Friday,
22nd March, 1912

ABSTRACT OF THE PROCEEDINGS

OF THE

Council of the Governor General of India,

LAWS AND REGULATIONS

Vol. L

April 1911 - March 1912

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OF

THE COUNCIL OF THE GOVERNOR GENERAL OF INDIA

ASSEMBLED FOR THE PURPOSE OF MAKING

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GOVERNMENT OF INDIA.

LEGISLATIVE DEPARTMENT.

PROCEEDINGS OF THE COUNCIL OF THE GOVERNOR GENERAL OF INDIA, ASSEMBLED FOR THE PURPOSE OF MAKING LAWS AND REGULATIONS UNDER THE PROVISIONS OF THE INDIAN COUNCILS ACTS, 1861 TO 1909 (24 & 25 VICT., c. 67, 55 & 56 VICT., c. 14, AND 9 EDW. VII, c. 4).

The Council met at Government House, Calcutta, on Friday, the 22nd March 1912.

PRESENT:

His Excellency BARON HARDINGE OF PENSHURST, P.C., G.C.B., G.C.M.G., G.C.V.O., G.M.S.I., G.M.I.E., Viceroy and Governor General of India, presiding,

and 53 Members, of whom 46 were Additional Members.

QUESTIONS AND ANSWERS.

The Hon'ble Sir Cecil Graham, on behalf of the Hon'ble Mr. Armstrong, asked:

"Will Government be pleased—

(1) To state the amount of the cash balances held in the Home Treasury at the close of each month since March 1911?

(2) To state—

(*a*) how much of the balances were invested, and

(*b*) in what form the investments were made?

(3) To issue a statement monthly in future giving the amount of the cash balances held in the Home Treasury at the close of the preceding month and the particulars asked for in question 2?

(4) To state which Banks in England have been approved for the purpose of lodging with them Treasury money without requiring a deposit of securities as cover for money so lodged?

(5) To state whether in view of the experiences of the year 1908, when the balance of trade turned against India and necessitated large drawings on the Gold Standard Reserve, Government have considered it necessary to take further measures for better securing the stability of the gold standard?

(6) To state whether by increasing the cash balances in the Home Treasury it has been the intention to supplement the Gold Standard Reserve as a guarantee for the stability of Exchange?

(7) If the answer to question (6) is in the affirmative, to state whether the method of supplementing the Gold Standard Reserve by means of increased cash balances in the Home Treasury has been adopted as a substitute for the method formerly intended as explained by the Hon'ble Sir James Meston in 1910 when he stated that he had every hope that the Secretary of State would supplement the Reserve if needed by gold borrowings?

(8) To state whether Government have considered that the maintenance of very large cash balances in the Home Treasury constitutes a heavy burden on the Indian tax-payer?

(9) If the answer to question (6) is in the affirmative, to state whether Government have considered that borrowing in gold to supplement the Gold Standard Reserve to meet adverse Exchange conditions when they arise would be less expensive for Indian tax-payers than cash balances largely created from revenue?

(10) To state whether the sum of about two millions sterling derived from the opium-revenue which was to be remitted to the Home Treasury during the year 1910-11 for reduction of floating debt, as announced in the last Budget Statement, has been applied in reducing the floating debt?

(11) To state how much floating debt has been issued during the current financial year, and how much repaid?

(12) To state for what purpose floating debt was issued during the current financial year?

(13) To state—

(*a*) the average rate of interest derived from the employment of the Home Treasury cash balances in the market and with Banks during the current year to the latest date for which the information is available;

(*b*) the average rate of interest at which India bills were floated during the current year?"

The Hon'ble Sir Guy Fleetwood Wilson, with His Excellency the President's permission, laid the following answers on the table:

"(1) A statement* is laid on the table which gives the figures up to December 1911. It excludes sums held in cash on behalf of the Gold Standard Reserve.

(2) (*a*) and (*b*). The balances at the end of December last were invested as follows:—

(*a*) on loan to approved borrowers on security, £10,650,000.

(*b*) placed in deposit with approved banks, £3,715,000.

(3) The suggestion that statements of the kind asked for should be published monthly will require careful consideration. The Government of India will consult the Secretary of State on the subject.

(4) Deposits have been made from time to time with the following seven Banks:—

London County and Westminster, National Provincial Bank of England, Union of London and Smith's Bank, London Joint Stock Bank, London City and Midland Bank, Glyn, Mills, Currie and Company, Barclay and Company.

(5) The subject of the Gold Standard Reserve is one which receives continual attention from the Government of India and the Secretary of State in Council, but the Secretary of State is of opinion that the experience of the year 1908 afforded satisfactory evidence of the strength of the Gold Standard Reserve as it is now regulated.

*Vide Appendix.

(6) (7) The answer is in the negative. In this connection the Hon'ble Member's attention is invited to the replies given in the Council in Simla on the 18th September last to his second question on the subject of the cash balances held in the Home Treasury, in which the causes operating to swell the balances in recent years were fully explained.

(8) (9) The causes which, as explained in the reply of the 18th September last and elsewhere, have recently raised the total balance of the Government of India in England and in India to an unusually high figure, do not throw a burden on the Indian taxpayer, nor is such a burden thrown on him by reason of the fact that, in course of meeting the convenience of trade, a considerable portion of the balance has been temporarily transferred to the Home Treasury.

(10) The sum is to be applied to the discharge of the temporary debt of the year 1912-13. Particulars of the temporary debt to be discharged in 1912-13 are given in the Financial Statement.

(11) No new floating debt was issued during the current year, although £4½ millions of bills were renewed. The amount repaid was £½ million.

(12) As explained above, there was no issue of floating debt during the current year.

(13) (*a*). The approximate average rate of interest for the year ending 31st March 1912 on loans to approved borrowers on security is calculated to be 2·60, and on deposits with approved banks, 2·43 per cent. per annum.

(*b*) The average rate of interest on India Bills renewed during the current year is 2·97 per cent. per annum."

The Hon'ble Mr. Gokhale asked:

2. "Will the Government be pleased to state what steps, if any, have been taken during the year to provide the country with a system of independent audit, in regard to which the Hon'ble the Finance Member asked last year 'for time to mature proposals'"?

The Hon'ble Sir Guy Fleetwood Wilson replied:

"The whole question has been thoroughly examined in consultation with the Comptroller-General, and proposals are now being prepared for submission to the Secretary of State."

The Hon'ble Mr. Gokhale asked:

"With reference to the statement made by the Hon'ble the Home Member on 26th February last, in reply to my question about the appointment of qualified men outside the ranks of the Indian Medical Service to senior Clinical Professorships in Medical Colleges, namely, 'it is because the best qualified Professors have hitherto only been found among the members of Indian Medical Service that these posts till now have been filled from that service,' will the Government be pleased to state what steps were taken by them to ascertain if competent outsiders were available? Are not appointments to Professorial Chairs invariably advertised, before selections are made, in the United Kingdom? Will the Government state if this practice was ever followed in the past in regard to Professorships in Indian Medical Colleges?"

The Hon'ble Mr. Wheeler replied:

"No Clinical Chairs in Government Medical Colleges have so far been thrown open to candidates outside the ranks of the Indian Medical Service, and no outside candidates have accordingly been hitherto invited to apply.

Government have no information as to the practice followed in the United Kingdom in filling Professorial Chairs, and in any case the conditions there prevailing are not identical with those in this country. Recently candidates were invited by advertisement for the Chair of Anatomy in the Medical College, Calcutta, and a similar procedure is now being followed with respect to the Chair of Physics in the same institution."

The Hon'ble Mr. Gokhale: "Will Government make inquiries about the practice in the United Kingdom?"

The Hon'ble Mr. Wheeler: "Should occasion arise, they will doubtless do so."

The Hon'ble Pandit Madan Mohan Malaviya asked:

"(*a*) Has the attention of Government been drawn to the recommendation of the Public Service Commission of 1886 that in the High Courts of Calcutta, Madras and Bombay the number of Judges selected from the judicial branch of the Provincial Service or from advocates and pleaders of the High Courts should be increased?

"(*b*) Will the Government be pleased to state if any member of the Provincial Civil Service has been appointed a Judge of the High Court at Calcutta since the recommendation above referred to was made?

"(*c*) If no one has been appointed, does the Government propose to take into consideration the claims of the members of the Bengal Provincial Civil Service when the next vacancy has to be filled up on the High Court Bench?"

The Hon'ble Mr. Wheeler replied:

"(*a*) The Government of India are aware of the Public Service Commission's recommendation referred to by the Hon'ble Member.

(*b*) No member of the Provincial Service has yet been appointed to the Calcutta High Court Bench, but advocates and pleaders have been frequently selected.

(*c*) The claims of all persons eligible for appointment are considered on the occurrence of a vacancy, and this practice will continue to be followed."

The Hon'ble Mr. Mudholkar asked:

"Is it a fact that in 1908 a Committee presided over by the Hon'ble Mr. M. W. Fox-Strangways, who is now officiating as Chief Commissioner of the Central Provinces, was appointed to inquire into and report on the steps necessary for the reorganization of the Educational Services in the Central Provinces, and that that Committee made certain recommendations?

"If so, will Government be pleased to state what those recommendations were, what was the view of the Local Government in regard thereto, and what action the Government of India have taken in the matter?"

The Hon'ble Sir Harcourt Butler replied:

"The Hon'ble Member is probably alluding to a Committee which, under the presidency of Mr. Fox-Strangways, considered the improvement of Secondary Education, and to another Conference held at Panchmarhi in June, 1908, on the same subject. These Committees made certain recommendations regarding the Educational Services. The Government of India do not consider it expedient to make known at present the precise recommendations of the two Committees and of the Chief Commissioner. The Chief Commissioner has made recommendations which are under the consideration of the Government of India."

The Hon'ble Mr. Mudholkar asked:

"Is it a fact that the position of the Indian staff of the Government College at Jubbulpur as regards pay and status still continues to be in the same condition as it was when the Quinquennial Report on Education of 1907 brought this matter to the notice of Government, and is Government aware that professors of proved ability after long service are in receipt of monthly salaries of Rs. 400, Rs. 270 and similar sums?"

The Hon'ble Sir Harcourt Butler replied:

"A reference has been made to the Chief Commissioner of the Central Provinces, and the information required will be supplied in due course."

The Hon'ble Mr. Dadabhoy asked:

"Is the Government aware that the amended Central Provinces Civil Courts Act provides for the hearing of certain classes of appeals, both civil and criminal, by Benches composed of two Judges; that after the Act came into force, no additional Judge has been appointed; and that there is at present a congestion in the business of the Judicial Commissioner's Court?

"If so, does Government propose to appoint a fourth Judge for the Court to ensure proper despatch in business?"

The Hon'ble Mr. Wheeler replied:

"Section 5 (*2*) of the Central Provinces Courts Act, 1904 (II of 1904), as amended by Act XI of 1910, authorises the making of rules to provide for the exercise of any of the powers of the Court of the Judicial Commissioner by a bench of two or more Judges of the Court. No additional Judge has been appointed since the date upon which the amending Act came into force.

The Government of India have received no representation from the Chief Commissioner as to the existence of any congestion of business in the Judicial Commissioner's Court, and have no proposal before them for the appointment to the Court of a fourth Judge."

The Hon'ble Mr. Bhurgri asked:

"With reference to the reply given by Government to my question about the Sukkur Weir on the 7th instant, do Government propose to call for the information from the Inspector-General of Irrigation, and lay it on the Council table?"

The Hon'ble Sir Robert Carlyle replied:

"Government have now received the report of the Inspector-General of Irrigation, but they do not propose to lay before the Council any information with regard to the scheme until they have given it their careful consideration."

The Hon'ble Mr. Bhurgri asked:

"(*a*) Will Government be pleased to state if there are any special Muhammadan Deputy Educational Inspectors of Schools in any of the provinces of India?

"(*b*) If so, are there any special schools for Muhammadans alone maintained by Government?

"(*c*) If so, will Government be pleased to state the number of such Deputy Inspectors in each province, the nature of the duties they perform, and also the number of such special schools under their charge?"

The Hon'ble Sir Harcourt Butler replied:

"The information required has been called from Local Governments, and will be laid on the table in due course."

The Hon'ble the Raja of Dighapatia asked:—

"Is it intended to revise the Local Self-Government Acts of the various Provinces with a view to extend the principle of election into their constitution as recommended by the Decentralisation Commission?"

The Hon'ble Sir Harcourt Butler replied:

"Local Governments have been consulted on the recommendations of the Royal Commission, and the matter will be considered by the Government of India when their replies have been received."

The Hon'ble the Raja of Dighapatia asked:

"Has the Government thought of the advisability of constituting a Local Government Board for a more efficient control of local bodies as suggested by Lord Morley in his despatch to the Government of India dated the 27th November, 1908. If so, what action does the Government intend to take in the matter?

"Is it intended to make the Indian villages the basal unit in the Local Self-government scheme as proposed by Lord Morley in the same despatch? If so, what steps are being taken in this connection?"

The Hon'ble Sir Harcourt Butler replied:

"The question of the advisability of creating a Department in each province to deal exclusively with matters connected with Local Government, which was the suggestion contained in the Secretary of State's despatch, has been referred to Local Governments for opinion, and their replies are under the consideration of the Government of India.

"The Royal Commission on Decentralization dealt at length with the question of village reorganization, and their recommendations have been referred to local Governments for opinion. The whole question will be considered on receipt of their replies."

The Hon'ble the Raja of Dighapatia asked:

"Will the Government lay on the table a complete list of newspapers in India, if any, still in receipt of Government subsidies with the amount of subsidy drawn by each?"

