be in the interests of this country. Such a plan would also involve a considerable amount of control over imports and exports. I hope the Government are fully alive to the problem and I leave the matter at that.

Now, with regard to the rupee sterling exchange ratio, I am not an expert and do not presume to express any opinion. I note with some satisfaction that the present rate will be continued. But what as a layman, as an ordinary man in the street and as a consumer, not as a producer, I am interested in the internal value of the rupee. Large sections of the people who depend upon fixed income for their maintenance, have been put to the greatest hardship and loss by the phenomenal depreciation in the internal value of the rupee. That depreciation has been brought about very largely by the action of the Government in increasing the currency. Is the Government going to take any action to bring down the internal prices in this country? I am not for one moment suggesting that we can restore the prewar prices—that is quite outside practical politics, but what I am suggesting is that the Government should help in every possible way in lowering the price level in this country. I hope that this matter will receive the attention of the Government. When the prices in this country are brought down to a sufficiently low level there may be no need at all for tampering with or altering the exchange rate of the rupee.

With these few remarks I give my hearty support to the motion before the House.

**THE HONOURABLE MR. M. THIRUMALA ROW** (Madras: Non-Muhamadan): Mr. Chairman, Sir, I do not presume to speak as an expert but even as a man in the street looks at this problem one is entitled to understand the workings of the mind of the Government, but the reticent speech, I can call it, which Sir Cyril Jones has delivered today, I am sorry to say, does not throw much light on the subject. I do not know by what logic and argumentation he comes to the conclusion that our financial problems and especially the membership of these two institutions has not got much to do either with the Dollar Pool or with the settlement of the balances which England owes to us. But, Sir, judging about the disadvantages first, let us see that India occupies the fifth place among the nations. No doubt it is the combined wisdom of 44 nations that has evolved these two schemes but the leaders of these 44 nations are the United States and the United Kingdom the rest of them, including France and China, being camp followers, and these are mainly intended to rehabilitate the economy of the war-devastated areas. That is a point where India should be more watchful as to how these enormous funds that are being accumulated in this Bank will be utilised; whether these funds will go to countries whose economic

[Mr. M. Thirumala Row.]

have been completely shattered and whose capacity to repay may not be commensurate with the demands from this Bank. As to why the United Kingdom should join this Monetary Fund in connection with this loan agreement between Britain and America, Prof. Keynes has said :—

“ It will be very satisfactory if we can maintain the voluntary war-time system into 1947. But what hope is there of the countries concerned continuing such an arrangement much longer than that ? Indeed, the danger is that these countries which have a dollar or gold surplus, such as India, and South Africa, would prefer to make their own arrangements, leaving us with a dollar pool which is a deficit pool, responsible for the dollar expenditure not only of ourselves but of the other members of the area having a dollar deficit.”

If the credit of India cannot be completely utilised for rehabilitating the rickety credit of Great Britain by these arrangements Britain would have no purpose to drag us in this fund. That is one of the disadvantages which has to be guarded against but the advantage which we see is that India will be completely cut off from the leading strings of the sterling area. If you see the history of the import control that has been instituted in this country by Great Britain by His Majesty's Government through the Government of India, every transaction that has been gone into now is done solely with the purpose of benefitting the British manufacturer. A sort of trade blockade had been established till yesterday through the departments of the Government of India when our business men intended to place orders abroad for their machinery. Now, Sir, I think by this International Monetary Fund we will be in a condition to purchase as much of hard currency as is necessary and required to buy machinery not only from the United States but also from other countries in the world where machinery can be got cheap.

With regard to sterling balance, Sir, they have to be settled sooner than we imagine because one of the clauses of the agreement that has been concluded between the United States and Great Britain is that Britain has promised to see that the sterling balances of India will be scaled down to some extent. That means that in the relationship between the creditor and the debtor the debtor promises the creditor that he would see that his credit will improve. It is on that basis that the United States of America has looked upon all these transactions and wanted that the sterling balances should be scaled down. In this report called the Second Report of the Committee appointed by the Assembly they unhesitatingly say that—

“ We strongly endorse the statement made in the course of the recent debate by the Honourable the Finance Member that India is not bound by the terms of the Anglo-American Agreement of 1945.”

