

Thursday, 24th March, 1927

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**THIRD SESSION**

OF THE

**SECOND COUNCIL OF STATE, 1927**



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# COUNCIL OF STATE.

Thursday, 24th March, 1927.

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

## QUESTIONS AND ANSWERS.

### GOVERNMENT SERVANTS AND MEMBERSHIP OF THE ANGLO-INDIAN AND EUROPEAN ASSOCIATIONS.

208. THE HONOURABLE SRIJUT LOKENATH MUKHERJEE: Is it a fact that Anglo-Indian and European Government servants are allowed to become members of the Anglo-Indian Association and the European Association?

THE HONOURABLE MR. H. G. HAIG: The orders regarding the Anglo-Indian Association are that so long as it continues to devote itself mainly to the moral and material progress of the Anglo-Indian community, a Government servant may be a member provided he takes no part in any movement of a political nature.

With regard to the European Association, the Government of India decided in 1921 that the objects of the Association were of a political nature and that they could not allow Government servants to become members of it. They had no objection, however, to Government servants joining a purely non-political branch of the Association provided that that branch was separately organised with entirely distinct finances.

### GOVERNMENT SERVANTS AND MEMBERSHIP OF THE INDIAN NATIONAL CONGRESS.

209. THE HONOURABLE SRIJUT LOKENATH MUKHERJEE: (a) Is it a fact that Government servants are not allowed to become members of the Indian National Congress?

(b) If not, why not?

(c) Will the Government be pleased to state whether the Indian National Congress has been classed as a political association? If so, why?

THE HONOURABLE MR. H. G. HAIG: (a) and (b). Yes. The matter is governed by rule 23 of the Government Servants Conduct Rules. A copy of these rules is in the Library of this House.

(c) The Indian National Congress has been treated as a political body because its objects are avowedly political.

### TREATMENT OF THE INDIAN NATIONAL CONGRESS AS A POLITICAL ASSOCIATION.

210. THE HONOURABLE SRIJUT LOKENATH MUKHERJEE: (a) Is it a fact that the Indian National Congress has been declared by Government to be a political association?

(b) Have Government excluded the Anglo-Indian and the European Associations from the list of political associations? If so, why?

(c) Have the Government any fixed definition of political association? If so, will they lay a copy of it on the table? If not, why not?

(d) Is it a fact that Government have got a list of political associations? If so, will Government lay a copy of it on the table? If not, why not?

THE HONOURABLE MR. H. G. HAIG: (a), (b) and (c). The Honourable Member is referred to the answers which I have just given to his questions. Nos. 208 and 209.

(d) The answer to the first part of the question is in the negative. The second part does not arise.

### CURRENCY BILL.

THE HONOURABLE MR. A. F. L. BRAYNE (Finance Secretary): Sir, I beg to move that the Bill further to amend the Indian Coinage Act, 1906, and the Indian Paper Currency Act, 1923, for certain purposes, and to lay upon the Governor General in Council certain obligations in regard to the purchase of gold and the sale of gold or sterling, as passed by the Legislative Assembly, be taken into consideration.

I wish to thank you, Sir, for suggesting to the House yesterday that early notice of amendments be given to me and I wish to thank the Honourable Members concerned for the gratitude and courtesy with which they accepted that request.

Sir, I propose to make only a brief statement at this stage because the purposes of this Bill have been widely discussed and also because the House is particularly fortunate in having available the special experience of my Honourable friend Sir Maneckji Dadabhoy who was a signatory of the Report of the Currency Commission. At the outset I would point out that the Bill now before the House differs slightly from that originally introduced in another place. In clause 2, the date has been changed: September has been put in place of July and the words "other than a Sub-Treasury" have been added. These are merely amendments to meet administrative difficulties. In clause 4 the minimum amount of gold which may be tendered to the Currency Authority is 40 tolas instead of 1,065 as before, and in clause 5 optional sale of gold by Government is provided for, and in place of gold exchange, delivery of sterling in London has been substituted. These amendments made in another place do not affect the main principles of the Bill. The Bill seeks to stabilise exchange at 1s. 6d. and to give statutory authority for the first time to Government to maintain exchange within the gold points. I would specially emphasise the transitional and temporary character of the Bill which will be operative only during the period between the time it passes into law and the time when the Gold Standard and Reserve Bank Act comes into operation. Thereafter, the future of Indian currency will be regulated by the latter Act.

The main questions are whether the time has come to stabilise the exchange value of the rupee and at what ratio or rather at what gold value the rupee shall be stabilised.



As regards the first point, the Currency Commission after very careful examination of all the relevant factors and of the progress made in other countries towards stabilisation of prices on a gold basis came to the conclusion that the time was ripe in India also. That position has not been opposed with any force, and controversy has been mainly directed to the ratio and not to the principle of stabilisation. In fact stabilisation is what everybody wants in the best interests of the trade and commerce of the country to secure freedom at last from that depressing uncertainty which has hampered business for the last 10 years and which has made exchange the sport and plaything of speculators. If any further proof was needed, it would be found in the great sense of relief with which every money market in India received the news of the acceptance of the 1s. 6d. ratio in another place.

The Bill provides for stabilisation at the rate of 1s. 6d. gold which is now in force and has been in force since May 1925 after having been close to the lower gold point for five months previously. That is, undoubtedly, a long enough period for the conditions precedent to stabilisation to be established, and when once the desirability of stabilisation is accepted, it becomes a contradiction in terms to claim that stabilisation is immediately possible at any other rate. If I might speak in parables I would say that no man who wished to bring to equilibrium a slowly moving pendulum, would set about it by giving the pendulum a severe swing in another direction. The opponents of the Bill maintained that the rate of 1s. 4d. should be adopted, but it is hardly conceivable that, when the country has attained to comparative stability over so long a period and after much difficulty and tribulation, it should suddenly be called upon to go through the painful and uncertain processes of readjustment to another ratio. In the opinion of the Currency Commission, after very careful deliberation, it was established that internal prices had adjusted themselves in a preponderant degree to the ratio of 1s. 6d. and further investigation shows that on the present index numbers that adjustment is well nigh complete. One thing however is certain. Prices are not in any way in adjustment with a 1s. 4d. ratio which has not been in force save for a few months since 1917.

The House will doubtless hear at length the reasons why the ratio of 1s. 4d. has received so much support and I do not propose to say more at this moment than that the 1s. 4d. ratio is no more permanently to the advantage of the agriculturist or any other class than the ratio proposed in this Bill, and that the contention that the 1s. 4d. ratio is the natural rate because it was in force for so many years in different conditions before the War while the 1s. 6d. ratio is a thing unnatural and monstrous because it is the result of Government manipulation has no foundation. The former rate was equally the result of control which is necessary in all currency systems in the world.

The advantages of the *de facto* ratio are that it secures stability and certainty without further dislocation or trouble: that it has enabled Government to remit taxation (including the provincial contributions) already to the extent of 10 crores of rupees and if the original Budget programme is finally allowed to stand, it will render possible the complete extinction of 5.45 crores provincial contributions to the enduring benefit of the nation-building services in the provinces. It will then be possible to consider the question of further reduction of taxation. It means further that the high standard of credit which India has reached will be retained unimpaired.

[Mr. A. F. L. Brayne.]

On the contrary, a sudden reversion to 1s. 4d. can only bring in its train untold tribulation and difficulty. It must mean a definite set-back to trade and commerce. It must mean a reduction of 11 per cent. in the real wages of every workman and every individual who has a fixed wage followed by industrial unrest and great discontent amongst all wage-earning classes. It must mean the unbalancing of the Budget of every Government in India and the increase of taxation on all sides. In the case of the Central Budget I have elsewhere shown how on a very modest and conservative basis the reduction to a 1s. 4d. ratio means a loss of over 5½ crores, and if this loss were imposed it must mean the indefinite postponement of the reduction of provincial contributions and all the vast benefits to India that will accrue therefrom, while the resultant deficit must probably be made up by additional taxation. If the recent reduction of the salt tax stands, a ratio of 1s. 4d. means a deficit of about 5 crores in 1927-28 and a much higher deficit in future years. The effect of such a catastrophe on the credit of India and her powers of borrowing would be appalling.

I therefore ask the House to look upon one picture of abiding prosperity and on the other picture of gloom and disaster for a long time to come and then to support a Bill which means a very great advance in Indian Currency reforms and opens the way for the further advance which is contemplated in the Reserve Bank Bill.

Before I close, I should like to explain the purpose of clause 2 and clause 3 of the Bill relating to the demonetisation of the sovereign. The sovereign is at present nominally legal tender at 2s., but it has not been in effective circulation since 1920. Government propose to demonetise the sovereign as it would obviously be undesirable to monetise it on the new ratio and then demonetise it later if a gold bullion standard is finally agreed upon, but this does not in any way prejudice the question whether the future currency system of India should contain the gold sovereign or gold mohur. All these considerations will come up for fuller discussion when the gold standard and Reserve Bank Bill is before the Select Committee and later on in the Legislature. Receipt at bullion value is provided for and as for many years sovereigns have only had a value as a store of money there is little change in the present position. Sir, I move.

THE HONOURABLE SIR MANECKJI DADABHOY (Central Provinces: Nominated Non-official): Sir, as one of the signatories of the Report of the Royal Currency Commission, I rise at this early stage to justify the majority findings of that Commission. So much has been said and written on the subject of currency since our Report was published, so much misapprehension on the subject has prevailed, economic ideas of a sound character have been to such an extent distorted, unpleasant things have been said and attacks have been made against my Honourable colleagues, my colleagues on the Currency Commission, who gave their best to the country and who have served according to their lights in connection with the very important subject. Hitherto I have abstained from taking any part in this great controversy, because I thought that a man cannot play the rôle both of an advocate and a judge. The Government had appointed a Royal Commission to report on the best monetary policy suitable to this country. We examined a large number of witnesses, we ransacked a large number of documents and after most careful investigation approaching nearly nine months, we came to certain decisions, and when those decisions were announced, I thought it my duty to totally abstain from saying any-

thing on the subject and allow the public to express their opinion on our Report. Sir, in speaking to-day in this Council, I am not addressing the Members of this Council alone but the wider public, because it is my bounden duty to justify our findings and to remove a large volume of misapprehension which exists in the country on the subject.