The Hon'ble Mr. Wheeler replied:

"The following is a complete list of newspapers in India, still in receipt of subsidies from Government with the amount of subsidy drawn by each annually:—

	Rs.
Bombay—Jagad Vritta newspaper—annual subsidy . . .	15,000
Bengal—Sulav Samachar newspaper—annual subsidy . . .	62,500
Eastern Bengal and Assam—Biswa Barta newspaper—annual subsidy	32,000"

The Hon'ble the Raja of Dighapatia asked:

"Would the Government be pleased to state in what respects the new University of Dacca will differ from the University of Calcutta, and what will be its jurisdiction and the nature of its affiliation and examinations?"

The Hon'ble Sir Harcourt Butler replied:

"The Government of India are not prepared to make any announcement as to the constitution of the University at Dacca until they have received the views of the Government of Bengal."

[22ND MARCH 1912.] [*Raja of Dighapatia; Sir Harcourt Butler; Nawab Saiyid Muhammad; Sir Guy Fleetwood Wilson; Raja Partab Bahadur Singh; Mr. Wheeler.*]

The Hon'ble the Raja of Dighapatia asked:

"Does the Government propose to consider the advisability of founding some scholarships tenable in Europe for Indian students to equip themselves for the work of research in Archæology and Oriental studies generally?"

The Hon'ble Sir Harcourt Butler replied:

"The training of Indian students in archæological research and in oriental studies generally is receiving the earnest attention of the Government of India. No announcement can be made at present."

The Hon'ble the Raja of Dighapatia asked:

"Do the Government propose to devote any portion of the special grant for education announced at the last Delhi Durbar for the improvement of the hostels attached to the private colleges? If so, would there be any special conditions attached to such grants?

The Hon'ble Sir Harcourt Butler replied:

"Out of the grant of 50 lakhs announced at Delhi for education, 5 lakhs have been distributed for hostels. The utilization of the sums so assigned rests with the Local Governments."

The Hon'ble Nawab Saiyid Muhammad asked:

"(a) Are the Government aware that the rules for the discussion of the Financial Statement in the Provincial Councils are not uniform in the various provinces?

"(b) Have the Government perused the comments of the Hon'ble Non-Official Members in the Madras Legislative Council made last year on the manner in which the Rules have been interpreted and worked in that Presidency?

"(c) Are the Government aware that the Government of the United Provinces have adopted a different course and taken the members in their confidence when framing their preliminary estimates?

"(d) Will the Government be pleased to state whether they propose to call for a report on the subject and lay down or suggest modifications in the present procedure, which will be in accordance with the Reform proposals?"

The Hon'ble Sir Guy Fleetwood Wilson replied:

"The Rules for the discussion of the Financial Statement are not absolutely uniform in the different provinces. I am not however aware of any precise difficulty in the mind of the Hon'ble Member, and I would suggest that he should refer it in the first instance to his Local Government. There is no intention of calling for a report on the present procedure."

The Hon'ble Raja Partab Bahadur Singh asked:

"Will the Government be pleased to state if a despatch regarding the reorganisation of the Provincial Judicial Service in the United Provinces has been sent to the Secretary of State for India? If so, will the Government be pleased to state when the said despatch was sent and the approximate time within which the reply of the Secretary of State is expected?"

The Hon'ble Mr. Wheeler replied:

"The Secretary of State has not yet been addressed."

BUDGET FOR 1912-13.

The Hon'ble Sir Guy Fleetwood Wilson: "My Lord, the Financial Statement which I laid before this Council on the 1st of March has now passed through the various stages prescribed by our regulations, and on the whole it has met with a reception which cannot be otherwise than gratifying to the Government of India. What I now lay upon the table is the Statement in its final form as the Budget of next year. It has been again examined in close detail, and revised wherever necessary in the light of later information and in accordance with such alterations as Local Governments have made in their Provincial figures after the discussions in their Legislative Councils. The explanatory memorandum has also been thoroughly checked and brought up to date. There will be no debate upon the Budget to-day; but on Monday there will be the usual closing discussion which marks the end of the Calcutta session.

Revised, 1911-12. "In our Revised estimate for the current year, the corrections which have been made on receipt of the February figures have had the effect of raising the Imperial surplus to just over £3 millions. The Land-revenue is coming in better than we expected in the Punjab, United Provinces, Burma and Bombay; and the Imperial share of the improvement is £142,000. The striking expansion of Railway traffic has compelled us to enhance our estimate under that head by £133,000 since the beginning of the month. Salt continues progressive; Customs, Stamps and Excise receipts have all been on the up-grade; and the March sales of opium in Calcutta again exceeded our forecast. The total net betterness is £343,000. The only appreciable item on the other side of the account appears in the Home charges, where there is an excess of £98,000, part of which I foreshadowed in the Financial Statement.

Budget, 1912-13. "For next year there have been several unimportant corrections with which I need not weary the Council. We have had to raise our forecast of Salt-revenue in sympathy with the improvement which is now at work; and we have made slight additions, for the same reason, to our Stamps and Excise estimates. On the other hand, the Land-revenue has had to come down in consequence of some unexpected advance collections in the current month; and the more exact figures which we have now obtained indicate that the imposition of the Proprietary Estates Village Service Cess in Madras has progressed so far that its remission will cost us more in 1912-13 than our preliminary estimate had suggested. The net result of these and a few other corrections leaves our Imperial surplus for next year at £1,478,300, being within five lakhs of the figure which I took in the Financial Statement.

Ways and Means. 1911-12 and 1912-13. "Turning to Capital expenditure and Ways and Means generally, I have to record a further improvement of £853,000 in this year's closing balance. Part of this is due to the improvement in the Imperial Surplus (£343,000); part to additional savings in the Provincial grants (£249,000); and most of the remainder to further lapses in State Railway Capital outlay (£245,000). The closing balance of 1912-13 will not, so far as I can judge, obtain the whole benefit of this improvement, as we have had to raise some of the Provincial grants and provide for larger outgoings of Imperial loans and advances. But the balances will be £584,000 better than my estimate of the 1st March. In view of the continued high sales of Council Bills in the current month, we have raised our figure of remittances by £600,000. In no other respect has there been any important alteration in the figures already placed before the Council."

SUSPENSION OF RULES OF BUSINESS.

The Hon'ble Sir Guy Fleetwood Wilson: "My Lord, I ask Your Lordship to suspend rule 10 of the Rules for the discussion of matters of general public interest in order to admit of the discussion of the Hon'ble Sir Vithaldas Thackersey's Resolutions before the legislative business."

His Excellency the President: "I suspend the rule."

GOLD CURRENCY.

The Hon'ble Sir Vithaldas D. Thackersey moved the following Resolution:

"That this Council recommends to the Governor General in Council that the Indian Mints be now thrown open to the free coinage of gold in coins of suitable denominations."

He said :—" My Lord, last year in my Budget speech I recommended the throwing open of the Indian mints to the free coinage of gold, and I proposed the minting of gold coins of the value of Rs. 10 each. My friend the Hon'ble Sir Guy Fleetwood Wilson was good enough to say that Government would give due consideration to that proposal. The country has not heard anything further as yet from Government as to their intention in the matter, though we have had a great deal of animated discussion in England and in India upon my proposal. Those who have attacked my proposal most vehemently, like the *Statist* for example, have totally misapprehended it to be something new and unheard of before. As a matter of fact, however, there has never been the least doubt that the goal of our currency policy is a gold standard with a gold currency, The only reason which weighed with the successive Committees and Commissions which had been appointed to report on our currency in not recommending the immediate introduction of a gold currency, was the want of gold and the difficulty of securing it except by raising a very big gold loan. Let me quote the words of the Indian Currency Committee of 1898. They observed:

'We are in favour of making the British sovereign a legal tender and a current coin in India. We also consider that, at the same time, the Indian mints should be thrown open to the unrestricted coinage of gold on terms and conditions such as governed the three Australian Branches of the Royal Mint.'

"That was in 1898. At the Council meeting of the 25th August 1899, the Hon'ble Mr. Clinton Dawkins, the then Finance Member, in asking permission to postpone the motion for leave to introduce a Bill further to amend the Indian Coinage Act, 1870, and the Indian Paper Currency Act, 1882, said :

'The Bill is intended, I may say very shortly, to give effect to the recommendations contained in the report of the Indian Currency Committee which has been endorsed by the Secretary of State and are generally accepted by the Government of India. Those recommendations include making the sovereign legal tender at the rate of R15 to 1 sovereign and will provide for the coinage of gold in India.'

"And again, on the 8th September 1899, while introducing the said Bill he said:

'The measure of transcendant importance before us is to place the currency of India on a gold basis and a stable exchange. To provide for actual striking of gold coinage at an Indian mint is really a corollary, and no practical inconvenience will arise from a short delay. We could not proceed to strike coin until we receive the necessary machinery that has been ordered from England.'

" He further went to say :

'Into the arguments of a gold standard and gold currency, I think no one will expect me to enter. The arguments for and against have been exhausted and Government is proceeding on the condition that no other measure would save India from disastrous embarrassment.'

"That was in 1899. Then again, in 1900, Sir Clinton Dawkins in the Financial Statement made these remarks :—

'It has been decided to constitute a branch of the Royal Mint at the Bombay Mint for the coinage of gold. The terms of the Proclamation, to be issued, under the Imperial Coinage Act, have been settled, and we are merely awaiting now, until the Royal Mint has satisfied itself as regards the Mint premises and appliances at Bombay A representative of the Royal Mint is starting this week for Bombay to report. The gold from the Mysore mines is indeed already reaching us in anticipation of coinage, and we count upon receiving an annual increment to our stock of gold of from $1\frac{1}{4}$ to 2 millions from this source. And may I perhaps express satisfaction in passing that we have been able to assist the Indian gold-mining industry by saving it the freight and charges incidental to the transmission of its gold to London.'

"Sir Clinton Dawkins, when he made this announcement, was speaking not only on behalf of the Government of India but also on behalf of the Secretary of State. For we find that in 1900 the Secretary of State for India was so thoroughly convinced of the necessity of introducing and popularising gold coins that in a despatch dated the 24th of May of that year he remarked:

'To make the use of gold coins more popular, and especially among the class of people for whom a coin valued at Rs. 15 is an unduly large unit, it may be desirable for your Government to coin gold pieces of three or five rupees at the Calcutta Mint which should be made legal tender but would be issued altogether irrespectively of the Branch of the Royal Mint at Bombay.'

"The Government of India circulated the despatch and asked for the opinion of the Chambers of Commerce. In reply the Chairman of the Bombay Chamber of Commerce, on the 10th July 1900, said:

'The matter having received the careful consideration of the Committee of the Bombay Chamber of Commerce, I am to say that they approve of the proposal as they consider it would assist in popularising the gold coinage in India.'

"He further said in conclusion:

'While on this subject the Committee desire respectfully to suggest that, with the view to making the present gold currency more popular in India, Government should consider the advisability of issuing new gold coins stamped as follows:

£1 or Rs. 15.

Sh. 10 or Rs. 7½.'

"The Bombay Chamber of Commerce, in their letter to the Government of India dated the 1st February 1907, wrote:

'They fully appreciate the difficulties which Government have experienced in providing and financing the large reserves of silver which it has been found necessary to hold in anticipation of fresh coinage; and they instruct me to suggest the desirability of adopting measures to secure a larger use of gold in the currency circulation. An increased use of gold coins as currency would, in their opinion, tend to reduce the quantity of silver bullion or ingot reserves which need be held and would also minimise the difficulties connected with the provision thereof.'

"The Government of India were satisfied with this representation, and in their letter dated the 4th May 1907, in reply to the Chamber of Commerce, said:

'The question raised by the first of these proposals (namely, the more extensive circulation of gold) is one to which your Committee rightly attach the highest importance. The Government of India have never concealed from themselves the inconvenience attending a gold standard which is not accompanied by an effective gold circulation, and they are in full accord with the view that a more general use of gold among the people would simplify the task of directing a managed currency.'

"The Hon'ble Mr. Webb, the Chairman of the Karachi Chamber of Commerce, in his very able memorandum on the Indian currency, has clearly shown the disadvantages of the State management of the currency and has given very instructive facts and figures in support of the gold currency. From these it will be seen that the expert Committees and the Commissions, the Secretary of State, the Government of India and the commercial communities have all been unanimous in their opinion that the introduction of gold currency is the only solution of the difficulties that are inseparable from the present State-managed gold standard system.

"My Lord, events that have happened within the last twelve months confirm me in the view which I took last year of the urgent need of throwing open the mints to the free coinage of gold. Indeed, every day that passes involves a loss to this country and adds to the difficulties in the way of the introduction of a gold currency. That is why I have ventured to bring forward this Resolution. We have now a favourable opportunity, and if we take advantage of it, our success is assured. We are getting in the Government Treasury more gold than we can conveniently hold. Practically the whole of our gold standard reserve is either in gold or invested in gold securities. We hold in gold as much even of our reserves against the paper currency as can be held in gold consistently with our liability to meet our obligations to pay silver coins in exchange for currency notes, and the reserve of silver coins has reached such a low level, only 14 crores of rupees against 47 crores mentioned by the Hon'ble Sir Guy Fleetwood Wilson the other day, that unless we make provision for gold coinage, more silver coins shall have to be minted at an early date. Since 1907 no new additions have been made to the country's rupee currency, and the demands during the last five years of the expanding trade of the country have been undoubtedly met partly by the circulation of gold coins, thus rendering it possible to do without coining more rupees. Unless Government facilitate the reception of gold coins by the public by some such measure as those suggested in my Resolution, they will have to coin rupees as the only means of meeting the demand for metallic currency. This view is supported by the remarks of my friend the Hon'ble the Finance Member in his speech on the Financial Statement for 1912-13. The Hon'ble Member said :—

'The adverse balance of trade in 1908 has forced us to draw on our Gold Standard Reserve in defence of exchange; and against the gold thus released we had received and withdrawn from circulation in India the enormous quantity of 120 million rupees. Mainly through this cause our rupee reserves at the beginning of 1909-10 were enormously strong; between our currency chests and the silver branch of the Gold Standard Reserve we had altogether 47 crores at our command, and in the strength of that accumulation we have been meeting all demands upon us ever since. The absorption of rupees in the intervening three years has been about 32 crores; and by whatever test the figures are tried, it is clear that the demand has been less active than in the earlier years of the century, when the resources of our mints were severely strained to meet the calls of trade for silver currency.'