This way the Finance Member has admitted the direct influence on the settlement of the sterling balances of our position as a member of these institutions. The agreement that has been entered into between Great Britain and Argentina with regard to the scaling down of the debts which Great Britain owed to Argentina, and also the proposal for scaling down the debts which Great Britain owed to Egypt, ought not to weigh with the present Government of India in the settlement of the debt which Great Britain owes to this country. In order to finance the great industrial plans of his country we require the entire sterling balances that are to our credit. As we see now, the present international set up and the future international set up of the world is being dominated by the United States. The economy of the United States of America had been such that they had got a large internal home market and they had not to go abroad to capture world markets. But after the war, having gone to all parts of the earth, having sent their troops to all parts of the earth, their outlook has completely changed. Their politics has changed. They now feel that they must have a dominating influence over the politics of the world. And with that, their trade policies have also changed, and they are trying to produce not only for their home markets but in order to satisfy the demands of devastated Europe as well as of countries like India and China which want to develop industrially. Therefore, the trade channels between India and the United States of America will have to be more direct, and in that connection the International Monetary Fund and the International Bank are going to be largely helpful in financing our requirements and establishing our own trade channels with other countries of the world. From this point of view, I support the motion moved by the Honourable the Finance Secretary.

**THE HONOURABLE SIR CYRIL JONES :** SIR, I do not think that there is very much that I can say in addition to what I have said already, except to thank the House for the very friendly and favourable reception which they have given to my Motion. The Honourable Pandit Kunzru raised three points regarding which he asked me to give some elucidation. The first one was, why Russia has so far abstained from joining these two institutions. I am afraid that there the Honourable Pandit Kunzru has me beaten. Even to her best friends, and to nations who are only too anxious to work in friendly co-operation with Russia, she has in many respects proved herself a complete enigma. I cannot say for what reasons Russia has not so far joined the Fund. It may possibly be that she is holding her hand for use as a bargaining power; in consideration of her size, importance and economic strength she may think that she is so powerful a nation that she may be able to secure a *quid pro quo* if other nations are keenly anxious that she should join the Fund. I cannot say. This is pure surmise on my part. But in connection with Russia's abstention there is one relevant fact, namely that as a result of past history Russia's weight and influence in international trade is in no way proportionate to her size and political and economic strength. What her outlook and attitude will be in the future it is not for me to hazard an opinion, I doubt if anybody can say. But I would suggest, Sir, that the fact that Russia so far as not deemed fit to join the institutions is in no sense a reason for India's not joining them now.

The second point that the Honourable Pandit Kunzru raised, and which has been referred to by other speakers in this debate, was as to the steps that have been taken to secure a settlement of the problem of liquidation of the sterling balances. Honourable Members are aware that the United Kingdom is under an obligation, in view of the terms of the Anglo-American Loan Agreement, to come to some settlement with her creditors by about July next, and His Majesty's Government are, to my knowledge, extremely anxious that discussions with India, her largest creditor, should commence at the earliest possible moment. The matter is under discussion between our Government and His Majesty's Government at the present moment as to the procedure by which these discussions shall be initiated, whether any preparatory clearing of the ground is needed, and so on. The present Government has not been long in office, and on account of the very heavy programme of work, legislative and otherwise, it has not been possible to come to any settled conclusion regarding the course of the sterling balances negotiations. But I can assure the Honourable Member that that fact is due in no way to any reluctance on the part of His Majesty's Government to open negotiations with the Government of India, as now constituted, at the earliest possible moment. What the outcome of the discussions will be it is of course impossible to forecast, and perhaps inadvisable to speculate. But one or two things are clear. The first is that whatever immediate payment is made will have, under the terms of the Anglo-American Loan Agreement, to be made in a multilateral form, that is, in free currency. And similarly, in respect of the funded portion of the balances, each year's payment, whatever that may be and for however long the payment may last, will have to be in multilateral convertible form also. The Honourable Sir Ramunni Menon said that there was a certain danger in India receiving a large allocation of free currency without there being some plan for the wise spending of this sum. That of course raises the whole question of the planned development of India, on which there have been many discussions in the past both in this House and in the other place, and I do not feel that I can make any useful contribution to that general question at this stage. The third point raised by the Honourable Pandit Kunzru was about the representation of Indian nationals on the staffs of these two international organisations. The point was, I know—I speak from personal knowledge—definitely under the consideration of this Government, who were taking steps to see that India's claims were not overlooked and that India's case was duly represented and considered. Having only just recently returned from leave in England I am not in a position to say off hand, Sir, what the present position in that respect is or what results have followed from our representation in that direction. I have no time now to gather the information, but I shall be pleased, after I have had an opportunity of ascertaining the facts, to give either the

[Sir Cyril Jones]

Honourable Member personally or this House such information as I can. At present I am not in a position to give any except, to reassure the Honourable Member that the matter has not been overlooked in the past and I imagine that the position is satisfactory.

I think, Sir, those were the points raised in the debate and again I would like to express my appreciation of the reception which has been given in this House to my motion.

THE HONOURABLE THE CHAIRMAN (Sir David Devadoss) :

The Motion is :

“ That this Council do approve India's membership of the International Monetary Fund and the International Bank for Reconstruction and Development.”

The Motion was adopted.

The Council then adjourned till Eleven of the Clock on Wednesday the 13th November, 1946.

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