Sir, this Bill which has been brought before this Council marks the transitional stage of our currency recommendation. In our Report we strongly recommended that the Government of India should adopt the entire scheme of the Reserve Bank which we have formulated. We knew there were many difficulties in the way of the Government of India and the entire scheme which we suggested could not be put into operation within a very short time. We therefore expressly recommended that the Government of India should impose on the Currency Authority certain obligations that we had indicated in our Report and that we had asked the Government at an early stage of the case to undertake an interim legislation. This legislation to-day before this House forms part of that interim legislation and is a precursor to the whole system of the reform of the currency policy of the Government of India which is to follow. The provisions of this Bill are of a simple character. The only clauses of importance, great importance, are clauses 2 and 3. Clause 2 makes an important change. Under the Indian Coinage Act, 1923, and the Indian Paper Currency Act of 1923, the sovereign and the half-sovereign are legal tender at the rate of Rs. 10 for every sovereign. This clause proposes to take away the legal tender character of the sovereign and the half-sovereign in consonance with the recommendations of the Majority Report of the Currency Commission to which, I am glad to say, the author of the Minority Report had also subscribed. We were of opinion that the circulation of gold coins will imperil the security of our scheme which we suggested, and we therefore recommended the demonetisation of sovereigns. This clause aims now, during the interim stage till the Reserve Bank Bill is passed, to demonetise these sovereigns. In this connection I must state that there is a large volume of public opposition not only in the Legislative Assembly but in the entire country. That opposition has been founded on ignorance and merely on sentimental considerations and has not in view the purpose of establishing on a firm footing the currency policy of this country. It might be thought by Honourable Members that the Currency Commission took a very retrograde step in not recommending at this stage the circulation of gold coins, and went even so far as to make a very retrograde suggestion by recommending not only that gold mohurs be removed from circulation, but that sovereigns and half sovereigns should also be demonetized. In this connection I must make certain observations. Our Honourable friend Mr. Brayne has rightly pointed out that when the Bill relating to the Gold Reserve Bank comes up for consideration, it will be open to Honourable Members to take this matter fully into consideration. But in order to remove certain obscurities and to enable Honourable Members to know that the recommendations which we have made are of a right character, it is necessary for me, briefly, to speak on the question of gold currency. Sir, we had a large volume of evidence recorded before us. A good many divergent views were laid before the Commission. In order to improve the monetary policy of this country we came to the conclusion that three courses were open to us. The first was to perfect the sterling exchange standard. The second conclusion to which we came was that we might improve the gold exchange standard, and the third was that we should adopt a gold standard proper with or without gold currency.

[Sir Maneckji Dadabhoy.]

After a careful examination of the subject, we came to the conclusion that in the best interests of India, a gold bullion standard was the right standard to adopt, and we therefore made the recommendation to the Government of India that they should immediately, by a Statute, impose on the Currency Authority, whether that Currency Authority be the Government of India or the Reserve Bank of India, an obligation to buy and sell with reference to a fixed gold parity. . . .

THE HONOURABLE SETH GOVIND DAS (Central Provinces: General): A point of order, Sir. There are amendments regarding gold currency and the ratio. The Honourable Sir Maneckji Dadabhoy can make his remarks on gold currency and the ratio when these amendments come up for discussion. I would request you, Sir, at this stage to allow a general discussion only?

THE HONOURABLE THE PRESIDENT: The Honourable Member is quite right in so far as he suggests that the Standing Orders lay down that at this stage the principles of the Bill only should be discussed, but I have been listening very carefully to the Honourable Sir Maneckji Dadabhoy and, so far as I have heard at present, he has not transgressed the Standing Order that lays down that the details of the Bill may be discussed only in so far as they are necessary to explain the principle. I have not heard Sir Maneckji Dadabhoy go beyond that. I hope, however, and I will take this opportunity to say so, that Honourable Members will not go into great detail either on questions of gold coinage or the ratio at this stage of the debate. They will have ample opportunity to do so when the amendments are moved to the clauses of the Bill.

THE HONOURABLE SIR MANECKJI DADABHOY: Sir, I entirely agree in what you have stated, and, if I am now dilating on this point, it is because clause 2 of this Bill recognises the necessity for the demonetization of sovereigns, and therefore it is necessary to explain in some detail, though I will endeavour to be as brief as possible, the object and aim with which we made that recommendation. Now, as I said, we imposed this obligation of buying and selling gold not for the purpose of supporting foreign exchanges only, but also for all internal purposes, and it was necessary in order to preserve the compensatory mechanism of exchanges that we should do away with the circulation of gold coins. We found it impossible to keep the gold coins in circulation *pari-passu* with the introduction of the gold bullion standard, because it would defeat our entire scheme and render it impracticable. I shall speak on the details of this clause later on and will point out that the passing of this law will not cause any hardship when the amendment of my Honourable friend Seth Govind Das comes up for discussion. As I have pointed out, the demonetisation of sovereigns will help the Government of India to carry out our entire scheme.

As regards clause 3 of this Bill, the recommendation of the Currency Commission as regards the 1s. 6d. ratio is sought to be put into operation. Under the Indian Paper Currency Act of 1923 the rupee is valued at 11.80016 grains of gold, which figure corresponds to a 2 shillings rate of exchange. This clause seeks to alter that figure to 8.47512 grains of gold per rupee, corresponding to an exchange rate of 1s. 6d. This clause settles a new ratio for the rupee. There has been a lot of controversy in the country over the ratio to be adopted. The question is which ratio

would be the more suitable one to adopt. It is necessary also for me here briefly to trace the history of the ratio when we were appointed and at the time we sat to write our Report. I quite admit that in India, wherever we went, a large volume of public evidence which was recorded before us recommended a 1s. 4d. ratio. We had therefore to consider which ratio ought to be recommended. We found that we had a *de jure* ratio on the Statute-book of 2 shillings. We found at the time we recorded our evidence and at the time we wrote our Report that the 1s. 6d. ratio had been at that level in relation to gold since June 1925 and in relation to sterling since October 1924. We were also asked to adopt the 1s. 4d. ratio which had not stood at that level for at least a period of 10 years with the exception of a brief interval of two or three months in 1924. And another proposal was made to us, that as the question was of a conflicting character the Commission would be well advised if they did not stabilise the ratio at any rate for the present but waited for the course of natural events to follow. The last recommendation was dismissed by us summarily as absolutely against the interest of the country. We found on examination that stabilisation was immediately imperative. Whatever the ratio we might adopt we were bound to stabilise the rupee. We could not allow large commercial interests in the country to remain in a fluctuating and wavering condition from year to year. We could not allow the inoperative ratio of 2 shillings which stood on the Statute-book and which Government itself had practically abandoned and had never put into operation, to remain on the Statute-book for any length of time. Therefore the choice resting with us was between 1s. 6d. and 1s. 4d., and we had to make up our minds whether the 1s. 6d. ratio was a sound ratio to adopt or whether the 1s. 4d. ratio was the proper ratio to adopt. I shall speak in detail on this subject when the amendment to this clause comes up for discussion. I only point out at this stage that we found that adjustments had taken place to the 1s. 6d. ratio and that that was the proper ratio to adopt. We found that it was impossible for the Commission to recommend the 1s. 4d. ratio after a period of 10 years during which it had ceased to exist. We adopted this 1s. 6d. ratio mainly on the strength of four important considerations. The first was the express need of the masses and the poor middle class of India for stable conditions, and as those stable conditions had been secured by 1s. 6d. we found it absolutely imperative to stick to that ratio and not again to dislocate the equilibrium which had been achieved. Our second object and motive was for cheap commodities and for preventing prices from rising. We came to the definite conclusion that the adoption of the 1s. 4d. ratio would mean an increase in the prices of foodstuffs, an immediate increase with the result that the poor masses who live, as is often said in this House, on one meal a day would have their expenditure run up immediately. We found that the prices of foodgrains would go up. We also found that the level of wages would decrease by the adoption of this ratio; and we were therefore bound, in the interests of a large body of agriculturists and the masses on whose prosperity India must depend, to adopt this ratio. A great deal of misunderstanding exists on this subject and when this clause comes up for discussion I will go in detail into this matter. I am precluded by our rules from dilating on the subject at this stage. As I pointed out, the third reason for which we adopted the 1s. 6d. ratio was to avoid the indirect reduction in wages of agri-

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cultural and industrial labour. We also adopted this ratio for maintaining cheap freights and railway fares because we thought the 1s. 6d. ratio would enable us to fight for a reduction of railway fares which this Council has been asking for some time, and also for enabling the country to have easy methods of transport and at cheaper cost. We finally adopted this ratio because the price level had more or less adjusted itself to the ratio and a return to a lower ratio would entail innumerable hardships. These were the principal points which influenced us in considering the subject. We also came to the conclusion that if we adopted the 1s. 4d. ratio we would upset immediately and instantaneously the present machinery of the Government of India, and that there would be a heavy loss to the country and the Government would have to go in for a larger measure of taxation. We felt, and we worked out the figures roughly which have been stated in our Report, that if we adopted the 1s. 4d. ratio there would be a deficit to the extent of 6 crores in the Budget of the Government of India, and it was impossible to meet that deficit in any other way than by additional taxation. I have always listened with great interest to the fight put up in this House for the reduction of taxation. I have always listened with great interest to the attacks made by my Honourable friends over there on the Government for having put on 50 crores of additional taxation during the last 5 years. Would we have been justified, I ask this Council, in the face of this perpetual fight kept up by this Council and the Assembly for the reduction of general taxation and for giving relief in the matter of taxation—would we have been justified in the adoption of 1s. 4d.? It would have been open to Government immediately to come and impose additional taxation. What that would have meant to the country I ask Honourable Members to consider—what that would have meant—in the present period when prices are down, when trade is not in a good condition, when industries are suffering, when agriculturists are in want, to have gone in for a large measure of additional taxation. Would it have been in the interests of this country?

Sir, when the amendments are put I shall go into the details of my argument and satisfy this House that the Currency Commission of the Majority Report were perfectly justified in adopting this ratio. Even our friend of the Minority Report did not differ materially on this point from us. His dispute with us was on one single point only throughout all our discussions on the subject, and as he has said in his Minority Report, that he did not agree with us that prices had adjusted themselves in any preponderating degree to 1s. 6d. That was the only point of difference. It must be borne in mind that we were confronted with one serious difficulty. If the prices had not adjusted themselves to a 1s. 6d. ratio, even assuming that for the sake of argument, had we any evidence before us that they had adjusted themselves to a 1s. 4d. ratio? And as I have pointed out to you already, for a period of ten years the ratio has never remained at that level of 1s. 4d. except for a very very small period. My friend, Sir Purshotamdas Thakurdas, stated even the other day in the Assembly when he argued for the establishment of a 1s. 4d. ratio that it was in the interests of the country. How, I fail to see. As I have pointed out, we have no evidence before us to-day; and even though this debate has taken place for five or six days in that House,

and I have very closely watched that debate, I have not heard of one single argument, and I challenge even my Honourable colleagues here to-day to give me one single fact showing that, if the ratio had not adjusted itself to 1s. 6d., it had adjusted itself to 1s. 4d. That evidence is not forthcoming and will never be forthcoming. It does not exist. The facts and figures before us belie that argument; and therefore we had no option but to adopt this 1s. 6d. ratio. (*The Honourable Rai Bahadur Lala Ram Saran Das*: "At a big sacrifice.") No, for the benefit of the country. The sacrifice exists in the imagination of people who do not understand the history and the present conditions of the monetary situation in this country. Sir, my answer in this connection is a simple one. Why did the author of the Minority Report bring forward his Bills in 1924 for the establishment of a 1s. 4d. ratio? In his speech the other day only, he stated that it would take 7, 8 or 10 years for adjustments to take place. He was wisely silent in his Minority Report and did not fix any period, but with regard to what he said the other day, if this long period is required according to him for the adjustment of the ratio, why on earth did he bring forward his Bill in 1924 when the ratio at 1s. 4d. gold had only remained for not more than two or three months? I say you can have all sorts of spurious arguments urged, but you cannot deny the logic of facts and figures. The matter rests on incontrovertible facts and figures, and you cannot question those facts and figures. Sir, we were asked, "why should we not go to the pre-war ratio?"