"These are the remarks of the Hon'ble Member.

"The absorption of 32 crores of rupees in three years gives an average of about 11 crores per year. When we consider the absorption of rupees in years previous to 1907, we come to the conclusion that 11 crores is not a high figure. From 1900 to 1907 the net addition of rupees to our currency was 84¾ crores of rupees, giving an annual average absorption of about 10½ crores of rupees.

"Against 47 crores of rupees at the command of Government in 1909, we have only 17 crores at the present moment—14 crores in the currency chest and 3 crores in the Gold Standard Reserve. The circulation of our currency notes amounts to over 55 crores of rupees, and I am sure my friend the Hon'ble Sir Guy Fleetwood Wilson will agree with me when I say that the amount of 17 crores of rupees is by no means larger than the minimum necessary to enable Government to meet its obligation of paying rupees on presentation of currency notes. If this is the present position, may I ask the Hon'ble Member how he proposes to meet the future demand of metallic currency except by coining new rupees, unless my Resolution is accepted, and our mints are thrown open to the free coinage of gold? If you coin more rupees, you will be thereby making it still more difficult than it is to introduce gold currency which is the goal we have in view. If, on the other hand, you throw open the mint to the free coinage of gold, I feel sure that in the present circumstances the country will avail itself of the right very freely and thus reduce, if not prevent, the necessity for coining more token rupees. There is a further argument why we should try to avoid as much as possible any unnecessary addition to our rupee currency. In dealing with the question of high prices, my friend the Hon'ble Mr. Gokhale pointed out to this Council four years ago, how the unusually high additions to our total silver coinage during the three years 1905—07 must have had a considerable share in sending up the general level of prices. I am inclined to agree with my friend that a sudden inflation of the country's currency has a tendency in that direction, and I hope that he will in connection with this Resolution develop this part of the argument. Let me make myself clear on one point. I do not suggest that Government should give up the right to coin rupees or refuse to give rupees when people demand the same. I do not propose to touch the gold standard reserve which must remain as it is as the ultimate guarantee of our currency policy. My proposal does not interfere with the existing arrangements in any way but is merely supplementary to them. I made this perfectly clear last year; nevertheless some of my critics have urged against my proposal that Government is asked to part with their reserve of gold, that the gold will disappear into the hoards of the people, and that Government will have difficulty in maintaining the gold standard without raising a gold loan; there is not the

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least basis for these fears. Let the Government of India accumulate gold to the maximum limit of its capacity, but let the surplus gold which it cannot absorb be coined and circulated if the public chooses to do so. With our expanding trade and the balance in our favour, gold will continue to be imported in ordinary time, and if the facilities of minting are provided in India, it will go into circulation.

"The only plausible argument advanced against the proposal is that the Indian people are too poor for a gold currency. I cannot understand this argument, because if the people are rich enough for a gold standard they cannot be too poor for its normal adjunct, a gold currency. As things are, they have all the disadvantages of a gold system without its advantages. Then, again, I do not propose to demonetise silver, and silver coins will be available, if my suggestion is carried out, as they are now, and whoever requires them will get them as at present.

"Then, again, it is asked, why should there be gold coining in India when whoever may require gold coins may import English sovereigns? Why does Australia coin her own gold? It is quite open to her to import sovereigns. Again, why do all other civilised countries of the world have their own gold coins? So far as India is concerned, it is to her advantage to a greater extent than to many of the other countries. We produce in India 3 million pounds worth of gold from our mines. It is anomalous that this gold should be exported to London to be minted there and sovereigns should be imported into this country. Why should we not coin our own gold if there is demand for it instead of bearing the charges of carriage both ways and suffering the loss of interest on capital during the time occupied in the double transit? The last but not the least of all the advantages of having our own gold coins will be that there will be less of State management in our currency. The trade will be financed automatically by the import and export of gold, as the case may be, just as the commerce of all other countries is financed. India is the only great country in the world, barring China, the management of whose currency is completely in the hands of Government. However well-managed it may be, it can never be as good as an automatic currency which adjusts itself to public demands. After the mints are opened to the free coinage of gold, all that the State will have to do is to pay rupees in exchange for gold coin when such demand arises. All countries, including England, have to pay silver subsidiary coins in exchange for gold coins when they are required for the use of the country. This step will prevent, or in any case reduce, the addition to our existing silver coins, and that will be a great gain.

"As to the denomination of that coin, I prefer a ten-rupee gold coin for various reasons mentioned in my last year's speech. I know that there is a great deal to be said in favour of minting sovereigns in India on the ground that they will be interchangeable with Great Britain, and they can be imported and exported as the balance of trade necessitates. Of course, if the Indian mints could be thrown open to the unrestricted coinage of gold on terms and conditions such as govern the three Australian branches of the Royal Mint, I have no objection to sovereigns being coined in India. A subsidiary ten-rupee gold coin of Indian design might be minted as a supplementary coin, but if the Royal Mint raises any difficulties to recognising our mints as their branches, we should have a ten-rupee coin and not a fifteen-rupee coin. After all it is a matter of detail, and I leave it to Government to fix a suitable denomination.

"I am sorry I have troubled the Council with this long speech. This Resolution after all asks for no more than what the Fowler Committee recommended and what had received the sanction of Lord Curzon's Government and the then Secretary of State.

"The adoption of the step which I have ventured to urge in this Resolution as in my speech last year will, to use the forcible words of Sir James Meston, 'obliterate all the mistakes, all the inconveniences, all the artificialities, of our present position.' My Lord, I believe that the time is come for taking this final step in the long evolution of our currency system."

The Hon'ble Mr. Dadabhoy: "My Lord, I beg to support the motion. Circumstanced as we are to-day, I vote for a limited gold currency such as is contemplated in this Resolution. I confess, in spite of the effect the currency measures of Government have had in steadying sterling exchange about the point which the legislation of 1893 had in view, I still incline to the view that it has not been an unmixed good to us, that a silver standard with a silver currency, such as we had early in the nineties of the last century, was beneficial to the country, and, further, that the financial difficulties of a falling exchange could have been minimised by a more equitable adjustment of our financial relations with England. But it is an opinion, supported though it was and is by high authorities, which counts for little in the realities of the present situation. For good or for evil, the Government have adopted a gold standard, and the success from their point of view of the operations has been so great as to dissolve all hopes of a reversal of the present currency policy. It is wise therefore to accept the inevitable, and to help the development of a sound scheme of gold currency for the country. Besides, the mighty changes in the Far East might also ultimately result in a further demonetisation of silver there. In such a contingency—likely enough with an awakened and reformed China—it would be idle for India alone to think of maintaining a silver standard with a silver currency. And the ultimate adoption of a gold standard by China would deprive India of all the advantage of the former unrestricted coinage of silver in her mints. Further, the scheme of currency which has been adopted by Government finds its natural development in a gold currency for India. These considerations influence my action to-day, and I support my friend Sir Vithaldas Thackersey's Resolution.

"The scheme which he proposes and which he has ably explained to Hon'ble Members, is a natural development of the currency policy of the Government. We have so long striven to maintain by artificial supports the convertibility of the rupee into sterling currency at 1*s*. 4*d*. Sir Vithaldas now suggests a step beyond that. He desires to have some of the artificialities removed and to support the gold standard we have adopted with a limited gold currency. This is undoubtedly a much more natural, effective and harmless course, and its merit will impress all.

"My Lord, Government has not taken seriously to the idea of a gold currency apparently for two reasons—(1) the danger arising from the hoarding habits of the people, and (2) the heavy expense of a gold currency. Sir David Barbour, in his minute of 21st June 1892, made a point of the first. The Herschell Committee and the Fowler Committee could not recommend the immediate introduction of a complete gold currency for similar reasons. The idea of the impracticability of an Indian gold currency was in fact general. The *Bombay Gazette*, in 1898, observed:

'The difficulties in the way of establishing a gold coinage in India may, for all practical purposes, be regarded as insuperable. Notwithstanding the supplies from the Rand and the potentialities of Klondyke, the gold available for monetary purposes is not equal to the demand.'

"The currency policy of the Government has all through been shaped with a view to avoid the danger noted by Sir David Barbour and recognised by almost all financial authorities. But that danger is, in view of the changed habits of the people, exaggerated. The Finance Minister, in his introductory speech of 1st March current, on the strength of the Comptroller General Mr. Gillan's report on the Paper Currency Department, opines that the people are shaking off their fondness for metallic money and their habit of hoarding, and are taking kindly to paper currency. He points with legitimate satisfaction to the freer use of notes by the people:

'In March 1909 the volume of the note circulation was 45½ crores. In August 1911 it overtopped 60 crores, and it is now rarely under 55 crores.'

"And then, referring to the heavy imports of gold, he observes:

'I am convinced that these masses of imported sovereigns will not disappear into hoards or the melting pot; and that, as the people become more familiar with them, their use as genuine currency will very largely extend. The habit will probably come with a rush, as other changes have come in India.'

"Again:

'If the free circulation of gold is not so much nearer as some of us would wish, it is certainly no further off.'

"The statements of the Hon'ble Sir Guy Fleetwood Wilson are necessarily cautious, but they testify unmistakably to a wholesome change in popular habits which makes the danger of the introduction of a gold currency less acute.

"The expense of a complete system of gold currency will undoubtedly be enormous. The public have no basis of calculation on such a technical subject, and we have no official estimate of the cost before us to justify an expression of our opinion. The total rupee circulation, according to the estimate of Mr. F. C. Harrison, is 120 crores. But that was several years ago, and there have been additions and withdrawals in the interval. In any view, to replace the silver currency with gold is obviously an ambitious project, and however desirable the consummation might be, I would not support such a proposal, especially in the absence of more definite data and a detailed estimate of the cost. But Sir Vithaldas suggests for adoption a much more modest and feasible course. Hon'ble Members will be pleased to note that he does not recommend the *substitution* of the silver currency with a gold currency. He distinctly says he does not want to demonetise silver. In his scheme silver coins will be available as at present. He does not seek to disturb the existing currency arrangements of Government, and the rupee will remain convertible into the sovereign at an exchange of 1*s.* 4*d.* as heretofore. The Gold Standard Reserve will not be touched. The fear expressed by Mr. Robert Hardie and other experts before the Currency Committee that with a gold currency India would be exceptionally liable to a heavy drain of gold abroad, because her foreign indebtedness was excessively heavy, would be groundless in the suggested arrangement. The only important change my friend proposes is that people should be free to have private gold coined at their convenience at the Mints, and that the gold which Government does not require for the Gold Standard Reserve may be minted and put into circulation. This course is the least inconvenient conceivable. The gold of the public which is thus coined will flow into circulation, and not be locked up in hoards. The gold currency which will thus be created will be supplementary to the silver currency, and will to some extent ease the stringency of the market. Moreover, there is no reason why the three million pounds worth of gold produced annually in India should leave her shores for being converted into sovereigns. The Indian mints could surely do the work with advantage.

"About this time last year the Hon'ble Finance Minister very properly condemned silver speculation; in his Financial Statement this year he has referred to the discomfiture of the speculators with evident satisfaction. Naturally he is nervous about the effect of the operations of the bulls upon the transactions of Government. I do not blame him for that. On the contrary, we are all glad he is so watchful. This is a commendable attitude in the Finance Minister. But, instead of depending upon uncertain circumstances for an avoidance of the difficulties created by silver speculations, I humbly submit it will be far more satisfactory for Government to discourage such speculation by the introduction of a gold currency on the lines suggested by the Hon'ble Sir Vithaldas. That is an additional and cogent reason why the Resolution should be adopted.

"The only difficulty I apprehend is about the unpopularity of a gold coin of small size. Sovereigns would be decidedly preferable. But Sir Vithaldas rightly leaves the question of the denomination of the coin in the hands of Government.

"I support the Resolution."

The Hon'ble Mr. Mudholkar: "My Lord, I also rise to accord my suport to the Resolution moved by Sir Vithaldas D. Thackersay. To those who are acquainted with the currency controversies of the nineties it would appear curious that the demand for a gold coinage for India should come from Indian members. But there is nothing extraordinary in the position now taken up by them. This Resolution and the other which is to follow it are the necessary and logical outcome of the policy inaugurated in 1893 and developed and carried out in 1899. We are not concerned with discussing the propriety of the great change effected then in our currency system. We are concerned only with the outstanding fact that in view of the decline of the price of silver which began in the early part of the seventies, and under which the price of the rupee went down to nearly 13 pence the Government, anxious to secure stability of exchange, first closed our mints to the free coinage of silver and six years later established the Indian currency on a gold standard basis by fixing a statutory value of 16 pence for the rupee. The token value of the rupee is thus about 33 per cent. more than its intrinsic value. Whatever its effect on the value of the silver savings of the people in the burden of debts and taxes and on Indian industries and exports, a revolution has been effected in our currency. Our chief circulating medium, the rupee, is a token coin and nothing more. The question arises, is this a desirable state of things? If our currency system is based on a gold standard, the only logical and safe course to adopt is to have gold coins and to provide for the coinage of gold. Under the new system the English sovereign is legal tender, but there is no provision for the coinage of gold in Indian mints. This state of things is certainly not in accordance with the views and objects under which the policy of 1899 was adopted. Sir Clinton Dawkins, Finance Member of the Government of India, in explaining the position of the Government in the Financial Statement for 1900-01, stated:

'It has been decided to constitute a branch of the Royal Mint at the Bombay Mint for the coinage of gold. The terms of the proclamation to be issued under the Imperial Coinage Act have been settled, and we are merely waiting now until the Royal Mint has satisfied itself as regards the Mint premises and appliances in Bombay. A representative of the Royal Mint is starting this week for Bombay to report. The gold from the Mysore mines is indeed already reaching us in anticipation of coinage, and we count upon receiving an annual increment to our stock of gold of from 1¼ to 2 millions from this source.'