**THE HONOURABLE THE PRESIDENT:** The Honourable Member is getting rather near the border line, I think.

**THE HONOURABLE SIR MANECKJI DADABHOY:** Very well, Sir, I will reserve my remarks. Sir, at this stage I feel that I cannot conclude my observations without saying a few words regarding myself and regarding my esteemed colleagues who were attacked in the other House for the majority recommendations which we made on the Currency Commission. Sir, I have been 20 years in the Council, and have seen much of public life. My back is broad enough to stand any amount of criticism, and I do not resent it personally. But I do think it my duty to protest on this occasion when we were told all sorts of things by irresponsible politicians in the other House and when the honour of one of my esteemed colleagues, Sir Henry Strakosch, was attacked. A statement was made in that House by Mr. Jamnadas Mehta that he had muddled the currency of South Africa, and that the Government had put him on this Commission to muddle the currency policy of India. I can quite understand irresponsible politicians making that statement, but I do feel great sorrow and pain that one of our esteemed colleagues, Sir Purshotamdas Thakurdas, in whose presence this attack was made on one of my esteemed colleagues, sat quietly and did not repudiate it. Sir Purshotamdas Thakurdas was very lavish in his encomiums on two of my colleagues, the Right Honourable Hilton Young and Sir Henry Strakosch in the course of our debates, and yet to my mind it was a very significant circumstance that he had not the gallantry to protest against such a wanton attack when he knew that Sir Henry Strakosch was not in India and was being stabbed behind his back. The majority members of the Commission have been charged also with having made up their minds long before

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their appointment, on the question of the ratio. I take this public opportunity, Sir, to repudiate that infamous charge. We have been also told in the course of speeches, and that argument has been used by no less a personage than Sir Purshotamdas Thakurdas, that the ratio which we recommended and which the Government have adopted was a broad day-light loot on this country. The implication is that we have conspired with the Government of India in making a broad day-light loot on India. I repudiate that charge from my seat in this House. We never made up our mind in advance. If anybody had at all made up his mind, as was palpably apparent from the facts and the circumstances, it was the author of the Minority Report. Sir, we all knew, and every Member of this Council knows, what action the author of the Minority Report took in 1924 in bringing forward two Bills on the question of the ratio before the other House, how he effectively persisted, how he heckled Sir Basil Blackett with numberless questions on that point which are recorded in the proceedings of the Legislative Assembly; and if any person had made up his mind, it was not we, the signatories of the Majority Report; if anybody had at all a bias or predilection, it was the author of the Minority Report. And, Sir, I do not blame Sir Purshotamdas Thakurdas at all for sticking to his guns. If he entertained honest views on the subject, he was entitled to hold them. I blame the Government for having placed a gentleman on the Commission who had such definite views on the subject. It was not fair to the Commission, it was not fair to the public, it was not fair to Government, and it was not fair to Sir Purshotamdas Thakurdas himself. Sir, I will not take up the time of the Council at any great length at this stage, as I shall shortly have another opportunity of speaking. Meanwhile I ask this Council that they should trust us and act on our recommendations; they may trust us for five years or so and see what will be the effect of our recommendations. Carry out our entire scheme, have the Reserve Bank of India and place the currency of the country in the charge of this Reserve Bank and you will have no cause for regret. And what have we done? For the last twenty years the Indian National Congress has been asking for taking away all financial control from the Government of India and the Secretary of State; they have been fighting year in and year out on this subject. We have given full effect to the recommendations of the Indian National Congress in having deprived the Secretary of State of all his financial powers. We have done that. We have placed the scheme which India has been fighting for the last twenty years on a sound basis (Hear, hear), yet for a mere secondary matter of importance like the ratio, which will adjust itself after a little while and which will give no more trouble, all the important recommendations of the Commission have been brushed aside, have been neglected, both by the public and the Members of the other House and attention has been concentrated on a smaller point. I have not the slightest doubt that if our scheme is given a trial, we shall see India on the path of progress and prosperity and it will place her in the ranks of first class financial nations of the world. (Applause.)

THE HONOURABLE SETH GOVIND DAS: Sir, I had no intention of speaking on this Bill at this stage but for the speech of my Honourable friend Sir Maneckji Dadabhoy. Sir, I entertain the greatest respect and regard for him, especially because in my childhood, I have had the honor of playing in his lap in the lifetime of my grandfather, Raja Gokul Das,



but, Sir, at the same time I cannot put up with the remarks which Sir Maneckji Dadabhoy has made here against Sir Purshotamdas Thakurdas.

THE HONOURABLE SIR MANECKJI DADABHOY: I have made none.

THE HONOURABLE SETH GOVIND DAS: Let me point out, Sir, that if there was any member on the Hilton Young Commission who enjoyed the public confidence in this country it was Sir Purshotamdas Thakurdas and this country will ever remain grateful to my Honourable friend in the other place for the consummate ability for the public spirit and for the sacrifice, which he has displayed in discharging his duties in the matter. Sir Maneckji Dadabhoy has said that it was the ignorance of the people that could allow all this agitation.

THE HONOURABLE SIR MANECKJI DADABHOY: Ignorance of the subject.

THE HONOURABLE SETH GOVIND DAS: Ignorance of the subject. Let it be like that if you please. Let me point out that it is his ignorance of the subject that has led him to favour the 1s. 6d. ratio. I propose to prove this when I move my amendment, as to which ratio is for the benefit of the country. Then, Sir, he also said that it was due to sentiment that we were advocating 16 pence. It may be true, Sir, that we are sentimental but then, Sir, we are sentimental in the interests of our country. There is no doubt, Sir, that we are sentimental regarding the prosperity of this country. But, Sir, the sentiments of my Honourable friend Sir Maneckji Dadabhoy, if he has any, are for foreigners. He further said, Sir, that the decisions arrived at by the Royal Commission were the result of the examination of witnesses. Let me point out, Sir, that if the recommendations of the Royal Commission had been based on evidence of witnesses examined they would have been quite different from what they are. He went further and said that Indian witnesses were no doubt in favour of 1s. 4d. but other witnesses, perhaps he meant foreign witnesses, were in favour of 1s. 6d.

THE HONOURABLE SIR MANECKJI DADABHOY: I never said anything of the sort.

THE HONOURABLE SETH GOVIND DAS: I at least thought he said so. If he has not said anything of the sort, then I will only say that if the Royal Commission had, as I have just said, based its recommendations on the evidence of witnesses, the recommendations would have been entirely different.

With regard to his remarks about gold currency and the ratio, I will not say anything at this stage and I will deal with them when I move my amendment regarding gold currency. Regarding the consideration of the Bill I will only say one word, and it is this that I am not supporting the consideration of the Bill on the grounds on which Sir Maneckji Dadabhoy is supporting it. My grounds are entirely different and they will be stated by me when I move my amendments.

THE HONOURABLE COLONEL NAWAB SIR UMAR HAYAT KHAN (Punjab: Nominated Non-official): Sir, I want to explain my attitude generally towards this Bill. The whole question, Sir, hinges on the ratio. It may be 1s. 4d., 1s. 6d. or Rs. 15 or Rs. 18 to the pound, which all means the

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same thing. Sir, this House knows that for more than two decades I have been connected with the Councils, and whenever any question of zemindars has come up, I have always been a great supporter of that class. But, Sir, the zemindars are divided into two different categories, namely, those who are wealthy and exporters. They have got the franchise and send their elected representative here; on the other side are poor people who have got no franchise at all and who are generally termed the masses, and as regards their numbers, there is no comparison with those who have got the franchise. As to the advocacy of the former, as they have sent their own elected representative, I do not like to step into his shoes, nor like to pose to be their representative. All I can do is to speak on my own behalf. From my own point of view, I do know that I will be a great loser, but then I have to see, Sir, whether I should be selfish or I should rise and be chivalrous to represent the cause of the masses. I said the other day in this House, that, when we are nominated, it is our business always to espouse the cause of those who have got no representative. As to these poor people, some might say that they are so poor that they cannot buy anything foreign. To a certain extent this may be true, but one thing is known to all, that if there is a poor man he has not got anything to export. The question then remains whether he partakes in things that are imported. He may require these every day, but during the marriage ceremonies, in which unfortunately these poor men spend as much money as they have collected all their lives and even borrow and remain indebted, for the rest of their lives they require imported cloth, etc. and sometimes the poor men often buy other goods such as lanterns or other necessities of life. So on the one side they are not exporting and not getting any benefit, while on the other side they do buy imported articles. Thus all these masses naturally would be suffering with the 1s. 4d. ratio and it is out of these poor masses that the largest numbers of the Army, to which I have the honour to belong, are recruited. So in that way there is an obligation on me to espouse the cause of the poor and support the ratio of 1s. 6d. Now, Sir, apart from the wealthy people there are other classes also, the middle class or the people in the cities who have got no lands. These people also use imported goods, while on the other hand they have got nothing to export. Then in a fourth category we may include all the servants both of individuals and of the Government who have got no other means of income except their salaries. They also would gain by this ratio. So I think out of the four classes I have mentioned, three are bound to gain in this way, *i. e.*, the middle classes and the very poor and the servants. There is another way of looking at this question. Of our countrymen appointed to this Commission, the majority were on the side of this ratio, and though the House elsewhere can at times make blunders, as they have done in the case of salt, at times when they are in a good mood, they do quite useful things, and by a majority they have passed this Bill with the 1s. 6d. ratio which has now come to us. We, Sir, have got a saying from the Prophet that any one who is my follower will not be on the side of the minority; or in other words that the majority of my followers will be on the right side. As there are Muhammadan Members in the other House, the majority of those were on the side of this ratio. (*An Honourable Member*: "Not all.") I do not say all, I say the majority. There is another way of seeing the majority also. On one side there are rich men who will suffer and on the other side thousands and thousands of people who will

benefit. In that way too the majority will be on that side, and as I too have to be on the side of the majority, I would take that particular side for the greater good of the greater number. I have spoken generally and as there may be another opportunity of speaking on the amendments, I reserve my remarks for that.

THE HONOURABLE MAHARAJADEHRAJA SRI RAMESHWARA SINGH of DANBHANGA (Bihar and Orissa: Non-Muhammadan): Sir, the vital problem of the fixation of one stable ratio has engaged the attention and serious thought of the country ever since the publication of the Currency Report. The question was taken up in the Simla Session last year and had to be postponed till now as it was decided that a question involving such momentous issues should undergo one sifting examination that it deserves before being finally decided to be placed on the Statute-book of the country. The controversy has raged for six months or over, but I do not wish to waste the time of the Council by surveying the problem of the ratio as financial experts have thoroughly threshed out the question by examining arguments both in favour and against the different ratios. It cannot, however, be gain-said that prices having generally adapted themselves to the 1s. 6d. ratio that should have been adopted to be our standard. Let us hope that such conditions would prevail in future as would not call for a change in the ratio that is fixed now. It is not always in the best interests of the country to lightly tamper with its currency and let us hope it would not be tampered with hereafter.

There has been much discontent in many of the Indian commercial circles because of the fixation of the ratio at 1s. 6d. instead of at 1s. 4d. In order to pacify this public discontent I hope the Government, as soon as they can do so, will see their way to inaugurate once for all a gold standard for our country. The scheme of introducing a gold currency in India has attracted the attention of all the countries for a considerable period, and I think it ought not to be long when it would be made an accomplished fact. That done, there would be no necessity of manipulating the currency from time to time and India would be left to adjust itself, along with other nations of the world, to a genuine gold currency.

Allow me, Sir, briefly to advert on some provisions of the budget estimate for which the Honourable the Finance Member deserves congratulations. Besides the remission of certain duties the remission in provincial grants is an epoch-making event of which the Central Government can justly be proud since the inauguration of the Reforms. Although the remission is contemplated to be conditional on a surplus Budget every year, let us hope that Sir Basil Blackett being at the helm of Indian Finance, there would be no deficit Budget and the provinces would permanently enjoy the remission, and having been relieved of this burden on their resources, they would hereafter embark on schemes contributed to foster provincial interests in the different spheres of nation-building.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab: Non-Muhammadan): Sir, on the question of the ratio as to which one is in the interests of India 1s. 4d. or 1s. 6d. there should be little difference of opinion after the very widespread agitation and expressions of opinion in the country for the last six months. As one connected with agriculture and with commerce and industry, I know from personal experience how all these three have been depressed ever since the exchange ratio has ruled over

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1s. 4d. gold. Even the Lords of the *Treasury* said in 1879 that the higher ratio is temporarily of benefit to Government and permanently beneficial to Europeans, and that this benefit is obtained at the expense of the Indian tax-payer and the Indian agriculturist. In the genuine interests of India and the sons of the soil there should be little difference of opinion that 1s. 4d. should be put on the Statute. Such prominent men as Mr. Dadabhai Naoroji, Mr. Romesh Chunder Dutt and Mr. Gopal Krishna Gokhale have repeatedly said this twenty-five years back.

THE HONOURABLE SIR MANECKJI DADABHOY: That was all before the War.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: I will deal with that later. Britishers who served on the Fowler Committee had also the frankness to say this unequivocally. The memorable minute of two members of the Fowler Committee, (Mr. Robert Campbell and Sir John Muir) bears this out and in my opinion it will be a pity if this House passes the 1s. 6d. ratio. But whatever the House may do, I cannot let this opportunity go of placing before the House my observations for their very grave consideration.

Sir, in the debate in the other House on Tuesday last, the Finance Member was warned that he would have to borrow very soon in London to keep to the 1s. 6d. ratio because he has sacrificed the gold resources of India to the extent of £25½ millions here in his efforts to maintain the 1s. 6d. ratio. The only gold resources of India now left are £40 millions in the Gold Standard Reserve, £22 millions in India and about £5 millions in the Paper Currency Reserve. Whether the Government of India will venture to remove the gold in India or not I cannot say. They may find it even difficult to touch the securities in the Gold Standard Reserve and as to the £5½ millions in the Paper Currency Reserve, they will soon have to part with them in order to satisfy the requirements of the Secretary of State in the current year as he is being asked to run down his balance this month in order that the Legislature, who are in Session here, may receive no shock. It is therefore a policy of incurring debt even in England in order to preserve the prestige of Government. My Honourable friend Sir Maneckji Dadabhoj has said that the Currency Commission's personnel was responsible for bringing about this beneficial measure in the interests of India, and he has criticised the appointment of Sir Purshotamdas Thakurdas to that Commission.

THE HONOURABLE SIR MANECKJI DADABHOY: May I get up on a point of personal explanation, Sir? I think my Honourable friend here, Lala Ram Saran Das, as well as my Honourable friend behind me, is under a serious misapprehension on the subject. Now what I stated if my Honourable colleagues had followed me closely, was to this effect, that we, the majority members of the Commission, have been charged with having made up our minds beforehand as regards the 1s. 6d. ratio. I pointed out—I made no aspersions against my Honourable colleague Sir Purshotamdas Thakurdas who was with me on the Commission and I should be the last person . . . . .

THE HONOURABLE THE PRESIDENT: Will the Honourable Member make his explanation as brief as possible.

**THE HONOURABLE SIR MANECKJI DADABHOY:** What I pointed out to the Council was that I made no charge . . . .

**THE HONOURABLE THE PRESIDENT:** The Honourable Member has said that. Will the Honourable Member complete his explanation as quickly as possible?

**THE HONOURABLE SIR MANECKJI DADABHOY:** That therefore I had made no charge of any kind personally against him. It was only by way of explanation I said that he already having brought forward two Bills on the subject and having identified himself with one side before the Report was written, if it was anybody who made up his mind there was the unavoidable suspicion against the author of the Minority report and not the majority of the Commission.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS:** I hold my Honourable friend Sir Maneckji Dadabhoj in the course of his excited mood did say those words.

**THE HONOURABLE SIR MANECKJI DADABHOY:** I do not, Sir, and I protest against it. The report of my speech will show that.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS:** Very well, the House have ears open and they heard what he said. Sir Maneckji said very plainly that when Government knew his views and that when he was for 1s. 4d., then why did Government appoint him on the Currency Commission? I think that remark is quite unwarranted. Sir Purshotamdas is a person whom India regards with honour and esteem, and to pass a remark of that sort on him is to be deplored. It is all right to say, and then to withdraw. Sir, I must myself say that the personnel of the Currency Commission was not very well received by the public in India. That fact even Sir Maneckji cannot deny; I quite agree with what the Honourable Seth Govind Das has said that one of the persons who commanded full public confidence and respect on the Currency Commission was Sir Purshotamdas Thakurdas.

Sir, my Honourable friend Sir Maneckji Dadabhoj has advanced arguments in favour of 1s. 6d. and has said that the 1s. 6d. ratio has adjusted itself during the last two years. As far as we can see it in practice, that statement is incorrect. This ratio has been maintained at the sacrifice to the country of 25½ millions sterling as I have already said, which shows that this artificial ratio has not been maintained without heavy loss to the country. I do not know how Sir Maneckji has made the statement that the 1s. 6d. ratio has done good to India. It will not do any good to our country. Sir, he has also said that in case the 1s. 6d. ratio had not adjusted itself and in case the exchange went down to 1s. 4d. wages would have gone up. Well, Sir, during the last two years there has been no appreciable change in the level of wages. My Honourable friend Sir Umar Hayat Khan has said that Kashtkars—he meant the agriculturist, tillers of the soil—would not gain by the 1s. 4d. ratio. He said that these poor tillers of the soil do not export any stuff. My Honourable friend is labouring under some misunderstanding. Can I ask him, Sir, whether the poor tillers of the soil consume all the cotton they produce, do they consume all the jute they produce, and do they consume all the sugar they produce? Does he not as a big land owner in the Punjab realise that these kashtkars have to sell their produce in order to meet even the Government revenues? Then,

[Lala Ram Saran Das.]

Sir, he says that the only people who will gain by the 1s. 6d. ratio will be the labourers, the middle class and domestic servants. He meant that this class of people will lose at 1s. 4d. May I tell my Honourable friend that, as far as the Punjab is concerned, most of the labouring class comes from the agricultural classes. In the Punjab we have got small holdings and in families which consist of a great many members those members who are not wanted for agriculture go out and seek private or Government employment. Therefore to say that private or public servants, labourers and middle classes will lose by the 1s. 4d. ratio is wrong. Sir, my Honourable friend Malik Sir Umar Hayat Khan also pointed out that because this is a very useful measure it was passed in the other place by a majority. I may tell my Honourable friend that the majority of the elected Members in the other place voted against it, so the Bill has not emerged from the other House with the popular approval. Sir, we have received from various industries the complaint that in case the ratio is fixed at 1s. 6d. very many of the indigenous industries of India will go to the dogs. The other day, Sir, a representative of the Gold Thread Association of Benares called upon many Members of the Legislature and he also saw me and told me that as far as Benares and other gold thread consuming centres were concerned, they employ 52,000 labourers and they produce more than 3 crores worth of gold thread goods. He also told me that one tola of gold thread provides a living for at least 12 persons, and he informed me, Sir, that the 1s. 6d. ratio would have a most disastrous effect on the Gold Thread industry and that it would throw a large majority of the skilled labourers out of employment. (The Honourable Sir Maneckji Dadabhoy was understood to demur). I am talking of facts and I am placing before the House those facts which have been placed before us by the people who are actually in the trade; and if my Honourable friend Sir Maneckji Dadabhoy wishes to pass any remarks they are purely sentimental. I may also state that the wealth of the Punjab's agricultural population is mostly invested in their silver ornaments. The Honourable Malik Sahib has possibly forgotten that point when supporting the 1s. 6d. ratio. In the Punjab, unlike the provinces of Burma and Madras where the wealth of the masses is invested in jewels, it is in silver. In case we depreciate the value of silver, it will very heavily reduce the wealth of the Punjab masses. (*An Honourable Member*: "How can you say that?") From personal experience, Sir, it is said that the ratio does not affect the small landholder. It does affect him, because even the small landholder puts his produce, if not all, certainly a part of it, on the market. May I, Sir, in this connection also inform my Honourable friend, Sir Umar Hayat Khan, that the tillers of the soil are concerned in growing raw materials which we export to the extent of 300 crores a year, and as the raw materials are also required for the indigenous industries and the feeding of the vast population of the country, the big zamindar does suffer, Sir, and I cannot understand why the Government should put the big zamindar to a loss by a sudden stroke of this legislation. Even, Sir, the big zamindar, in case he gets better prices for his produce, is always able to show some concessions to his tenants, and in case his income is restricted or reduced by this wrong ratio, he will not be able to give as much assistance to his tenants which he does now. The time will be fast approaching, Sir, in case this 1s. 6d. ratio is forced on the country, which I wish it may not, when the small landholders will not be able even to pay their land revenue and this will result in unrest in the

country. I reserve my further remarks, Sir, on the amendments when they are moved.

**THE HONOURABLE MAJOR NAWAB MAHOMED AKBAR KHAN** (North-West Frontier Province: Nominated Non-Official): Sir, there are two questions that are involved in the present Bill, i.e., (1) the question of the ratio and (2) the question of the introduction of a gold standard with gold currency in circulation. For some months past the question of the ratio has created a good deal of discussion throughout the country. It has been debated in all the economic circles as to whether the exchange rate should be fixed at 1s. 4d. or 1s. 6d. per rupee. The Currency Commission recommended the adoption of the latter and it is in view of the convincing reasons of the said Commission in this behalf that the Government of India have considered it advisable to accept the recommendation, which they want to give effect to by means of the Bill before the House. On the other hand, a few of the millowners and capitalists, whose selfish interest are chiefly centred in the adoption of the 1s. 4d. ratio, feel keenly averse to the measure proposed and have gone so far as to start a universal agitation against the ratio of 1s. 6d. No doubt a few of these capitalists will have to suffer to some extent if the ratio is fixed at 1s. 6d. but there can be no denying the fact that the advantage derived by the poor masses from the ratio of 1s. 6d. will be much greater in comparison with the loss sustained by a few of the capitalists. To adopt the ratio of 1s. 4d., therefore, would be to benefit a small number of capitalists at the sacrifice of the needy and the most deserving majority of the population of this country.