'It is thus clear what the real scope of the policy adopted in 1899 was Why the action which had been decided upon was abandoned we do not know. The immediate establishment of a complete system of gold currency sufficient to meet the demands of the country was not thought practicable then or can be considered so now. But, as our currency is based on a gold standard, the obvious course would seem to be to provide for the coinage of gold. I should not be under stood as advocating a diversion of the gold standard reserve to this purpose. Why a portion of it may not be so applied is a matter worthy of consideration; but that is not necessary to be discussed just now. What is to be borne in mind is that a beginning in the coining of gold is necessary and the Government might well accept the very cautious suggestion made by the Hon'ble Sir Vithaldas. Sir James Meston, in his speech delivered on the 27th of March last year, advanced some arguments in support of the Government's policy of keeping the gold standard reserve in London:

'What we do is to maintain the value of the rupee by keeping the gold where gold is most wanted and is likely to be most useful to us. Now' (I would ask the Council to mark these words) 'if gold were effectively wanted in India, that is, if India could keep gold in circulation and export gold privately in large quantity when exchange threatens to fall, then in those circumstances our duty would be accomplished and our task would be lightened. But we know that these circumstances do not obtain. We have not yet a substantial gold circulation in India.'

"Now, my Lord, is it the fault of the country that there is not any substantial circulation of gold coins in India? It cannot be disputed that when there is any considerable amount required for payment or transport, gold is often preferred to silver. My Lord, there is one very important consideration which demands the action now suggested. If the stability of exchange justified the adoption of the new system, the necessity for a stability of the value of the rupee in relation to other commodities demands that the gold basis and gold standard should be more than a name. When the mints were opened to the free coinage of silver there was a self-adjusting process automatically as it were regulating the number of rupees in circulation. But what has been the policy since 1893? In the decade ending with 1884, the value of new rupees coined was annually about six crores. In the nine years following it was 8·3 crores. Between 1900—1908 over a hundred crores were coined, the average for the first five years being 8·3 and for the last three years 20·7. Such fluctuations in the currency must necessarily produce fluctuations in prices. The situation is complicated by the fact that the token value of the rupee has no relation to the value of the metal. The existence of a gold currency would certainly obviate fluctuations or uncertainties.

"The merit of the proposal is that it does not lay any claim to originality. It only asks the Government to take the action which was resolved upon in 1900."

The Hon'ble Mr. Gokhale: "My Lord, I beg to support this Resolution. My Hon'ble friend Sir Vithaldas Thackersey has referred to certain remarks which I had made on this subject in this Council a few years ago, and he has invited me to-day to develop my view still further. I do not know that there is much to develope, but I will briefly state what I think of one aspect—an important aspect—of the matter. In dealing with the question of high prices in 1908-1909 I had to give some thought to this question of the coinage of rupees, and this was how I expressed my views on the occasion:

'It seems to me that the only way now out of our difficulties is to follow the example of France and the United States, and while admitting the rupee to unlimited tender, stop the coinage of new rupees and coin gold pieces instead. Of course I express this opinion with great diffidence, for there are serious considerations on the other side and the whole subject is enveloped in great obscurity. But I fear that the present half-way house will not do, and unless we place our currency on an automatic and self-adjusting basis, the clouds that are already overhead will thicken and not roll away.'

"The clouds that I specially referred to were clouds of high prices and also of certain apprehensions in connexion with the adequacy or otherwise of our gold standard reserve to maintain the level of exchange. My Lord, so far as the question of prices is concerned, that is a matter which is under some sort of inquiry at present, and I do not therefore want to go into it at any length. The fact that there were no additions made during the last three years to our total silver currency has undoubtedly tended to ease the situation as regards prices. But if we are again on the eve of large additions to our silver currency, I fear the question will be further complicated and the complications might possibly grow most serious. The view that I take of this matter is briefly this. The quantitative theory of money, as every student of political economy knows, holds good in the case of backward countries like India much more than in the case of advanced countries which have a highly developed system of credit instruments. Now, in that view of things, prices are a function, to use a mathematical phrase, of three variables; they depend upon three factors—the volume of currency, the supply of commodities, and the demand for commodities. Any two factors being the same, they vary with the third factor, either directly or inversely, as the relation may be. For instance, they vary directly with the volume of currency; they also vary directly with the demand for commodities; and they vary inversely with the supply of commodities. Now, assuming for the moment that the demand and supply continue normal, prices will vary according to the volume of currency. Of course it takes a fairly long period for these adjustments to take place, but I am stating only the tendency of things. Whether the total volume of currency that exists in circulation at any particular moment is adequate or otherwise depends upon a number of considerations, and the demands of new industrial developments in the country increases in production, increased facilities for exchange and various other factors of that kind. But I am not going into that just now; I am simply considering the single phenomenon of prices in relation to the volume of currency, leaving everything else out as normal. Now, what is the difference if you have an automatic self-adjusting currency such as we may have with gold or we had with silver before the year 1893, and the kind of artificial currency that we have at present? Situated as India is, you will always require, to meet the demands of trade, the coinage of a certain number of gold or silver pieces, as the case may be, during the export season, that is for six months in the year. When the export season is brisk money has to be sent into the interior to purchase commodities. That is a factor common to both situations whether you have an artificial automatic gold currency as now or a silver currency. But the difference is this. During the remaining six months of the slack season there is undoubtedly experienced a redundancy of currency, and under a self-adjusting automatic system there are three outlets for this redundancy to work itself off. The coins that are superfluous may either come back to the banks and to the coffers of Government; or they may be exported, or they may be melted by people for purposes of consumption for other wants. But where you have no self-adjusting and automatic currency where the coin is an artificial token of currency such as our rupee is at the present moment, two out of three of these outlets are stopped. You cannot export the rupee, without heavy loss, you cannot melt the rupee without heavy loss, and consequently the extra coins must return to the banks and the coffers of Government, or they must be absorbed by the people. In the latter case, the situation is like that of a soil which is water-logged, which has no efficient drainage, and the moisture from which cannot be removed. In this country the facilities for banking are very inadequate, and therefore our money does not swiftly flow back to the banks or Government treasuries. Consequently the extra money that is sent in to the interior often gathers here and there like pools of water, turning the whole soil into a marsh. I believe the fact cannot be gainsaid that the stopping of two outlets out of three tends to raise prices by making the volume of currency redundant. If we had a gold currency in place of the present artificial silver currency, when there is a redundancy, the people could re-melt gold coins into bullion or export gold coins, without loss; but the rupee being what it is the people cannot melt or export it, because of the difference between its token and intrinsic values, and every rupee coined remains as a net addition to the currency. It has been estimated that an average of about three crores of rupees used to be melted annually by the people under the old system for purposes of ornaments, etc. Where the cost of carrying bullion from the ports into the interior exceeded the slight loss that was incurred by melting rupees people, melted rupees. And the present disability will remain as long as our currency remains artificial. As a matter of fact, these who suggested that our currency should be placed on its present basis had foreseen this, and they had recommended that the present should only be a temporary arrangement. The Fowler Committee and other anthorities have advocated a gold standard and a gold currency, not a silver currency, as the permanent arrangement for this country. The time has come when we should consider whether we should not enter on the next stage of our currency policy and go in for the coinage of gold pieces, admitting silver, however, for the present to unlimited legal tender. But a time must come when silver will have to be restricted in amount as legal tender, and gold will then have to be the principal coin of the country. My Lord, I support this Resolution.

The Hon'ble Sir Guy Fleetwood Wilson: Sir Vithaldas has dealt with consummate ability with a question of first class importance. I am quite sure that his speech has been listened to by every one in the Council, as it certainly has been listened to by me, with the very greatest interest.

"Both in regard to this Resolution and the second Resolution which stands in his name, Sir Vithaldas, it will be realised, has a great advantage over me. He does not speak in the name of a Government; he does not speak even in the name of any large financial corporation. He may be voicing the opinion of many others, but he speaks for himself and for himself alone. This of course enables him to speak with absolute freedom and without any reserve.

"My own position is the exact opposite. On all financial questions, but more especially on the two questions which the Hon'ble Member has raised, I can only speak as a member of the Government of India, and I have naturally, and quite properly, to speak with considerable reserve, as I have to consider, not only the opinion and responsibility of the Government of India as a whole, but also the responsibility of the Secretary of State in Council.

"I mention this because I think the point is sometimes lost sight of and it is not always remembered that if a Finance Minister speaks with considerable caution and is not so ready to pledge himself as some people would wish, his attitude is influenced not by any desire to escape responsibility and certainly not from any disinclination to be absolutely frank with this Council, but by a proper consciousness that he is neither empowered nor entitled to speak with absolute freedom.

"My Hon'ble friend Sir Vithaldas Thackersey has given the Council a most interesting speech on a subject which he has made particularly his own. The Resolution which he has moved is intended, I take it, partly to focus the discussions on this important subject, and partly to jog the memory of Government. I wish to assure him at the outset that the matter has been constantly in our thoughts since I gave him my promise a year ago to renew the consideration of the scheme which Sir Vithaldas pressed with his usual ability and moderation upon the Government of India.

"The interval which has elapsed since the question of coining gold was last before this Council has not been time lost. The ball which Sir Vithaldas set rolling has been in vigorous play throughout the year. No subject of a purely financial character has, in my time, attracted so much attention or so much skilled criticism. It has been thoroughly ventilated in the public Press, both in England and in India; the views of all classes interested in the subject have been received by Government; and every phase of it has been examined in full and free informal discussion. What I propose to do to-day, in answering my Hon'ble friend, is to review as briefly as possible the opinions that we have collected; to examine the main arguments for and against the coinage of gold; and to remove some of the misconceptions which have grown up round the subject. As at present situated I cannot do more, for we have still to obtain the opinions and the orders of our final authority, the Secretary of State; but I am sure that, in their responsible task of deciding the issues which we are placing before them, the Secretary of State for India and his advisers will be greatly helped by the proceedings of to-day. The proposal which my Hon'ble friend wishes us to revive is that which the Indian Currency Commission of 1898 recommended as part of the machinery for the maintenance of our gold standard. I need not quote the precise words of the Committee. They will be found in paragraph 54 of the report and are familiar to all students of the subject. The proposal in brief was that the Indian mints should be thrown open to the unrestricted coinage of gold on terms and conditions such as govern the three Australian branches of the Royal Mint. This proposal was cordially accepted by the Government of India and, as Sir Vithaldas reminded us a year ago, steps were taken to give effect to it. Our preparations, however, came to an end somewhat suddenly in 1902. There had been much discussion on technical details; and while time was passing, the agents for the Kolar Gold Mines had concluded arrangements for the disposal of their gold in England. The Government of the day were doubtful whether it was prudent to pursue the scheme in the absence of any steady supply of local gold; and the treasury at Home were disposed to advise against it in the belief that India would obtain all the gold it required through the ordinary channels of import. The question was thus laid aside in 1902. No definite reasons were given at the time so far as I can ascertain; but the reasons were those which I have now briefly described, and no other.

"During the last ten years, spasmodic suggestions had been made for reviving the proposal; but it was not until my friend's Resolution of last year that the Government of India were formally moved to review the situation and consider the propriety of reverting to the policy recommended by Sir Henry Fowler's Committee. When we went thoroughly into the subject, as I promised Sir Vithaldas that we should do, it seemed to us that there had been such a change of conditions as would fully justify us in reviving the question, and not in treating it as a subject which had been laid aside for good in 1902.

"Hon'ble gentlemen will pardon me for not following them into the difficult and very large question of the redundant rupee and the influence of currency on prices. It is true that we get no gold of Indian production, simply because we can do nothing with it if it is offered to us. It is also true that sovereigns still come in freely by trade channels when the balance of international exchange is in our favour. But in other respects the position has altered greatly in the last decade. Our currency system has been through the fiery trial of 1907-1908, and the need for strengthening our gold holdings has been brought home to us. Also, to the mind of many observers, what I may call the currency habits of the people seem to be changing. Gold is being more freely taken in payment for agricultural produce. There may be no striking increase in the active circulation of gold, but it is certainly becoming more familiar and is being more readily accepted. Rupees, as many believe, are being replaced by gold in hoards. Our note circulation is also making great strides. Its rapid increase, specially since the notes of the lower denominations were made universal, goes far to indicate that the people of this country are ready for a handier form of currency than silver and for a higher unit than the rupee. All these changes in India justify us in considering once again whether we should not embark on the coinage of gold. What particular coin we should manufacture is perhaps a matter of detail rather than of principle; some authorities would like to see a distinctive Indian coin, like the gold mohur or pagoda; others regard this suggestion as an antiquarian rather than of practical value, and would like to see the Indian sovereign or a ten-rupee gold piece; others again would be content if our mints were empowered to manufacture the ordinary sovereigns with which we are all familiar. I think myself that the balance of advantage lies in the third course; it gives us the coin which my esteemed friend, Sir Shapurji Broacha, has so happily described as the cement of the empire; and it simplifies immensely the issue of our gold in international trade. For the purpose of discussion then, I assume that we shall, at the outset at least, coin sovereigns if we are allowed to coin gold at all. The proposal before us is thus in its simplest form, that one of our Indian mints should be opened to the free coinage of the sovereign on terms and conditions similar to those which control the mints in Australia and Canada.

"Now, since the debate of last year, this proposal, simple though it is, has been subjected to considerable misrepresentations. It has been suggested, for example, that the scheme contemplates a large loan by us for the purchase of gold; that we should force gold upon an unwilling people on an enormous scale; and that we should thereby produce, as I think we should certainly do, a serious fall in the value of silver and considerable hardship to the poorer classes in India. It is also suggested that, between buying gold and paying interest on our coinage loans, we should be throwing away large sums of money which are required for education, and for the extension of railways and irrigation. Taxation would be multiplied; the gold would disappear as soon as we coined it; and our exchange position would be as bad as ever. The Hon'ble Sir Vithaldas has repudiated this description of his proposal with some warmth, and I entirely sympathise with him. No such proposal was ever dreamt of by any sane and responsible man in this country. There has never been any intention of borrowing or of buying gold, or of forcing it upon the people or of coining a single sovereign except from bullion which is brought to us voluntarily for the purpose. The proposal, which I have already described as simple and unambiguous, is merely to open a gold mint on a small scale with a gold refinery attached to it, so that we may be able to handle either raw gold from the mines, or ornaments and other alloys that may be offered to us.

"This being the proposal which Sir Vithaldas had, I think, in mind, and which was also in my mind when I promised to consider it, let us examine the arguments of honest critics for and against it. I take first the arguments against it. They are numerous; but I think they may be suitably classified into three sets of objections, namely, that a gold coinage is unnecessary; that it would be ineffective in support of exchange; and that it would be wasteful or even harmful. The first of these objections is the argument that gold already comes in freely from Australia, Egypt and elsewhere, and that there is no necessity for adding to it in this country. Support is given to this objection by the very large accumulation of sovereigns which have grown up in our currency reserve during the last year and a half of busy trade. It is also argued that with a sufficiently strong gold reserve in London and a sufficiently strong silver reserve in India, we could get along without a visible gold currency at all. This view is taken by many who believe that the scheme known as the Lindsay scheme, after the late Mr. A. M. Lindsay, the distinguished economist and banker of Calcutta, is the solution for all currency difficulties in a silver-using country. I think that these objections merit the most careful consideration. I do not say that they are insuperable. But they are reasonable and have the weight of high authority behind them.

"The second set of objections is based upon the view that a gold coinage would have no influence in supporting exchange for the simple reason that, at a time of crisis, the sovereign would disappear. It would stand at a high premium, and there will be no persuading the people to release their hoardings of it for the purposes of export. Until the sovereign becomes much more familiar and enters much more largely into active circulation, I think this objection is, largely true. The question is whether it is advisable to take means to increase the circulation in order to prevent the wholesale disappearance of the sovereign when exchange shows signs of weakness.

"The third and most uncompromising group of objections to our gold currency comes from those who consider that the minting of gold in India would be wasteful, expensive and harmful. Many competent observers consider that it would be wasteful because our new sovereigns would be melted or would disappear into hoards as soon as they are issued. I do not think my Hon'ble friend shares that view, and I believe that experience alone will prove its truth or its falsehood. I would only remark that the hoarding and the melting of rupees was a constant trouble in the days when our mints were open to silver. And I personally believe that, if sovereigns can be made to replace silver or ornaments in the hoards of the people, we shall have advanced a decided step in the direction not only of greater prosperity but of greater stability in our exchange affairs. Some of our other critics, however, urge that the sovereign is an expensive coin, because we get no profits from it, such as we do from the rupee, and because we should have to bear the loss of wear and tear. To this objection I cannot attach very much importance, knowing, as I do know, the comparatively small cost at which the gold currency of the United Kingdom was rehabilitated by the late Lord Goschen. The last argument in this group to which I need refer is the suggestion that our gold coinage would draw off a larger quantity of gold from the European markets than India obtains at present, and that consequently business and trade would suffer in the gold-using countries. This argument I must admit to be one of the most serious in the whole controversy; because, if it is true, it sets the whole of the interests of the gold-using countries against our proposal. It is a matter on which various opinions may honestly be held whether the opening of the mint to gold would in practice have the effect of enlarging our gold imports. It would certainly have the effect of bringing in a larger quantity of bullion and a smaller quantity of sovereigns if there were a marginal profit on the former; but would it have the effect of increasing the aggregate quantity of gold of all sorts which comes in to adjust the balance of trade?

"I have now stated with perfect frankness the arguments against the gold coinage for India. The arguments *for* such a coinage are in my Hon'ble friend's mind, and some of them have been skilfully displayed in his opening speech. As I understand the position, he believes that the coinage of gold would enable large quantities of bullion which are now in the country to be converted into legal tender. He believes that, with greater familiarity, the sovereigns would pass more freely into active circulation. He hopes and I also sincerely hope, that, if this consummation is reached, it would diminish the pressure upon us for the coinage of fresh rupees and simplify our exchange difficulties. These in their turn are weighty considerations and they are considerations which affect the practical outlook of the business man, who does not delude himself into the idea that the mere opening of the mints to gold would immediately provide a door for the export of superfluous currency in the form of sovereigns when exchange goes against us. I do not myself see any near prospects of that measure of assistance; but I readily admit that the coinage of gold, if it leads to a substantial and growing increase of the active circulation, will carry us some way in that direction, and consequently in the direction of greater security and of greater stability.

"I have now, as I undertook to do, laid before the Council the pros and cons of this important and attractive subject. As I explained, I can at the moment do no more; because the whole question, with the views of the Government of India upon it, awaits the final decision of the Secretary of State.

"If his decision should meet the wishes of my Hon'ble friend, no one will be more gratified than the present Finance Minister."

The Hon'ble Sir Vithaldas Thackersey: "My Lord, I must recognize that the reply of the Hon'ble Finance Member is very satisfactory; and I may say that he has said more in support, he has brought forward more cogent arguments in support, of opening the mints to the free coining of gold, than I was able to do in my opening speech. I am perfectly satisfied with his assurance that he is doing his best to get the sanction of the Secretary of State, and therefore, with Your Lordship's permission, I beg to withdraw my motion for the present."

His Excellency the President: "The Resolution is by permission withdrawn."

GOLD STANDARD RESERVE.

The Hon'ble Sir Vithaldas Thackersey then moved the further Resolution:

"That this Council recommends to the Governor General in Council that a substantial portion of the Gold Standard Reserve be held in gold in India."

He said:

"My Lord, this question has been threshed out so often in the past that I will not attempt to weary the Council with any lengthy remarks on this subject. All the Chambers of Commerce have times out of number demanded that our Gold Standard Reserve should be held in gold in India. They have more than once pointed out the danger of either diverting any amount of this to any other purpose or to investing it permanently in gold securities. They have further pointed out that, in case of panic or war, the gold may not be available to us when we badly want it, and in that case it might be difficult, if not absolutely impossible, for India to maintain a Gold Standard. In these days, when the sensitiveness of the money market has become proverbial, it is easily conceivable how great will be the loss that the people of this country would suffer, and to what great extent the prestige of Government would be lessened, if there was the slightest reason to doubt that the gold in the Gold Standard Reserve may not be readily available to maintain the exchange. All the labour of years in creating confidence in the outside world will be lost in a second. And for what purpose is all this risk incurred? My friend the Hon'ble Sir James Meston, who has always proved himself a capable and sound financier, and whose elevation to the Lieutenant-Governorship of the United Provinces is a matter of deep gratification to all of us, presented last year to this Council what he called the other side of the shield. He said that gold was located in London to simplify the duty of the Government of India in maintaining the gold value of the rupee, as when required to support our exchanges it would be immediately available. It had been mentioned, moreover, in the reply from the Government of India to the Bombay Chamber of Commerce in May 1907 that holding liquid gold in India would entail loss of interest which we at present earn by investment in gold securities. I will, therefore, with Your Lordship's permission, deal also with this argument. The reply to the first argument is that the location of gold in India will not at all make the duty of the Government of India any more difficult in maintaining the gold value of the rupee. The call on this reserve is made only when it is required for export, and it will be as easy for the Government of India to deliver gold in India to those who want it in exchange for rupees as it is easy for the Secretary of State to deliver gold in London. If gold is required by the Secretary of State when he cannot sell Council Bills, it can be exported almost immediately. As to the second argument about earning interest, I need only repeat what has been so often and so unanimously said by all the Chambers of Commerce in India and by others who can speak with authority on this subject, that Government are taking a very great risk by this procedure. So long as things move smoothly and no storm breaks, this kind of investment may bring us some income; but it must not be forgotten, as the Bombay Chamber of Commerce wrote to Government in 1907, that the Gold Standard Reserve is being maintained for the sake of serious emergencies, and that, should such emergencies arise, it might very easily happen that it will be extremely difficult to realise rapidly the securities in England. Indeed, the state of the money market brought about by the very emergency would probably be considerably aggravated if it entailed the realising of a large quantity of British securities, whereas if the reserve was a metallic one the position could be at once relieved. My Lord, India is not the only country which has to maintain a metallic reserve of gold. The United States Treasury has the largest stock of gold held by any country in the world. On 31st December 1910, it amounted to over 233 millions sterling—over eleven times our Gold Standard Reserve. Does the United States Government invest it in gilt-edged securities? In the same way France and Russia have large Gold Reserves—certainly many times more than our reserve. Why do they not invest them? They rightly realise that their credit and honour and existence stand upon the Gold Reserve, and they know that it may be required at any time in an emergency. I wish to speak with great respect of the Secretary of State's advisers. They are eminent and honourable men, but it is only necessary to mention the positions they occupy in the world of London finance to show that, human nature being what it is, they cannot be expected to be wholly free from a certain bias. Lord Inchcape is a Director of the National Provincial Bank of England—a very powerful Bank. Sir Felix Schuster, Baronet, is a Director of the German Bank of London, Limited, and also a Governor of the Union of London and Smith's Bank, Limited. Mr. Lawrence Currie is a managing partner in Glyn, Mills and Currie, Limited—a large and powerful private banking house. All these institutions are on the list of approved bankers and private individuals with whom according to the Hon'ble Finance Member all our cash balance is invested in London. Are the financiers of this Government less alert than the Secretary of State's advisers? But, my Lord, against the advice of these three eminent London financiers, the Secretary of State has before him the unanimous recommendation of independent experts well qualified to give sound advice on this subject who constituted the Indian Currency Committee over which Sir Henry Fowler presided. This recommendation was to the effect that any profit made on the coinage of rupees should be kept in gold as a Special Reserve. The Secretary of State is therefore incurring a very grave responsibility in disregarding independent advice.

"But, my Lord, this does not exhaust our cause for complaint. In addition to our Gold Standard Reserve, the Secretary of State has withdrawn 8¼ million pounds of our Paper Currency Reserve and many million pounds more out of our Treasury balances over and above his budget requirements. The cash balances in the hands of the Secretary of State in London in January

1912 amounted to 17¼ million pounds sterling, and this year till the 20th instant the Secretary of State has drawn 3½ million pounds in excess of this year's requirements for Home charges, and still we have 10 days to run in this financial year. What is the object in withdrawing such large amounts from India? In reply to the Hon'ble Mr. Armstrong's question in Simla in September last inquiring whether much larger cash balances were now held in the Home Treasury than formerly, and if so, the reasons for this, the Hon'ble Finance Member gave, amongst other explanations, 'the heavy sales of Council Bills and telegraphic transfers in excess of the requirements of the Home Treasury.' My Lord, this explanation explains nothing. It is only a paraphrase of the question. In busy seasons, while India clamours for money, and while the Bank rate of interest on the security of Government paper goes up to 8 per cent. per annum, while the industry and commerce of the country suffer by the high rate of interest and sometimes find difficulty in getting money at all, the Secretary of State keeps millions and millions of our cash invested by him at a nominal rate of interest with the London bankers and financiers. A more unsatisfactory policy it is difficult to conceive. If even a portion of the amount lying in London had been available with our bankers here, the present stringency of the money market would not have arisen and the commerce and industry of the country would greatly have benefited. Apart from the interests of commerce and industry, which must be dear to us, is it to the interest of Government itself and to the credit of India that such a monetary stringency should be allowed to happen when we have the means of relieving it? Is it to India's credit that on the security of its own promissory notes the holders should have to pay in the busy season a high rate of 8 to 9 per cent. per annum, which is more than double the rate paid by Government? How can we expect under such circumstances that Government paper should be more popular? In England, every one, from the Chancellor of the Exchequer down to the humble banker and financier, is seriously concerned about the steps to be taken to make the British Consols more popular. At present that is the principal topic in England. We in India export our available capital to London and starve our banking institutions to the detriment of the popularity of our own paper. If means can be adopted by which we can prevent the enormous rise of the rate of interest in the busy season, I am sure, and that is the opinion of many bankers, that the price of Government paper would stand at a much higher figure than now. Apart from this consideration, we have to bear in mind that this periodical tightness of the money market is a great hindrance to our industrial progress. Violent fluctuations are always to be deprecated. In Great Britain, while the Bank rate varies from 3 per cent. to 5 per cent. in the busy season, a difference of 2 per cent., in India it varies from 3 per cent. to 8 per cent., a difference of 5 per cent. I find from the reply to-day that about 2½ per cent. is the average rate of interest with the London financiers.