It is generally said by the supporters of the 1s. 4d. ratio that if the ratio is fixed at 1s. 6d., it will prove of great disadvantage to the agriculturists. This assumption is a mere creation of their own since no dissenting voice as to the adoption of 1s. 6d. is raised by the agricultural classes.

To me it seems that the adoption of the 1s. 6d. ratio will prove beneficial to the general public in India—of course the same cannot be said of the capitalists and millowners. The natural result of fixing the exchange ratio at 1s. 6d. will be the reduction in the prices of imported goods, which state of affairs is bound to prove advantageous to the general public as a whole, whereas if the exchange is fixed at 1s. 4d. its consequences would be that the prices of foreign goods would surely stand higher. All the more, the 1s. 6d. ratio is the natural ratio under the present circumstances, for it has stood so for the last two years and any disturbance of it would greatly upset the trade of the country. (*The Honourable Rai Bahadur Lala Ram Saran Das*: "Question.")

**THE HONOURABLE THE PRESIDENT**: Order, order. Will the Honourable Member conclude his speech?

**THE HONOURABLE MAJOR NAWAB MAHOMED AKBAR KHAN**: Honourable Members might recollect that it is by fixing the exchange rate at 1s. 6d. that there has been a surplus of about 8 crores 31 lakhs of rupees in the Budget for the year 1927-28. It is only to this fixing of the rate of exchange that the Government of India have been in a position to reduce the provincial contributions, which reduction in the provincial contributions will enable the Local Governments to spend more on education, sanitation and other beneficent departments in their respective Provinces. In case it is not acceded to by the Honourable Members, I am afraid it will be doing

[Nawab Mahomed Akbar Khan.]

away with the reductions granted in respect of the provincial contributions in the present Budget and thus necessitate the levying of extra taxation, which no patriotic Indian will be prepared to welcome. With these remarks, Sir, I beg to say that I shall support the 1s. 6d. ratio.

**THE HONOURABLE SIR ARTHUR FROOM** (Bombay Chamber of Commerce): Sir I have listened with considerable interest and close attention to the debate on this Bill so far as it has gone, but I have not heard one Member yet oppose the motion that the Bill should be taken into consideration, and as I understood it, my Honourable friend Seth Govind Das in his short speech did not oppose the motion for consideration but reserved his ammunition in full perhaps for a somewhat later period. Nor did the Honourable Lala Ram Saran Das end up his speech by opposing the motion for consideration; I think I am correct in making that statement. Therefore I move that the question be now put.

**THE HONOURABLE THE PRESIDENT:** The question is:

"That the Bill further to amend the Indian Coinage Act, 1906, and the Indian Paper Currency Act, 1923, for certain purposes, and to lay upon the Governor General in Council certain obligations in regard to the purchase of gold and the sale of gold or sterling, as passed by the Legislative Assembly, be taken into consideration."

The motion was adopted.

**THE HONOURABLE THE PRESIDENT:** I have considered the most convenient form in which the Council should take the Bill into consideration, and I think it will be best to do as was done in another place, namely, to start with the ratio. In order to bring about a discussion on that point, it is only necessary to deal with the amendment No. 10 standing on the paper.

The question then is:

"That clause 4 do stand part of the Bill."

The Honourable Seth Govind Das.

**THE HONOURABLE SETH GOVIND DAS:** Sir, I rise to move my amendment, which reads thus:

"That in clause 4 for the words 'twenty-one rupees three annas and ten pies' the words 'twenty-three rupees fourteen annas and four pies' be substituted."

Sir, in moving this amendment, I want it to go on the record of this House that the recommendations of the Royal Commission are not binding on the people of this country. I go further and say, Sir, that they represent the views of foreign capitalists and exploiters and their henchmen in this country. How can the Government expect representatives of the people to vote for the recommendations of the Commission, the personnel of which was appointed by deliberately disregarding public opinion in this country? Not only the report of the Commission, Sir, but the way in which the Commissioners examined the witnesses orally show to what extent the members of that Commission were prejudiced in favour of the foreign capitalist.

I speak here, Sir, both as an agriculturist and as a business man. My family, Sir, for generations has been in daily touch with the tillers of the soil and I have personal experience of thousands of my farmers.



I know, Sir, how the agriculturist works, how he toils and what is for his benefit and what is not. Being a business man, Sir, I have my finger on the money market and I know what is the condition of the industries at present in this country, whether they are flourishing, whether they are decaying and why they flourish and why they decay, and therefore, Sir, I may venture to say that I am speaking on this motion with some personal experience and with some authority.

The Honourable the Finance Member said in the other House as well as in so many of his other speeches, that the ratio question is a dead horse. Well, Sir, when he said this, it might not have been a dead horse, but to-day no doubt to some extent it is a dead horse, and in that way, Sir, I may point out that everything which comes in this House becomes a dead horse and therefore we need not be afraid of his view in this respect.

Then, Sir, he further says that the ratio question is only a temporary one. My Honourable friend from the Government side, who moved this Bill, also said that it was merely a temporary thing. I may ask the Honourable Member, are not many other things in this world temporary? Are not wars temporary? Are not famines temporary? Are not epidemics temporary? Because they are temporary, they do not cease to produce most disastrous effects.

Then, Sir, some of the Honourable Members of this House as well as of the other House think that the ratio question is not important at all if compared to the question of a gold standard with a gold currency. To me it seems that they are mistaken. When we go for a gold standard with a gold currency, we want a ratio, a suitable ratio, for us for converting all our outstanding liabilities and obligations; and therefore, Sir, let them not think that the ratio question is not important if compared to the question of gold currency or gold standard.

Now, Sir, after these general remarks, if I go into the merits of the question what do I find? The whole edifice which is raised by the Royal Commission for the 1s. 6d. ratio is based upon the ground that it is a *de facto* ratio and the prices are adjusted to it. If, Sir, this ground is removed, the whole edifice for 1s. 6d. of the Royal Commission collapses like a house of cards. Both in the Press and on the floor of the other House it has been conclusively proved that the *de facto* ratio was brought about by so many unnatural means and the prices have not adjusted themselves to it. The Honourable the Finance Member did not give any suitable reply to these arguments. He went even further, Sir, and did not even exercise his right of reply which he could have done at the close of the debate on the ratio question. The whole question, Sir, has been so well threshed out that it has hardly left anything new for me to contribute to this debate, and therefore, Sir, I will only very briefly review the arguments on both sides, and I hope, Sir, that the Honourable Mr. Brayne will come forward and reply to my arguments at least in this House where he must feel his position more sure than what the Honourable the Finance Member felt in the other place.

The argument regarding the *de facto* ratio would have been correct if it had been created by natural forces and without any manipulation on the part of the Government. In this matter I will not go so far back as my Honourable friend Pandit Malaviya went in the other place, and I

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will only begin my review from September 1920, when the 2s. gold ratio was put on the Statute-book. This amounted, Sir, to the closing of mints, and, therefore, the automatic expansion of currency which was going on since 1899 was stopped. From this day all the additions to the volume of currency were entirely and exclusively dependent on the will of the Government. When you put, Sir, 2s. gold to the rupee, you make the value of the sovereign Rs. 10. Now, Sir, no man in his senses will go to you and ask Rs. 10 for a sovereign which he can very well sell in the market for Rs. 16 or more, and in the words of the Bengal Chamber of Commerce—"Every country requires additional currency year after year for its growing trade and population" was stopped, Sir, by the 2-shilling ratio on the Statute. The misfortune did not end there. It went further. Side by side with this the systematic deflation of the volume of currency went on and we find that between January 1921 and September 1924 deflation of nearly 60 crores of rupees was effected by the manipulation of the Government. Partly by stopping expansion and partly by deflation, Government within 3 or 4 years raised the value of the rupee from 1s. to 1s. 4d. in gold or 1s. 6d. in sterling in September 1924. Now, Sir, it cannot be said that this deflation was necessary on account of any previous unnatural inflation and this has been very well proved by Sir Dadiba Dalal in his very able minute of dissent as a Member of the Babington Smith Committee. This shows, Sir, how the value of the rupee was increased, and these facts, Sir, are found even in the Report of the Royal Commission in Appendix No. 98. It is therefore false on the part of the Government to say that no manipulation has occurred and that this ratio is natural. The foreign experts, Sir, who recommended a higher ratio, did so on the assumption that it was brought on by natural means. The Right Honourable Montagu Norman, Governor of the Bank of England, made this clear in a reply to a question of Sir Purshotamdas Thakurdas who asked him:

"Does it matter in your opinion whether the present rate is stabilized by natural means or by something which is artificial?"

The reply was:

"If I was aware of the existence of an unnatural position which has resulted from the adoption of this exceptional measure, that might change my views."

So, Sir, it is clear that even the foreign experts who gave their evidence in favour of a higher ratio, gave it on the assumption that the *de facto* ratio was brought about by natural means.

Now, Sir, coming to the question of the adjustment of prices, let me point out that the Commission based their contention on the index number of prices. This is not reliable, Sir, and this fact has been proved times without number. The reason is that the articles included in this index number are not the same in all the countries and when they vary in each country, it becomes a comparison of likes with unlikes, and therefore it has no value. This has been accepted even by the Commission and by the Honourable the Finance Member. Well, Sir, to reply upon a thing which you yourself call unreliable is at least so far as my knowledge goes, unheard of. You go on calling the index number of prices unreliable and still when you make your recommendations you say the prices are

adjusted and you think and consider them to be reliable, a very strange thing, Sir, indeed. Then I will go further and say that the adjustment has not taken place. When England reverted to the gold standard in 1925 Professor Keynes said in an article :

“ Unless the appreciation of the pound sterling by 10 simultaneously resulted in an acceptance of 10 per cent. less by everybody all round, the process of adjustment can only be exceedingly slow.”

He further says :

“ Prices which figure in the export and import trade respond themselves quickly to any fluctuations in exchange. The prices of other articles do not move so rapidly. The cost of living is slower to adjust itself; wages slower still. Rates of interest are slower and the public debts and other budgetary commitments refuse to move at all. And yet these are the prices in the true scientific, economic sense and unless they adjust themselves all round, the process of adjustment cannot be complete and the effects of non-adjustment will continue to be felt for many long years.”

Now, Sir, taking the case of our country, can it be said that the prices are adjusted to 1s. 6d. Has the cost of living come down by 12½ per cent.? Has the rent of houses gone down by 12½ per cent.? Have debts, which amount to about 1,000 crores of pounds, gone down by 125 crores? Has interest gone down by 12½ per cent.? Have wages gone down by 12½ per cent., and has the cost of public administration, civil and military, gone down from 70 crores? The answer, Sir, I am sure will be in the negative, then I do not understand how the Honourable the Finance Member says that the prices are adjusted to 1s. 6d.