"My Lord, this craving for India's money in London is so great and the Secretary of State is so much influenced by the London money market tha his Council to-day may be said to be one of the biggest financial houses in London. It is impossible to describe the financial operations of the Secretary of State's Council in better words than those used by Lord Morley himself who, on May 10th last, was the principal guest at the annual dinner of the English Association of Bankers. It is a reported speech. He said after dinner—(this is not an after-dinner topic, but I may as well speak of it, if you will allow me):—

'I think that even many of you, experienced men as you are, will be rather astonished at the magnitude of the India Office figures. The cash balance at the present term is £18,750,000—not rupees, but pounds—and of that £8,350,000 is placed on deposit at 2 to 3 months' credit, and nearly £10,000,000 is lent to first class firms on unimpeachable security from three to five weeks' notice. The maturing and re-lending of these sums cause a cash business which amounts to £60,000,000 a year. There are other details with which I will not burden you, but the India Office is responsible in the year 1910-11 for £160,000,000 (240 crores of rupees). There are other details of further management of accumulated funds of Gold Standard-Reserve in this country, which amounts to upwards of £17,000,000, and of Paper Currency Reserve, which amounts to £7,500,000. It is obvious, Gentlemen, that the influence of the money market on the movement of these very large sums must be considered, and large temporary and permanent investments of Indian balances of various kinds must affect, to a very considerable degree indeed, the rate of discount and the movement of the prices of securities. I only venture to bring that to your attention as showing how deeply you are all concerned in the prudent, judicious management of the finances of the India Office.'

"His Lordship continued:

'I only bring that before you in order to prevent anybody in India saying "Ah! you have these enormous figures, this £160,000,000 but you are dealing with our figures." Yes, we are dealing with their figures in a sense, but we are dealing with British capital for the most part. However, that may be, we are dealing with it to the enormous material advantage of the population concerned.'

"My Lord, the passage which I have quoted shows clearly that the India Office, in addition to its regular duties as a supervising agency, has undertaken the duties also of being a great banking house for financing the London money market. 160 million pounds, as Lord Morley says, is an enormous figure, and it is not to be expected that those who control these investments will be easily persuaded to relax their hold on our money and leave it free to return to India. I realise therefore that the Secretary of State may have to face a very strong opposition before he could consent to the proposition which my Resolution embodies. But I am confident, knowing as we do now so much about Lord Crewe after his recent visit to India and his desire to do everything in his power to advance Indian interests, that he will stand up for India's right against such opposition.

"Lord Morley anticipated a natural objection from India that he was dealing with our figures, and went on to reply that he was dealing with British capital. This is surely a novel statement.

"The whole of our Gold Standard Reserve, amounting to nearly 18 million pounds, which is in England is the accumulation of our profits on the coinage of rupees. We have circulated amongst the people a rupee with an intrinsic value of only annas ten, and the balance of annas six is carried to the Gold Standard Reserve. Is this British capital? Then, again, we have about 2¾ million pounds of our Paper Currency Reserve invested in England in addition to 5½ millions in gold earmarked for the Paper Currency. Is that British capital? Then, again, the large cash balances of the Secretary of State accumulated by the heavy sales of Council Bills and Telegraphic Transfers in excess of the requirements of the Home Treasury. Is that British capital? I fail to understand the cogency of this argument. If you say that because India raises loans for railways in England and therefore you should invest all these funds there, I would ask are the loans raised there on business principles and do those who buy our paper do it as a sort of investment for themselves or are they doing it to oblige us? Do Canada, Australia, South Africa and other British Colonies not raise loans in England? Do they maintain in England a financial house to finance, out of their own surplus money, the London market, or do they use their money for the development of their own country? The same argument applies to the loans raised by other foreign countries in the London market.

"My Lord, if our Gold Standard Reserve is kept in India in gold, we may be able in times of emergency to be of service to the London money market, while under the present policy, in time of emergency we may increase their difficulties by our necessity to withdraw the gold. A big money market like London will not be adversely affected by the gradual withdrawal of gold in normal times, but in times of trouble it may feel the pinch. With our gold in India, London will keep its necessary stock of gold in the usual way, and in times of trouble we can help them with our gold, which will be an extra reserve. So looking from the point of view of England itself, it is an advantage that our gold should remain in India. There is a further advantage if our Gold Reserve is in India. Government have tried to popularise currency notes and meet the wishes of the Commercial communities by making universal currency notes up to the value of Rupees 100. They have not been able to make all currency notes universal because of the difficulty of meeting the demand of coins on presentation. With a large quantity of our gold in India and distributed over all important centres in addition to the Currency Reserve, our power of successfully meeting any demand for coins will be enormously increased. As years pass and people get used more and more to gold coins, it may be possible to make all currency notes universal. It will be an enormous advantage to trade and commerce, and at the same time it will still further popularise paper currency and largely increase its circulation. Those requiring rupees for small business will get them by tendering gold coins just as they get small change and copper by representation of rupees. Time does not permit me to develop up this argument any further, but I hope I have been able to show that it is both to the advantage of India and England that our Gold Standard Reserve should be held in gold in India.

The Hon'ble Mr. Gokhale: "My Lord, I wish to express my entire concurrence with my Hon'ble friend in all he has said. He has stated the case with that clearness and practical ability which always distinguish his utterances, and I do not think anything more need be added to what he has said. I heartily support his Resolution."

The Hon'ble Mr. Dadabhoy: "My Lord, I cordially support this Resolution. The Hon'ble Sir Vithaldas has very forcibly and lucidly pointed out the injustice that follows to India from the investment of, at a nominal rate of interest, the bulk of the gold of the Gold Standard Reserve, while money is scarce here and the Bank rate of interest upon demand loans reaches at times the high figure of 9 per cent. It is admitted that liquid capital is what is most needed in this country, and one of the principal reasons for the Government anxiety at the falling exchange 20 years ago was that it retarded the flow of sterling capital here. Now that sterling exchange has steadied and Government holds a large amount of cash in the Gold Standard Reserve, much larger than is necessary to ensure success to the currency measures, the request does not appear extravagant that a substantial part of the Reserve should be held in India. The greater portion of the Reserve now helps to ease the stringency of the London market, and obviously such operations are not required for the support of exchange. Why should not then effect be given to the proposal? The industrial and commercial interests of India are a matter of supreme concern to the Government. When therefore it lies in their power to promote them by relieving the stringency of the Indian money market by timely and temporary advances to the banks out of the superfluity of the Gold Standard Reserve, it is only reasonable to expect that Government will listen to our prayer. The Hon'ble mover has drawn our attention to some of the disagreeable features of the present situation, as also to the heavy odds against which we have to fight in inducing a change of policy in respect of the management of the Reserve. We all sincerely hope and trust Government will resist the adverse and interested influences, and do to India that justice which is her due.

"My Lord, the proposal does not involve any serious departure from that cautious policy which has secured to us a steady exchange. The scheme of which the Reserve is an integral part does not require the maintenance of a bigger reserve in London than £5,000,000. The highest figure suggested by experts was £10,000,000. In 1893, when the closure of the Indian mints to the free coinage of silver initiated a new policy of currency reform, the idea of a Gold Standard Reserve was not entertained by Government. In fact, as has been pointed out by many, we had a gold standard years after. The proposals which were ultimately adopted by Government after the failure of the currency legislation of June 1893 to make the rupee convertible at 1*s*. 4*d*., had been first made public in 1876 by Mr. A. M. Lindsay, as pointed out by the Hon'ble Finance Minister this morning. After the slump in the sterling value of the rupee laid on the shoulders of this Government extraordinarily heavy financial liabilities, Mr. Ottomar Haupt of Paris, following the recent precedent of Austria-Hungary, suggested in the *Financial Times* certain relief measures, the principal feature of which was the closure of the mints.

Then came the expert Committees, but apparently all to no good purpose. In January 1893, however, the Madras Chamber of Commerce submitted to this Government for consideration Mr. Lindsay's scheme, whereby a gold standard could be adopted without a gold currency by the maintenance in London of a small reserve on the strength of which bills could be drawn upon India. This scheme was finally adopted by Government. It will be noted that in the original scheme a large reserve like the one we now have was not contemplated. The author, Mr. Lindsay, followed Ricardo both as regards the general plan and the amount of reserve. In Scotland and Ireland, where similar exchange difficulties had been experienced in the latter half of the eighteenth century and removed by arrangements with the Bank of England for the maintenance of gold funds, the reserve was never large. The Parliamentary Committee of 1804, consisting of Pitt, Fox, Foster and others, inquired into the whole question of the Irish currency, and recommended the creation of a small gold fund in London for the purpose of assuring fixity to exchange. Two members of the Indian Currency Committee, Lords Farrer and Welby, suggested in an Appendix to the Committee's Report the creation of a Gold Standard Reserve. But a large fund was not contemplated. So far as the legitimate functions of the Reserve were concerned, the consensus of expert opinion, no doubt, was that it should be held in London. But this does not militate against Sir Vithaldas's proposal. The Hon'ble mover does not propose that the whole of the Reserve should be transferred to India. His recommendation of transfer relates only to a substantial portion. And to this there could not be any reasonable objection. The present strength of the Reserve is already superfluous. We do not require such a large gold holding in London for the stability of the sterling exchange. The contingency is extremely unlikely that an adverse exchange would force the hands of the Secretary of State to exhaust the whole of a Reserve of five millions pounds sterling, and would compel this Government to send back the gold belonging to the Reserve transferred here from London according to the suggestion of Sir Vithaldas. Moreover, as a matter of fact, a substantial portion of the Reserve is now employed, as the Hon'ble Member has shown, in financing the London Banks. This is a purpose so obviously extraneous to the central object that the removal of that portion to India would not have the slightest influence, either present or prospective, upon sterling exchange. We do not object to Government putting as much spare cash as it can command to the Reserve. Our only grievance is, although built up at our cost, the country is deprived of the use of the Reserve in times of acute tightness."

The Hon'ble Sir Guy Fleetwood Wilson: "I congratulate my Hon'ble friend Sir Vithaldas on this second excursion into the regions of pure finance and on the vigour and lucidity with which he has handled a subject of no small intricacy and difficulty. He has, as I have already said, the advantage of me in the freedom with which he can speak on subjects upon which my position, and the position of the Government of India, in relation to the Secretary of State in Council, compels me to caution and even to silence. He must not therefore misjudge me if I cannot follow him over all the field which he has opened for us in the speech to which we have just listened. It would, for example, be wholly out of place for me to discuss his views regarding the financial advisers of the Secretary of State, and the influence which they exercise on the disposition of our Indian resources. The responsibility of the Secretary of State in Council is one and undivided, and I at any rate cannot discuss his policy as if it were the policy of individuals. I can only undertake to place before the Secretary of State the expert financial opinion which the Hon'ble gentleman represents in India, and to ask that it receives due consideration along with the expert opinion which His Lordship obtains in England.

"Nor, even if I had the same freedom as my Hon'ble friend, would it be possible for me in the time at my disposal to examine with sufficient care the wide variety of topics over which he has ranged. Let me take, for example, the question of our high balances. I am quite at one with Sir Vithaldas in holding that high treasury balances, whether held in England or in India, are in ordinary circumstances wrong and wasteful.

"High balances in ordinary circumstances are an indication that we have borrowed more than is actually necessary. But it would require a somewhat detailed analysis to place the Council in a position to judge whether the recent history of our treasury balances justifies this rather severe condemnation. I should have to point out to what extent money has been accumulated in London to meet large payments for the redemption of railway debentures which shortly fall due; I should have to connect our opium windfall with the India Bills which I hope we are now on the eve of withdrawing; and I should no doubt have to add a number of other qualifications before I could answer with confidence the point which my Hon'ble friend has taken. Similarly with his arguments in favour of lending out our balances to banks in India; this is also a question to which there are two sides, and an examination of it would involve a lengthy and probably a somewhat dull dissertation on the metallic basis of credit in our Indian money market. To take only one other instance of the wide range of my friend's speech, I should have to go in some detail into the theory of the convertibility of our currency notes, if I were going to attempt an adequate reply to his suggestion for a wider dispersal of our gold resources as a reserve against our paper currency.

"I must, however, avoid these and other fascinating bye-paths into which the Hon'ble Member invites me to stray. And I must return to the literal phrasing of his motion, namely, that a substantial portion of the Gold Standard Reserve should be held in India. Now, I take it that, if Sir Vithaldas had his own way, he would transfer 10 or 15 millions sterling from London to Calcutta. It would come out in sovereigns, and we should then have to decide whether to keep it in sovereigns or to lend it out, as in London, to the banks and on approved short term securities. My Hon'ble friend has not said definitely which of these two courses he would follow; but from the general tenor of his arguments, I gather that he would not be averse to assisting the industry of India on reasonable terms. He has drawn attention, in the most reasonable and proper manner, to the great fluctuations in the rates of interest in this country, and to the prejudicial effect which these fluctuations must have on trade and business. He believes that a more liberal handling of the Government balances would steady the position; and I may, therefore, for the sake of argument, assume that he would not be unwilling to see our Gold Standard Reserve, or some part of it, lent out on approved security. Now, if this happened, it is quite possible that the market would be materially assisted for the moment; a fillip would be given to business; and for a time the severity of the bank rate might be mitigated. But let us see precisely what this would mean, and what would be the consequence when conditions changed. Our gold would be dissipated; it would have passed not only out of our own hands, but out of the hands of the larger banks, and would have flowed down the infinite number of small channels through which our currency trickles to the millions of producers in the country. So far all has gone well; but a bad year comes—and in India there is a tragic periodicity about bad years—and the whole situation changes; or there is a crisis in international finance, and the markets for our exports are temporarily closed. The occasion would thus present itself for the use of our gold. We should be asked to export it promptly and in large quantities to prevent a wholesale collapse of exchange. But where should we turn for it in response to this demand? We should have to realise our securities; we should have to call it in from the banks. The sovereign would already be, as it always is when the balance of trade is against us, at a premium; it would have practically disappeared from circulation; and large quantities would be obtainable only with the greatest difficulty. By calling in our stock, we should at once raise the premium on gold; we should increase alarm and we should precipitate a panic. The very people on whom we were foreclosing would be those who could worst afford to meet our claims. Exchange would go down with a rush, and commercial disaster might follow. I can imagine no more calamitous position than to have our Gold Standard Reserve, or any substantial part of it, out of our own hands in this country at a time of real difficulty.