Now, Sir, much is being said about the poor people from both sides. One side is advocating the cause of the producer and the other side is advocating the cause of the wage-earners. It has been the policy of the Government from the very beginning to divide and rule. Now here they want to divide the producers and the wage-earners. Let me point out that this sort of thing cannot go on and let me point out that here in India, when India is under a foreign rule, the interests of the producers and the wage-earners do not differ. At least as far as the foreigners are concerned, their interests are identical. May I ask the Honourable the Finance Member, do the Government think that, if no land is cultivated in this country, wage-earners will go on getting their wages? Do the Government think that if all the industrial institutions of this country are closed, still the wage-earners will go on getting their wages? Then how can they consistently say that the 1s. 6d. ratio is beneficial for wage-earners, and it is in their interests, in the interests of the poor wage-earners that they are advocating this 1s. 6d. ratio? Now, Sir, what is the position of the agriculturists? They are losing, Sir, in two ways, by getting less for their produce, and by paying more for their debts, interest and land revenue. In the same way, Sir, the industrialists are suffering in two ways, firstly, by selling their produce at a less price and by spending more on their production. It is said, Sir, that both these losses are compensated on account of the fall of prices of the articles that are consumed. Let me point out, Sir, that first of all there has not been any real fall in the retail prices within the last two years, and if there has been it has been only on imported articles which are used by the poor people to an extent of 7 per cent. only. In the same way, Sir, industrialists are only saving on the imported stores and the fall of prices on these stores is only to the extent of 6 per cent. . . .

THE HONOURABLE MR. MANMOHANDAS RAMJI (Bombay: Non-Muhammadan): What about cotton and the high prices that will have to be paid?

THE HONOURABLE SETH GOVIND DAS: Cotton and the high prices? I do not appreciate the point. Can you say that the prices of cotton have gone down on account of the ratio? That question does not arise.

THE HONOURABLE MR. MANMOHANDAS RAMJI: If the rupee is depreciated, the cotton prices will go up.

THE HONOURABLE SETH GOVIND DAS: All that will be compensated by the prices which the producer will get on his own produce and so that question does not arise.

THE HONOURABLE SIR ARTHUR FROMM: What about transportation?

THE HONOURABLE SETH GOVIND DAS: We see how much these industries, how much the poor people have to suffer on account of this higher ratio. It is about 40 crores of rupees. This, Sir, has been proved to the hilt on the floor of the other House and in the Press. And, Sir, who is gaining at the expense of the poor people? (*The Honourable Sir Arthur Fromm*: "The middleman.") No, no, the foreign middleman, the foreign capitalist, the civil and military officers of Government who remit money to foreign countries, and the Government themselves. Sir, it is a case of robbing the Indian Peter to pay the English Paul! The Finance Member's jubilation can very well be compared to Nero's fiddling while Rome was burning!

Then, Sir, it is said that there will be a sudden rise of prices by 12½ per cent. Let me point out, Sir, that when there has not been any real fall in prices in retail, this rise of prices will not occur; if there is any rise in prices it will be on imported articles and articles which are exported. Now, Sir, on account of this rise in price on imported and exported articles the poor people of this country will not be gaining because, as I have just said, out of the total of imported articles only 7 per cent. is being used by the poor people and the gain will go into the pockets of the producers.

Then they said that if the lower ratio was so beneficial, why should it not be reduced to 1 shilling or, as the Honourable the Finance Member said on the floor of this House at the time of the general discussion on the Budget, why should it not be reduced to one penny? Well, Sir, in reply to this argument I have only to say that we do not want to be unjust. We only want to have the ratio which was our ratio for 18 years. We do not want to be unfair to anybody. We want to be just, Sir, and therefore we do not want that reduction.

Then another thing they said that if the ratio is brought down the debt of India will increase. Well, Sir, in this respect I will only read a quotation from a memorandum which was issued by many Honourable Members of the other House, and it will be seen that this is not a fact. In the memorandum it is said:

"It is contended by Government that if we revert to 1s. 4d. the burden of the sterling debt of India will be increased by 56 crores. The table attached to paragraph 20 of the Finance Member's speech refers to this. This is misleading because the sterling debt has to be paid in gold whatever the ratio, gold representing the

same amount of Indian goods and services. The number of rupees required for this purpose is not a relevant factor at all. On the other hand, we wish to point out that at 1s. 6d. the burden on the tax-payer of the rupee debt of the Government of India will be increased in terms of gold or goods and services. The total rupee debt on 31st March 1927 is given at 523 crores. This in terms of gold at the pre-war ratio of 7.53 grains of gold to the rupee would be equal to 523 crores multiplied by 7.53 grains of gold or 3938.19 crores in grains of gold. If the rupee is stabilized at 1s. 6d. this debt would be equal to 523 crores multiplied by 8.47 grains of gold, that is, 4429.81 crores of grains of gold a difference of 491.62 crores of grains of gold or equivalent to 4.3 crores of sovereigns, this being the increase in the rupee debt of the Government of India in terms of gold. A corresponding annual increase in the binding interest in terms of gold has thus been imposed on the tax-payer and will continue at 1s. 6d. until the loans are paid. These facts and figures furnish an irrefutable argument against the appreciation of the value of the rupee."

In conclusion, his speech in the other place the Honourable the Finance Member said :

"Does the House want to reduce by 11 per cent. the real wages of all wage-earners, agricultural and industrial, of all clerks and shop hands in private employment, of postal employees, railway employees, reduce the value of every fixed income by 11 per cent? That is what the demand for 1s. 4d. means; for the permanent benefit of nobody."

This poetry went on, Sir, and he said :

"Does the House want to upset the equilibrium of every Budget in India, Central and Provincial, and to face the task of imposing additional taxation all round? That is what the demand for 1s. 4d. means. For the permanent benefit of nobody."

His third remark was :

"Does the House want railway rates and fares to be raised all round at a moment when the railways have launched on a policy of reduction? That is what the demand for 1s. 4d. means. For the permanent benefit of nobody."

Fourthly, Sir, he suggested :

"Does the House want the complete remission of the provincial contributions to be postponed indefinitely? That is what the demand for 1s. 4d. means. For the permanent benefit of nobody."

And finally, he said, Sir :

"Does the House want to postpone indefinitely the reform of the Indian currency system? That is what the demand for 1s. 4d. means. For the permanent benefit of nobody."

Well, Sir, I am much interested myself in poetry. I have written some poetry myself, and therefore, Sir, I want to give a reply to the Finance Member in the poetic style in which he spoke at the time of moving his Bill in the other place; and I say, Sir: Does this House want to increase by 12½ per cent. the burden on the agriculturists of this country in the matter of land revenue, which is already 36 crores per year? That is what is meant by 1s. 6d. ratio. For the permanent benefit of nobody. (*The Honourable Sir Arthur Froom*: "How increase?"). Does the House want to pay a bonus of 12½ per cent. to the bloated salaries of the superior Services which are already getting the most extravagant salaries in the whole world? That is what is meant by 1s. 6d. ratio. For the permanent benefit of nobody. Does the House wish to create a terrible struggle for the very existence of industries, leading to strikes, lockouts, creating unemployment and sweating of labour on a large scale? That is what is meant by the 1s. 6d. ratio. For the permanent benefit of nobody. Does the House wish to put an unearned increment of 12½ per cent. into the pocket of every usurer, moneylender and rentor and lessor and similarly

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put the debtor, the tenant and the tiller of the soil to a loss of 12½ per cent? That is what is meant by the 1s. 6d. ratio. For the permanent benefit of nobody. Does the House wish to create an unnecessarily heavy charge of 56 crores of rupees on the rupee debt of this country? That is what is meant by the 1s. 6d. ratio. For the permanent benefit of nobody. And finally, does the House wish to allow this Government to tamper with the currency of the country for budget purposes and allow them to use currency as a lever for increasing taxation? That is what is meant by the 1s. 6d. ratio. For the permanent benefit of nobody.

Well, Sir, in conclusion, I will only appeal to the Honourable Members of this House to think over this matter most attentively. It is, Sir, a most momentous issue in the present state of the country. Let them

not think that it is a political issue; let them take it to be a purely economic issue. Let them think that the poor people of this country will suffer to the extent of 40 crores of rupees—the poor people who have not even sufficient money for their food and for their clothing. Let every Honourable Member of this House think what action he is taking in this respect and let him think this with the fullest responsibility. Let the Honourable Members of this House once at least show to the popular Chamber that our friends there have committed a mistake. As this body, Sir, is meant for revising the deliberations and the decisions of the popular Chamber, let this House once at least in its life show that it is really doing this in the right way and that in the interest of India, in the interest of the poor people of India. With these words, Sir, I move my amendment.

THE HONOURABLE RAO SAHIB DR. U. RAMA RAU (Madras: Non-Muhammadan): Sir, the ratio war which has been raging with so much fury and bitterness for more than a year, is well nigh 'over now, and 18d.' has come out triumphant from the field. The poor old 16d. has sought refuge in this House, beaten and vanquished. Unfortunately, there are only a few of its adherents left here and they are powerless to help it. So 1s. 4d. is doomed for ever and is only awaiting the inevitable hour. I am trying now to give it the last dying dose, to see if it can be brought back to life. (Laughter.) There is an old proverb, Sir, which says "Fail not to administer medicine to a dying patient to the very last, for, perchance, a sudden change for better may come". (Laughter.) With this hope, Sir, though it may be, I am hoping against hope, I support this amendment to-day.

The 16d. ratio has long held the sceptre and has enriched the people of India by bringing the balance of world trade, entirely in her favour, for nearly two decades. Then came the World War to disturb the tranquillity and equanimity of India and to hurl headlong down the 16d. ratio. After a series of claims and counter-claims, when 20d. and at one time even 28d. strove for supremacy, the Government of India, which is the final arbiter of the destinies of ratios, recommended 2s. (gold) to be stabilized and enthroned. This was in the year 1920. But the attempt to maintain the rate at 2s. gold was not successful. By January 1923, the tide had definitely turned; exchange recovered to 1s. 4d. sterling. This was the proper time to stabilize it, to restore it to the throne it had lost ten years ago. But, instead, the Government of India, subtle ratio-makers as they are and reputed to be by tradition and history, manipulated the ratio for nearly three years so that it might not exceed 18d. gold or go

below 18*d.* though at one time in October 1924, much against their wish, it showed a tendency to fall down to 16*d.* nearly. Thus, the 18*d.* ratio has become a *de facto* ratio and its stabilization was recommended by the majority of the Royal Commission on Currency, one solitary soul, Sir Purshotamdas Thakurdas, alone dissenting and upholding the claims of the 16*d.* ratio in the interest of India. This new ratio has since been formally blessed by the Government and sprinkled by the Legislative Assembly. We are asked to-day to say "Amen" and sing the finishing chorus before the 18*d.* ratio is finally placed on the Statute-book. This in brief, Sir, is the history of the ratios. Sir, going through all the evidence and judging from the Government's past foibles and follies and the iniquities to which the people of India had been subjected as a result of the Government's suicidal exchange policy, I, a layman, am inclined to believe that the 1*s.* 4*d.* ratio is best suited for a country whose main industry is agriculture and whose commerce mainly consists in the export of raw produce. It is said that the 1*s.* 4*d.* ratio affects the interest of the consumer, the employees, wage-earners and labourers. These classes form after all a small portion of the population, about 21 per cent. or so. Moreover, every middle man who is a consumer, every employee, except European officials, whose stake and stay in this country are very little, every wage-earner and labourer is a land owner with small or large holdings and the first investment of his saving—his first provision for the future—is in land. His shrewdness, his frugality and his faith in the possession of land as the one and only stable asset of a family which cannot be robbed or lost or depreciated by currency fluctuations and the like, induce him to adopt this course. So, in reality, the entire population of India will be hard hit by the 18*d.* ratio, being all of them agriculturists in the strictest sense of the word. The plea is put forward that by the 18*d.* ratio the producer will be benefited to a considerable extent by the cheapness of some of his imported necessaries, such as cloth, kerosine oil, matches, etc. But in a lean year the plight of the agriculturists will be deplorable. In India produce depends on rain. The four unusually good monsoons in succession have helped the Government to maintain the higher ratio. How this ratio would stand under famine conditions has yet to be tested:

"A higher exchange tends to encourage imports and to discourage exports. As the export trade of India exceeds her import trade, the country in the balance loses by a higher rate. Besides, the nascent industries of the country are likely to find the competition of the well-established foreign industries, keener, as the result of the new rate and the effect of the policy of discriminating protection will be considerably diminished. These results may be more or less temporary but they will none the less be important. Something may, no doubt, be said on either side of the question. But when one carefully weighs the pros and cons of the case one will perhaps arrive at the conclusion that the 1*s.* 4*d.* ratio is more easily maintainable than the higher ratio and that it is likely to prove more beneficial to the people as a whole."