"But let us take the other alternative. Let us assume that we are able to resist the desire of the market for our gold, and to maintain it in fluid form. We should then have large quantities of sovereigns shut up in the vaults of Fort William, dormant and inaccessible. In this condition they would remain until required for export in support of exchange. Now, what would happen when they are so required? Presumably, the demands for bills on London would be greater than the supply, and our import merchants would come to us and buy our sovereigns, in order to send them to London in the absence of bills at a reasonable price. They would obtain sovereigns from us; they would then have to arrange for freight; they would have to insure the consignments; and they would have to bear the burden of interest in the interval between the purchase of the gold and its delivery to their creditors in Europe. They would thus pay all expenses of freight, insurance and interest, besides the risk of loss or delay in transit. Would your import merchant prefer this process to the alternative process of coming to our Comptroller General and buying a telegraphic transfer on London, which could be cashed with absolute security by his creditor next day?

"I think there is little doubt which of these two alternatives the ordinary business man would prefer. It would almost certainly be the latter; and the latter is precisely what the Government of India offer to the mercantile public under existing arrangements, while the former is what my friend Sir Vithaldas would substitute for it. It seems to me that there is no real comparison between the inconvenience on the one hand of having gold locked up here, six thousand miles from the point where it is wanted and where it can be effectively employed, and the convenience on the other hand of holding a large quantity of gold or securities which presumably closely approach gold in their stability, which we are in a position to sell by cable the moment that it is wanted and at the place where it is going to be used.

"Sir Vithaldas has supported his arguments by a number of subsidiary considerations in favour of moving our gold from London to India. He points out, for example, that other great countries keep large reserves of liquid gold in their strongholds. I am not quite clear of the extent to which he is thinking of gold which is stored by Government to provide for the encashment of convertible notes, and I think it will be found that, in the countries which he mentions, a considerable proportion of their holdings is necessitated by the size of their paper currency. He also urges that our gold would be useless to us in London in the event of war or panic. If by panic he means an acute financial crisis, I can only repeat what I have said before in another connection, that the Secretary of State has deliberately accepted full responsibility for making the reserve available when required for the purpose for which it was created. In the event of war, I do not see how our gold would be in any degree more useful in India than in London. If the trouble were in this country, we should have all the anxiety and expense of protecting it. If the war were in Europe, it might be perfectly impossible to ship gold from India to the European markets, and it would remain useless in our hands. Finally, Sir Vithaldas has alluded to the feeling that the gold reserve is our own money and that, as a matter of national pride, it should be in our own country as a visible possession. I know that such a sentiment exists; and I am far from despising sentiment even in financial matters; but I cannot seriously think that it should be weighed for a moment against the practical convenience and value of holding our gold in the place where it can best serve the interests of India. It is for this reason that I much regret that I am unable to accept the Hon'ble Member's motion."

The Hon'ble Sir Vithaldas D. Thackersey: "My Lord, I very much regret that Government are not willing to accept my Resolution. I shall not long detain the Council in reply to the several arguments advanced by the Hon'ble Finance Member, because the impression left on my mind at the end of his speech was, that the arguments he advanced against the proposition were so weak that I need not go into the details of them. I only therefore touch two or three points in his speech. He said that the policy that was followed in London was the policy of the Secretary of State in Council and not of individual members. I did not at all say in my speech that it was not so. The policy, of course, is the Secretary of State's policy; but what I pointed out was that the Secretary of State was advised by people who had also other than India's interests to guard. The statement* which the Hon'ble Member has placed before us in reply to my Hon'ble friend Mr. Armstrong's question clearly confirms my contention. It shows that over 10½ million pounds sterling have been lent to approvers, not necessarily joint stock banks, and that about 3¾ millions have been deposited with approved banks. On 3 out of the 6 approved banks as mentioned in the statement the Secretary of State's advisers sit as Directors or as Governors. I leave it to the Council to judge whether a man can act in two positions very justifiably. If we put the managers of the Bank of Bombay and the Bank of Bengal and the Bank of Madras on Your Lordship's Council, I am quite sure they will give strong reasons why our money should be brought here, and they will point out to the Hon'ble the Finance Member excellent securities on which those funds can be lent. I have not the slightest doubt that our money in England is being lent on good securities; but I say that we can lend money also on good securities in India with great advantage to ourselves. I will just read a few lines, from a report published in the *Times of India*, of an incident during an instructive discussion of Indian commerce following a well supported dinner of the London Chamber of Commerce at the Trocadero in February last, which shows how things move:

'Soon after we had a somewhat amusing reminder that, in monetary matters at least, the sense of reciprocal obligation to India is not so strong as it might be on the part of those who represent city banking interests on the India Council. Giving as a reason for the inadequacy of the flow of British capital into India, the existence even now of the old prejudices having their origin in the instability of the rupee, Sir Felix Schuster, member of the Secretary of State's Council, said that the duty of Government was to support the policy their predecessors laid down by building up their currency reserves in times of prosperity, so that exchange might stand severe tests such as that through which it passed two or three years ago. Someone (I think it was Mr. G. W. R. Forrest) called out, "yes, build up the gold reserve in India." The shaft went home, and Sir Felix, thrown off his habitual guard, made a remark he would much rather have left unsaid, as was clear from the incompleteness of his sentence: "Not only in India," he retorted, "but on our side as well; we can do with it here, and I sometimes wonder . . . . " (he left the sentence incomplete).'

"My Lord, we say we can do with it here to the greater advantage of India.

"Then the second point in the Hon'ble Member's speech was that if we brought all our gold to India, when the balance of trade went against us, we should have to export gold, and that would be a great inconvenience to merchants. I admit the cogency of the argument so far, but, during the last 11 or 12 years, how many times have we had to send gold to England? It was only in one year, in 1908, and every other year we have been accumulating our gold standard reserve. Only once in 11 or 12 years if there is any occasion for merchants to export gold, that cannot be called any great inconvenience compared with the great benefit which India would derive with a gold reserve here. Then he said that merchants would prefer telegraphic transfers instead of exporting gold. I did not propose that we should export gold always. In the usual way the Secretary of State would draw on India his Council Bills, and the money necessary to be sent out to England for home charges would be drawn in the usual way, and for that purpose you have not to export gold. It is only when the balance of trade goes against us that the occasion will arise, and that is very rarely, say once in 15 or 20 years. Again we are told that the Secretary of State has taken full responsibility for the present policy. Well, that does not satisfy us. Whoever may take the full responsibility, the everyday loss is ours, and we are not quite satisfied by simply an assertion that those who manage our currency and our reserve, assure us that in time of war or

* *Vide* Appendix.

emergency our gold will be made available. We say we want it here, it is our gold, and it ought to remain here. I have already pointed out in my speech that all civilized countries in the world have gold reserves, and I will give you a few figures: United States treasury 233 million pounds, Russia 130 million pounds, France 131 million pounds, Australia 55 million pounds, Bank of England 31 million pounds, and so on. The real reason is that the gold reserve in the London Bank is so low that they cannot afford to send our gold here. We must recognise this; it is no use arguing against facts. The London gold reserve is only 31 million pounds, and the London financiers fear that they might be inconvenienced. My personal opinion is that they won't feel the pinch, if we withdraw our gold gradually. At the same time they will feel the pinch more if we have to withdraw our gold in times of emergency, and it is for England's sake also that our gold should be here. At least twice or thrice, the Bank of England had to go to France for gold. Well, I think it would increase the prestige of Great Britain to come to India for gold rather than to go to France or any other foreign country for gold in times of emergency. My Lord, although Government may not be able to accept this proposition as a whole, I hope the Government of India will take seriously into consideration the position in which the industries are placed in India in the busy season owing to the rise in the rate of interest. I have already said that the Bank rate goes up to 8 or 9 per cent. I will read to you a paragraph from the speech of the Hon'ble Sir James Begbie, who is the senior banker in India, and whose excellent work has been recognised by Government only the other day by honouring him. He said :

'You also know that as regularly as one season succeeds another, Bank rate rises from the minimum in the monsoon months to its maximum in the winter and spring months, and that the maximum may be anything from seven to nine per cent., nine per cent. being the highest point for a good many years past. It is inevitable under conditions in India that this regular waxing and waning of Bank rate should occur, but is it inevitable that the movement should be so extreme and especially that the rate should be so constantly forced to such high levels ? I think not. The greatest factor in forcing up the rate is the great volume of money that is taken off the market by Government and locked away in the Treasury vaults. That money is released in bulk only through payments for Council bills, that is, after the public have either voluntarily sold their produce for export or been obliged to part with it under the pressure of a high Bank rate as frequently happens.'

"I hope the Government of India will seriously consider this position, and devise some policy by which the Bank rate may not go so high. Even our high cash balance in India might be utilized for the purpose, but I think the rate of interest in India ought not to rise above 5½ or 6 per cent.

"My Lord, I think the question is of such great importance that I hope the Council will accept my Resolution."

The Council divided :

Ayes—24.

The Hon'ble Pandit Madan Mohan Malaviya, the Hon'ble Nawab Abdul Majid, the Hon'ble Raja of Partabgarh, the Hon'ble Raja of Mahmudabad, the Hon'ble Maulvi Shams-ul-Huda, the Hon'ble Raja of Dighapatia, the Hon'ble Maharajadhiraja Bahadur of Burdwan, the Hon'ble Babu Bhupendranath Basu, the Hon'ble Mr. Sinha, the Hon'ble Mr. Haque, the Hon'ble Nawab Saiyid Muhammad, the Hon'ble Mr. Subba Rao, the Hon'ble Raja of Kurupam, the Hon'ble Mr. Gokhale, the Hon'ble Mr. Mudholkar, the Hon'ble Sir Cecil Graham, the Hon'ble Sir Gangadhar Rao Chitnavis, the Hon'ble Mr. Dadabhoy, the Hon'ble Mr. Shafi, the Hon'ble Malik Umar Hyat Khan, the Hon'ble Maung Mye, the Hon'ble Mr. Jinnah, the Hon'ble Mr. Bhurgri and the Hon'ble Sir Vithaldas D. Thackersey.

Noes—33.

His Honour the Lieutenant-Governor of Bengal, His Excellency the Commander-in-Chief, the Hon'ble Sir Robert Carlyle, the Hon'ble Sir Harcourt

Butler, the Hon'ble Mr. Syed Ali Imam, the Hon'ble Mr. Clark, the Hon'ble Sir Guy Fleetwood Wilson, the Hon'ble Major-General Sir M. H. S. Grover, the Hon'ble Mr. Maclagan, the Hon'ble Mr. Porter, the Hon'ble Mr Sharp, the Hon'ble Mr. Enthoven, the Hon'ble Mr. Wheeler, the Hon'ble Mr. Brunyate, the Hon'ble Sir A. H. McMahon, the Hon'ble Mr. Lyon, the Hon'ble Mr. Saunders, the Hon'ble Sir James Meston, the Hon'ble Mr. Gordon, the Hon'ble Surgeon-General Sir C. P. Lukis, the Hon'ble Mr. Fremantle, the Hon'ble Mr. Vincent, the Hon'ble Mr. Carr, the Hon'ble Mr. Arthur, the Hon'ble Mr. Fyffe, the Hon'ble Mr. Phillips, the Hon'ble Mr. Meredith, the Hon'ble Mr. Gates, the Hon'ble Mr. Slacke, the Hon'ble Sir Charles Stewart-Wilson, the Hon'ble Mr. Dempster, the Hon'ble Sir T. R. Wynne, and the Hon'ble Mr. Kesteven.

So the Resolution was rejected.

[At this stage, the Hon'ble SIR GUY FLEETWOOD WILSON, Vice-President of the Council, took the Chair.]

INDIAN COMPANIES BILL.

The Hon'ble Mr. Clark: "Sir, I move for leave to introduce a Bill to consolidate and amend the law relating to trading companies and other associations.

"Government, Sir, hold that the time is now ripe for a further revision and consolidation of company legislation in this country. The existing law on the subject in India is contained in the Indian Companies Act of 1882, which was modelled on the English law in force in 1877. Since 1882, the Indian law has been added to by four amending Acts dealing with matters of relatively minor importance, while the substantial additions which have been made to the English law by a long series of Acts passed between 1879 and 1908 have not, with the exception of the matters contained in the four amending measures to which I have just referred, found a place in the Indian law. In England, since 1882, there have been no less than thirteen amending Acts, culminating in 1907 with a comprehensive amending Act based on the recommendations of a strong Committee among the members of which were some of the most eminent company lawyers of the day. This Act was followed by the Companies Consolidation Act of 1908, which consolidated the English law into a convenient code. The differences which now consequently exist between the Indian and the English law, in themselves form strong ground for legislation. Ever since we have had any company legislation in India, the advantages of having our company law as similar as possible to the English law has been recognised by the Indian Legislature. The Indian Act of 1857 was a reproduction of the English Joint Stock Companies Act of 19 and 20 Victoria. The Indian Act of 1866 copied the English Act of 1862; and the Indian Act of 1882 (the present Act) followed, as I have already said, the additions made in the English law up to 1877. The advantages of such assimilation are evident. The English law has been studied and commented on comprehensively, and in adopting it, we also inherit the wisdom of the many learned persons who have devoted their time to its exposition: and when it is necessary to carry a case up to the Privy Council, it is manifestly convenient that the law which is to be argued in English should be substantially the same as the English law. Assimilation of the law also tends to produce a feeling of greater security in the breast of the British investor whose capital we wish to attract to this country. As the Board of Trade pointed out in a Memorandum on the Company Laws of the Empire laid before the Imperial Conference of 1907, assimilation 'would tend to increase the confidence of the home investor in companies registered in India and in the Colonies, and the result might well be a greater willingness on the part of capital from home to flow into Indian and Colonial undertakings and enterprises.'

"Since 1882, there has been a great increase in the number of joint stock companies in India. In 1885-86, there were only 757 companies at work with a paid-up capital of 21 crores. In 1910-11, there were 2,251 companies with a paid-up capital of 64 crores; in other words, the number of companies and their paid-up capital has trebled since the legislation of 1882 came into force. I think it will be generally recognised that with this great increase in business, with the evidence before us of the frequent amendments in company legislation which it has been found necessary to make in England, Government cannot be held to have been premature in having taken up the amendment of the company law of India.

"From what I have said, Hon'ble Members will have anticipated that the Bill follows very closely the provisions of the English Act of 1908. We have not only adopted its principles but have aimed at reproducing as far as possible its language and arrangement. We have, however, preserved the provisions of the Indian Act in certain instances where the law of this country can claim to be more advanced than its elder sister, and we have added two entirely new provisions of some importance to which I shall presently refer.

"The Government of India took up the matter in 1909 and a circular letter was addressed to all Local Governments and Administrations asking for their opinions as to the suitability of the provisions of the English Act for adoption in India. The proposal to legislate has met with practically unanimous support from the authorities consulted. Such criticisms as have been made have been mostly in the direction of suggesting that the English law does not go far enough and that Government should take greater powers of control. A somewhat different point of view has been put forward by the Bengal Chamber of Commerce, and it is one which deserves careful consideration. The Committee of the Bengal Chamber suggest that it is questionable whether such an elaborate procedure as is prescribed by the Act of 1908 is necessary or desirable in India, and they thought that in the Indian Bill it should be possible to omit some of the details prescribed in the English Act. The Committee, however, preferred not to make any definite proposals as to matters which might be omitted until they had seen the actual Bill. The Government of India recognise the importance of the point, but it has seemed better to leave the question over until they have received the detailed suggestions of the Chamber after they have had the opportunity of fully examining the Bill.

"I now turn to the other class of criticism, namely, that the English law does not go far enough in the direction of State control. Suggestions of very varying scope have been made to us, some of which go so far as almost to require Government to undertake that a company should pay satisfactory dividends to its shareholders. As I said in connection with the Assurance measures which have just passed through this Council, I fully recognise that in India the State must be prepared to accept heavier responsibilities than in Western countries; but I hope I shall carry with me the approval of Council when I say that in such legislation as this, the ideal to be aimed at is the minimum of State interference compatible with the due protection of the investor. We have included two, and only two, provisions working in this direction which do not appear in the British Act. Two may seem a small number, but they are both provisions of some considerable importance.

"Clause 109 of the English Act provides that the Board of Trade may appoint one or more competent inspectors to investigate the affairs of any company on the application of a certain proportion of the shareholders. In the Indian Bill we propose to go further, and to provide also that where the Registrar, on perusal of any document which the company is required to submit to him, considers that any further information or explanation is necessary, and where, after calling on the company to submit such information, he either does not receive it or is of opinion that an unsatisfactory state of affairs is disclosed, he shall report the circumstances of the case in writing to the Local Government, and it shall be open to the Local Government to appoint an inspector. By making this provision for an inspector to be appointed without any action being taken on the part of the shareholders, we hope to some extent to guard against abuses creeping in through apathy and lack of initiative on the part of the shareholders, who in India cannot be accepted to be so alive to their own interests as in an European country.

"The other matter is in connection with auditors. In sections 112 and 113 of the English Act, the appointment, remuneration, powers and duties of auditors are fully provided for, but nothing is said as to the qualifications of the men who are to act as auditors. In India the question of their qualifications is one of supreme importance. The Bombay Chamber of Commerce referred to it in their letter on the subject of this legislation, and I had the further advantage of discussing it with their Committee, as the Hon'ble Sir Vithaldas Thackersey will remember, when I was last in Bombay. What we propose is, in adopting the English provisions, also to provide in the Bill that no person, other than a person holding a certificate from a Local Government entitling him in that behalf, shall be appointed auditor of a company. In this country it would clearly be going too far to lay down that no one should act as an auditor who is not a Chartered or Incorporated Accountant. Such a provision would mean an undue restriction on business. But we hope by requiring such certification by a Local Government to establish a standard which will at least facilitate the elimination of the incompetent by the refusal or the cancellation of the certificate. I am also to say that the Government have under consideration a scheme for starting schools of accountancy for the training of auditors at suitable centres under the control of Local Governments and for the establishment of examinations in connection with the proposed Government certificate. My Hon'ble friend the Member for Education is interesting himself in this matter, and we hope that a scheme on these lines will not only produce in time a sufficiency of thoroughly qualified accountants to meet the increasing demands for such work in India, but will also result in opening up a lucrative field of employment for Indians who should be well adapted for the work but at present enjoy few facilities to become qualified.

"These are the only two matters in which Government as at present advised propose to go further under this head than the English law, but I ought to point out that by the mere adoption of that law as it stands, we are greatly improving the present safeguards, especially in the direction of affording shareholders closer control over companies in the earlier stages of their formation. I will briefly mention the more important of those provisions. The first is the 'statutory meeting' which every company limited by shares and registered after the commencement of the Act is required to hold within a period of six months from the date on which it is entitled to commence business. At least ten days before this meeting is held, the Directors have to forward to every member of the company a report called the 'statutory report,' which must be certified to by not less than two Directors of the company and must contain certain specified items of information regarding the position and constitution of the company. These provisions thus compel the Directors to let the shareholders know the exact financial position in the early stages of the company's history. The provisions in regard to the appointment and qualifications of Directors have been made much more stringent, and clauses dealing with the prospectus of a company require much fuller information to be given than heretofore including among other items the names of Directors and their interest in the company, the estimated amount of preliminary expenses, the amount paid or intended to be paid to the promoter, and the minimum subscription on which Directors may proceed to allotment. Other clauses prescribe restrictions on proceeding to allotment and on the commencement of business. I have already referred to the subject of auditors, whose appointment, remuneration, powers, duties and liabilities are now very strictly prescribed, and I may also mention another provision by which all companies situated outside British India, but operating therein, are required to make certain information available and to have a recognised agent in India to accept service of process or any notice which may have to be served on the company.

"While, generally speaking, we have followed the English law with an almost slavish exactitude, there are one or two points on which it has been necessary to depart from it. The most important of these is in regard to the winding-up of companies by order of the Court. We have decided to retain in the main the procedure of the existing Indian law in place of the provisions introduced into the British law by the Companies Winding-up Act of 1890. In the United Kingdom, important functions are exercised by the Board of Trade, by Official Receivers and by Committees of Inspection; but Government consider that it would be premature to attempt to create a corresponding machinery in this country. They therefore have left the discretion in the matter of winding-up in the hands of the Court. They have also retained the provisions of the existing Indian law in respect of the annual balance-sheet which can fairly claim to be more complete than the provisions of the English law. The other matters on which modifications have been made in the English law are of minor importance.

"I am afraid, Sir, that I am taking up a very large amount of the time of Council, but there are two matters of considerable importance with which we have not attempted to deal in the Bill, and I think I ought to say a few words about their omission. The first of these is the question of Managing Agents, a problem peculiar to this country. The activities of these very useful persons, and their relations to the companies whose affairs they manage, have from time to time been open to attack, and it has been suggested that this Bill should more strictly regulate and define their position. Government have not seen their way to take action on this difficult matter which brings us up against the law of contract; but when I say that, I do not wish to suggest for a moment that we are shutting the door against legislation, if practicable suggestions are made to us before this Bill becomes law. I should like, however, to place one consideration before Council. A Managing Agent either is a Director or is not a Director of the company he manages. In the former case, which I believe is the commonest, he will come under the provisions of the Bill for Directors, and the definition of 'Director' in the Bill makes it clear that, whatever the title chosen for the governing body, the rules which apply to Directors apply also to persons who stand in the position of Directors. In the first case, therefore, he will be subject to the safeguards and penalties prescribed in the case of Directors. In the latter case, where the Managing Agent is not a Director, his relationship with the company is governed by contract and the Bill makes it necessary that every material contract should be disclosed in the prospectus. At any rate, therefore, full publicity is secured as to the nature of the relationship.

"The other even more thorny question with which we have not seen our way to deal is that of Banks or of businesses which with varying degree of accuracy prefer to call themselves Banks. This is not a specially Indian problem; the recent failure of the Charing Cross Bank in England, and the appalling abuse of the depositors' confidence which it disclosed, will be fresh in the memory of Council. The evil which wants a remedy is that poor and uneducated people are attracted by the word 'Bank,' thinking that it necessarily implies security and stability, and unscrupulous persons accordingly apply the term to any speculative business in order to attract investors and depositors. But how is the use of the term to be restricted and how is banking business to be defined for the purpose? Government will be very willing to consider any suggestions, but I must confess that the more I think of it the more difficult the problem appears of how to define a banking business, how to control it when you have defined it, and how to avoid interfering with the legitimate business of firms carrying on partly banking and partly other operations. I understand that informed opinion in the United Kingdom, where the question was stirred up again by the Charing Cross Bank smash, is against attempting to legislate, and we may well hesitate to rush in where more experienced legislators fear to tread.

"This, Sir, in more senses than one is a big measure. The Bill deals with big interest, and in the mere matter of bulk runs to 323 clauses and 31 pages of Schedules. It may well be that in such a mass of material those interested will find subjects for criticism and objection. I can only say that Government have no desire to hurry this legislation through; that every scope will be given for criticism; and that all opinions will be duly weighed; and I shall hope later on to have the advantage of personal discussion upon it in the different commercial centres of India. No legislation can prevent fraud or altogether indemnify the investor from the dangers of an incurable optimism : all you can hope for is to make the path of dishonesty more stony and the vagaries of ignorance less liable to disaster. I should be sorry if the impression were created that Government is undertaking this legislation owing to there being any widespread canker in Indian commercial circles ; though bad cases have occurred from time to time, here as in other countries, there is no ground for such a supposition. But we ought to have the best Act we can and I am sure that, as in other recent commercial legislation, I can count on the assistance of the important Chambers of Commerce and of all those interested in commercial law, in helping us to get it."

The Hon'ble Sir Vithaldas D. Thackersey : "Mr. Vice-President, I heartily congratulate Government on introducing this Bill in this Council. I have no opportunity of going through the several sections referred to by the Hon'ble Member, and therefore I am not prepared at present to go into the details of the Bill ; but on the principle of the Bill, I think commercial communities are at one that this Bill is not brought forward a day too soon."

The Hon'ble Mr. Mudholkar : "Sir, I had an opportunity of expressing my views in regard to the proposed legislation a year or so ago. On that occasion I expressed my concurrence in the proposal that the amendment of the Indian Companies Act should be undertaken. I have studied the English law and I consider that the new provisions introduced into the English Companies Consolidated Act are very desirable, and should be brought into our code also. There are of course several matters in regard to which slight alterations may have to be made, necessitated by the difference in the circumstances of the two countries. But there is no doubt that the English Companies Act of 1908 provides more safeguards than the old law, and that such safeguards are required in India also. It is not necessary to refer to these things specifically on this occasion. We shall have to go into these matters when the time comes. But with regard to the necessity for legislation on the lines which Government propose, I agree with the Hon'ble Member. The Conference which I have the honour to represent, the Indian Industrial Conference in which Indians and Europeans join on more occasions than one, dealt with the subject and expressed its view that the time has come for assimilating the Indian law to the improved English law. With these general observations, I heartily congratulate the Government and the Hon'ble Member on the steps which they propose taking in the matter."

The Hon'ble Sir Cecil Graham : "Sir, I should like to join other Hon'ble Members in congratulating the Government and the Hon'ble Member in charge, for having brought this Bill in. The whole of the commercial community, I think, are at one in wishing for this legislation ; but as the Hon'ble Member has pointed out, the Chambers of Commerce preferred to wait and defer expressing their opinion on the details until the actual Bill was before them. However, the Hon'ble Member has promised us plenty of time to go thoroughly into the details and see how far the English Act will fall in line with the conditions governing commerce and business in India. There is only one thing I should like to ask the Hon'ble Member, and that is if he has any information he can give us as to how the English Act has worked in England so far."

The Hon'ble Mr. Clark: "Sir, I am very much obliged to Hon'ble Members for the cordial reception they have given to this Bill.

"As regards the question which the Hon'ble Sir Cecil Graham has raised, we are expecting to receive a report from the Board of Trade in London on the subject of the English Act as applied to India and I imagine that in that report they will inform us as to whether any of the provisions of the Act of 1908 have been found not to work well. We had to introduce the Bill before receiving the report so as to avoid any risk of not getting it introduced this session."

The motion was put and agreed to.

The Hon'ble Mr. Clark introduced the Bill.

The Hon'ble Mr. Clark moved that the Bill together with the Statement of Objects and Reasons relating thereto be published in the Gazette of India in English and in the local official Gazettes in English and in such other languages as the Local Governments think fit.

The motion was put and agreed to.

The Council adjourned to Monday, the 25th March 1912.

W. H. VINCENT,
Secretary to the Government of India,
Legislative Department.

CALCUTTA ;
The 30th March 1912.

APPENDIX.

Balances in the Home Treasury at the end of each month.

		£
April	1911	15,766,171
May	"	18,222,451
June	"	18,989,029
July	"	16,431,712
August	"	16,552,602
September	"	17,459,711
October	"	15,131,632
November	"	15,000,691
December	"	15,292,038