This is the opinion of an Indian—the Minto Professor of Economics of the Calcutta University. Here is another unbiassed opinion of a European economist. Sir James Wilson, K.C.S.I., who was distinctly in favour of the 1*s.* 4*d.* ratio in 1923 when the statutory change was 2*s.*:

"A further rise in the exchange value of the rupee would be favourable to Indian finances in so far as India has to pay external debts in gold or in sterling. It would also tend to cause a fall in prices measured in rupees in India, and would therefore be favourable to all who receive salaries or wages fixed in rupees and to all creditors in India, whose credits are fixed in terms of rupees. On the other hand, it would be unfavourable to all producers of commodities in India and especially to the great mass of the agricultural population who have produce to sell and to all debtors in India.

[Dr. U. Rama Rau.]

whose debts are fixed in rupees. On the whole it seems to me that the fairest and most practical solution of the question would be to abandon the attempt to raise the value of the rupee to anything like 11·3 grains of fine gold and to aim at the permanent re-establishment of the pre-war rate of 7·5 grains of fine gold—that is, one-fifteenth of a sovereign or 16d. per rupee measured in gold. I think that the Secretary of State should announce this to be his policy, and the Government of India should pass an Act declaring that the sovereign shall again be legal tender for Rs. 15."

In the face of this disinterested statement from a high authority on finance, whom the Royal Commission had consulted, that the Commission should declare 1s. 6d. as the proper ratio and the Government of India should accept it as gospel, and begin to legislate on that basis, seems strange indeed. Evidently the whole thing has been pre-conceived, pre-arranged and the Royal Commission merely came here to dance to the tune of the Government of India and say ditto to their views. They considered the best interest, not of India but those of foreign importers and of European salaried officers. The statement that was made by the currency commission that the prices had adjusted themselves to the new ratio is rebutted by the Agent, Central Bank of India, Ltd., Burma. He says:

"They (the Currency Commission) recommended stabilization at the *de facto* ratio of 1s. 6d. on the ground that Indian prices have adjusted themselves to the new ratio. Their arguments are unconvincing and subsequent events have amply shown that adjustment is yet to come."

Lastly, let me quote the honest opinion of a highly-placed official—the Commissioner of Income-tax of the Government of the Punjab,—a purely agricultural Province. He said:

"Its (the new ratio's) drawback is that in benefiting the consumer, importer and creditors at the expense of the producer, exporter and debtor, it is likely to operate to the disadvantage of the agricultural community; that is to say, to the disadvantage of the majority of the country."

Thus it will be seen that the consensus of opinion is overwhelmingly in favour of the 1s. 4d. ratio. The majority of unprejudiced Indian opinion and unbiassed European opinion favour the 16d. ratio. I, for my part, Sir, am opposed to any legislation which places the vast agricultural population of this country at a disadvantage. The new ratio is *another form of tax on the agriculturist and an effective substitute for the provincial contributions* which have since been remitted. I am sure Honourable Members of this House, who have large agricultural holdings, will not accede to a measure of this kind. India's agricultural indebtedness is appalling, and it was only the other day that this House adopted a Resolution asking the Government to establish Land Mortgage Banks to relieve the agriculturists of their indebtedness. If this House should now approve of the new ratio, their indebtedness will only be augmented. Let us not snatch away with one hand what we have given with the other:

"Indian Currency must be controlled to suit India's needs and interests compared to which outside credits and interests should sink into insignificance."

With these words, Sir, I support the amendment moved by my friend the Honourable Seth Govind Das.

THE HONOURABLE SARDAR CHARANJIT SINGH (Punjab: Nominated Non-Official): Sir, I rise to oppose the amendment.

The question of currency is of very great importance to every citizen, however humble his position or remote his occupation. Next to the



constitutional question the operations of the financial world affect all classes in the country and with the industrial awakening which is making itself felt day by day in India the value of the rupee is of vital concern. On this would depend whether each citizen's income is increased or decreased.

In spite of a certain amount of controversy the better opinion in India has repeatedly asked for the gold basis. The basis of gold is really the best and the safest basis in all the world. This ought to mean that any body has the right to go to the authorities who issue the rupees and notes which make up the currency and demand solid gold in return for those rupees or notes. This right, if absolutely unrestricted and free from any conditions as to the use to which gold is to be put should prove of great value. It would mean that each rupee would be accepted at the value which is now fixed, and thus the value of the rupee would be absolutely guaranteed by the right to exchange rupees for gold bullion. Some of the most important questions are at stake for the people of India on the decision that is taken in this matter. If the rupee is standardised at the rate which has been prevailing for nearly three years, and if the standardisation prevents considerable fluctuations, it should have a steadying effect on the speculators who have suffered so heavily in the past. Again every rupee which each citizen possesses would be worth 18 annas or 8.47512 in gold, whereas if it was fixed at 1s. 4d. it would be worth 16 annas or 7.53844 in gold. This shows that at 1s. 6d. we can buy .94168 grains more of gold for one rupee. But if the rupee goes down to 1s. 4d. living all round will go up by 12½ per cent. Though its bearing may generally be not appreciated, the fact remains that at 1s. 4d. a person whose income is Rs. 1,000 a month would lose Rs. 1,500 every year. Railway stores and other things that have to be imported from other countries would go up in price,—railway fares would have to be increased—the price of foodstuffs will not remain unaffected. All this would mean a heavy loss to the public. Moreover, we know that the Government of India has to pay large sums in England as interest on capital invested in India, in wages, pensions and so on. With the rupee at 1s. 6d. every pound sterling which will be paid in England would cost only Rs. 13-5-4, but if the rupee is fixed at 1s. 4d. each pound sterling would cost India Rs. 15.

Taking the figures of next year, with the rupee at 1s. 4d. the Home charges would mean 53,25,00,000 and at 1s. 6d. 47,33,33,333-5-4. This shows that on Home charges alone we would be saving no less than 5,91,66,666-10-8. Moreover, we have to pay a debt of 369 millions sterling, including the railway debt. At 1s. 4d. we shall be required to pay Rs. 5,53,50,00,000 in order to liquidate that debt, while at 1s. 6d. we shall have to pay only 4,92,00,00,000; in other words we shall have to pay Rs. 61,50,00,000 more at the rate of 1s. 4d. As regards the rupee loan, it has to be paid in rupees so the question of exchange does not arise. Surely no one can say that these are inconsiderable or negligible amounts. As regards agriculture I have heard it said that our exports will suffer. I confess I have not been convinced of the accuracy of this statement. During the last 8 years when the exchange has been practically at 1s. 6d. the exports did not go down; on the other hand the statistics show some increase. For instance export in 1913-14 was 249 crores and in 1925-26 385 crores, i.e., an increase of 136 crores. This shows that export does not depend on exchange but on supply and demand. Secondly, although every pound which we shall get in return for our

[Sardar Charanjit Singh.]

exports would be worth Rs. 13-5-4 it must not be forgotten that there will be a corresponding increase in the number of pounds which we shall draw from other countries. At the same time, agriculturists will be distinct gainers. The producers will get 12½ per cent. more for the produce sold by them.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: How?

THE HONOURABLE SARDAR CHARANJIT SINGH: Every rupee they will get will be worth 19 annas instead of 16 annas. That is how they will gain. Secondly, the Agricultural Commission is now sitting with the object of devising means for the improvement of Agriculture. It does not require much anticipation to say that one way of improvement lies in the use of scientific methods for which you require machinery. At 1s. 6d. you would be able to get all the necessary machinery at 1-10-8 per pound cheaper. Would not this be a distinct gain? But if you have to pay 1-10-8 more would not agriculture be hard hit by it? To raise the cost of agriculture by 12½ per cent. cannot certainly be considered an act of befriending the agriculturists who comprise no less than 80 per cent. of the population. In every country in the world the ambition of the people is to see that its currency does not get depreciated. Where it has got depreciated the plight of the country is most unenviable. Take for instance the case of France where the value of the franc has gone down, and the frantic efforts which her Statesmen have made to raise its value. In our country the value of the rupee went down in 1895. The result was that we had recurrent deficits in the Budget for several years, so much so that in 1898 we were obliged to borrow 20 millions. I think I have made clear that if the rupee goes down in value the expenses of the Government would be largely increased—that India would be to the bad to the extent of not one nor two but several crores of rupees every year. Now how is that deficit going to be made good?

Is there any other way but to raise it by extra taxation? Now I ask in all seriousness: Is there anyone who is prepared to vote for fresh and increased taxation? I for one have no hesitation in saying that I am absolutely against fresh and increased taxation, and in saying this I am sure I am voicing the feelings of a large number of my countrymen. India is already burdened with heavy taxation. Our aim and object should be to reduce and not to increase it. In their reduction lies the contentment of the people, an asset which no people and no Government can afford to ignore. But if you raise your expenditure what hope will there remain of reduction in taxation and of the remission of provincial contributions on which the future of our nation-building departments depends? I therefore strongly support the 1s. 6d. ratio and oppose the amendment.

THE HONOURABLE MR. KUMAR SANKAR ROY CHOUDHURI (East Bengal: Non-Muhammadan): Sir, I rise to support the amendment moved by the Honourable Seth Govind Das.

Its object, I submit, is to fix the rate of exchange at 1s. 4d., the old rate which prevailed for a long time in this country before the War. Almost all the countries in the world have, or are trying to have, the rate prevailing in them before the War re-established and I do not see why in the case of India it should be otherwise. Specially so in

the case of India which is an agricultural country and is therefore likely to lose heavily by this inflation of the rupee. Not only will agriculture suffer, but the industries of India, which are now passing through a severe crisis, will also suffer from a keen competition with foreign countries. Hardly ever can any measure be introduced which thus simultaneously and seriously affect all the sources of wealth that a country can produce. The Honourable the Finance Minister has himself acknowledged that this will be the result but he tries to minimise it by saying that the results will be temporary and that the trade of the country has been adjusted to the 1s. 6d. ratio, and a reversal of the ratio would involve uncertainty and disorder in the trade and commerce of the country. I am not, Sir, an expert about this question, but I submit there is a great difference of opinion among the experts as to whether such adjustment has really taken place, and in the face of this dispute I do not think it advisable to take a step which is calculated, even though it may be temporary, to prejudice the agricultural and commercial interests of the country. No doubt the interests of labourers and wage-earners will be prejudiced to some extent, but hardly can any measure be adopted which is calculated to benefit all sections of Indian interest. The true test in such a matter should be whether the measure is calculated on the whole to benefit the majority of interests in the country. If any measure satisfies this test it is sure ultimately to result beneficially for the other interests also, because the interest of all classes depends upon the general interest of the country. If industry and agriculture prosper, these being the chief sources of wealth, it involves the prosperity of the wage-earners and labourers both agricultural and industrial. Contractual relations also, which were based upon pre-war conditions, do not suffer by the establishment of the pre-war exchange. The addition to the salary of Government servants, based upon the Report of the Lee Commission, will not suffer, as the market rate of exchange then prevailing was 1s. 4d. The land revenue system, based on the permanent or long-term settlement system, also does not suffer. The relationship between creditors and debtors, so far as agriculture and industries are concerned, do not suffer as the debts incurred by the agriculturists and industrialists are also incurred for long periods.

The 1s. 6d ratio is also objectionable from another standpoint. This ratio has been maintained by a manipulation of the exchange and by the deflation of the gold standard and currency reserves of India to the extent of about 25 million pounds. If this ratio is to be further maintained by the depletion of our reserves, the chances of establishing a gold standard of currency will become more and more remote. When we cannot induce America and England and other countries to part with their gold, any artificial lowering of its price in India is bound to result in an export of gold from India. This will also render the chances of our establishing a bullion reserve more and more remote.

Another objection raised to the establishment of the 1s. 4d. ratio is that it will render the Government Budget deficient to meet the expenses of administration. On this point also expert opinion is at variance. The debt redemption policy of the Government requires modification. Our public debt is more productive than that of England, yet we have adopted a policy of debt redemption far in excess of that of England. Income-tax also is bound to increase, while customs may diminish, but taking all things together, the Government, I submit, will be able to manage even

[Mr. Kurnar sankar Roy Choudhuri.]

though the 1s. 4d. ratio is adopted. Government say additional taxation will be necessary. Its very necessity will induce them to reduce their expenditure, instead of their going on merrily embarking upon the expenses of administration. More taxation, even if it is necessary, will be directly imposed and upon people capable of bearing it instead of being indirectly levied upon people hardly able to bear it and this is done to serve the interest of foreign trade in India.

The Council then adjourned for Lunch till Half Past Two of the Clock.

The Council re-assembled after Lunch at Half Past Two of the Clock, the Honourable the President in the Chair.

BILL PASSED BY THE LEGISLATIVE ASSEMBLY LAID ON THE TABLE.

SECRETARY OF THE COUNCIL: Sir, in accordance with rule 25 of the Indian Legislative Rules I lay on the table a copy of the Bill to fix the duty on salt manufactured in, or imported by land into, certain parts of British India, to fix maximum rates of postage under the Indian Post Office Act, 1898, further to amend the Indian Tariff Act, 1894, the Indian Stamp Act, 1899, and the Indian Paper Currency Act, 1923, and to fix rates of income-tax thereunder, which was passed by the Legislative Assembly at its meeting held to-day.

DATE FOR THE CONSIDERATION OF THE INDIAN FINANCE BILL, 1927.

THE HONOURABLE THE PRESIDENT: I think before we return to the Currency Bill we should try and arrive at some decision as to when the House will proceed to the consideration of the Bill which has just been laid. I should be glad to hear the views of Honourable Members on that point.

THE HONOURABLE SIR ARTHUR FROMM (Bombay Chamber of Commerce): Sir, if it could be arranged I think it would meet with the convenience of the Members of this House if we could consider the Finance Bill to-morrow. At what time to-morrow of course I leave to you, Sir, to suggest; but as the Members of this Council have been kept at Delhi for a considerable time many of us wish to get away as soon as we can, and if the Bill we are discussing now, that is the Currency Bill, is finished to-morrow morning, I suggest it might be possible to continue direct with the Finance Bill. Such amendments as may be intended for the Finance Bill can, I think, be put in in time.

THE HONOURABLE SIR MANECKJI DADABHOY (Central Provinces: Nominated Non-Official): Sir, I quite endorse the opinion of my friend Sir Arthur Fromm; but at the same time I think that it would be advisable to have the debate on the Finance Bill on Saturday morning. I do not know the view that other Honourable Members entertain on the subject because of course they will have to give notice of amendments also; but I am afraid that we will not see the Currency Bill through this evening, because I may say candidly that I have to speak a great deal both on the ratio

question and on the gold currency question and the demonetisation of the sovereign; and we also, Sir, have been invited to attend a party this evening in honour of our colleague Sir Purshotamdas Thakurdas and I should like myself to attend that party very much. I would therefore suggest that we work till 5 this evening and that further discussion may take place to-morrow morning on this Bill and on the Finance Bill on Saturday.

**THE HONOURABLE SETH GOVIND DAS** (Central Provinces: General): I think we better fix the discussion for to-morrow, so that if we dispose of the Currency Bill before lunch time, we can very well take up the Finance Bill after that. In case we do not finish the Currency Bill before lunch, we can take the Finance Bill the day after to-morrow. If you decide that all amendments should be sent in before 12 or 1 o'clock to-morrow afternoon we can very well take up the Finance Bill to-morrow evening after lunch and can discuss the Finance Bill on general lines to-morrow while the amendments could be moved the day after. But suppose you fix it for the day after to-morrow, it might take another day and we may have to sit on Monday. If it is fixed for to-morrow after lunch then we can dispose of some part of it to-morrow and some on Saturday, and in that way we may be able to finish the business by Saturday evening, and we shall not have to meet on Monday; while on the other hand if you fix it for the day after to-morrow we may have to sit on Monday. Therefore, in my opinion, it is better that we should take the Finance Bill into consideration to-morrow.

**THE HONOURABLE COLONEL NAWAB SIR UMAR HAYAT KHAN** (Punjab: Nominated Non-Official): I think that is better, Sir.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS** (Punjab: Non-Muhammadan): Sir, I disagree with my Honourable friend Seth Govind Das and I endorse what has been said by my friend Sir Maneckji Dadabhoy, that the consideration of the Finance Bill be fixed for Saturday.

**THE HONOURABLE MR. P. C. DESIKA CHARI** (Burma: General): Sir, I would prefer that the Bill be fixed for discussion on Saturday, because one would like to know what amendments are coming on, for which at least some short notice is required. It will I think meet the ends of the case if we fix Saturday.

**THE HONOURABLE MR. MANMOHANDAS RAMJI** (Bombay: Non-Muhammadan): Sir, I think if we take up the consideration of the Finance Bill as soon as we have finished the present Bill it will be much better because it will give us more time to discuss it and we will be sure of finishing the discussion of that Bill by Saturday evening.

**THE HONOURABLE MR. V. RAMADAS PANTULU** (Madras Non-Muhammadan): I agree, Sir.

**THE HONOURABLE SIR ARTHUR FROMM**: Might I explain, Sir—I am not stating another argument—that with reference to what the Honourable Sir Maneckji Dadabhoy has said I have no intention of wishing to cut short the discussion on the measure which is now before us. My idea is that if this discussion on the Bill goes on to-morrow we might reasonably hope to continue with the Finance Bill afterwards. I do not subscribe to the idea of social functions interfering with the business of the House, considering that last week we might have had a week's social functions to only one day of business.

**THE HONOURABLE MR. A. F. L. BRAYNE** (Finance Secretary): Sir, I think it would be difficult to get in amendments in time, and to allow of sufficient notice being given of amendments so that they may be studied and considered, if it were proposed to take up the Bill to-morrow afternoon. It would be better if the Bill came on on Saturday morning, which would give us time to study amendments before they are taken up.

**THE HONOURABLE THE PRESIDENT**: I think Sir Maneckji Dadabhoj's estimate of the time that the Bill now before the House will take is probably correct and it is not likely to be finished before lunch time to-morrow. If we proceed then to the consideration of the Finance Bill, I fear that it gives Honourable Members very little time to study what they have to say on the Bill as a whole and on the amendments which will be put in and of which they will have had extremely short notice. I think, therefore, that it would better serve the interests of the House as a whole if I did not cut short the period of notice to the extent that has been suggested by the Honourable Sir Arthur Froom. I shall be prepared to allow the motion for consideration to be made on Saturday morning.

**THE HONOURABLE RAO SAHIB DR. U. RAMA RAU** (Madras: Non-Muhamadan): What is the time we get for sending in amendments, Sir?

**THE HONOURABLE THE PRESIDENT**: Rather less than two days' notice will have been given of the Finance Secretary's motion for consideration, but I think that the Bill having now been laid Honourable Members should be able to hand in their amendments by noon to-morrow. Twelve o'clock to-morrow for amendments to the Finance Bill. We will now resume discussion of the Bill before the House.

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#### CURRENCY BILL.

**THE HONOURABLE COLONEL SIR UMAR HAYAT KHAN**: As this amendment brings up the same issue, I oppose it because, Sir, as a great deal of money has already been cut by the reduction of the revenue from salt, if more money was also cut, we would have no provincial contributions and the consequence will be that either the provinces would have to levy more taxes on agriculturists as well as on others or most of the Departments would not have the money required by them. In the other House, Sir, most of our Punjabis who voted for 1s. 6d. had the same idea, that if the provinces did not get sufficient money, perhaps the water rates which have been levied in our province would not be reduced as promised and even a good deal of the contribution for the provinces will be done away with; so if those great benefits that we are thinking of having are lost by accepting this amendment, I must on behalf of the Punjab, Sir, and also on behalf of all those who are adversely affected by it, vote against it.

**THE HONOURABLE MR. G. S. KHAPARDE** (Berar Representative): Sir, the discussion of this Bill generally and this part particularly is so full of technicalities that I am not surprised that my Honourable friends have been more or less speaking like financiers and trying to go into all the technicalities of that matter. Unfortunately, Sir, I am not a financier but I shall take a commonsense view of the matter. It was very amusing this morning, Sir, when it was said that if we do not have this 1s. 6d. ratio, then there would be a deficit and there would be fresh taxation, that the

deficit has been covered by this new ratio and it will not be so covered, and so on, as if taxation and currency were not the same thing. I ask, how was the Honourable the Finance Minister able to get over the deficiency without levying additional taxation? I contend, Sir, that we should look at it from a commonsense point of view. Whether you allow it to be known as a tax or do not allow it to be known as a tax, you recover the money all the same, because it has to come out of the pockets of somebody: and I submit it is taxation. One is express taxation and the other is concealed taxation. You raise the price of the rupee, and then you compel every man to bring in more commodities for the same rupee, and that surplus of commodities you take out; and then by making the rupee worth 6, 7 or 9 annas, for each rupee you take the remainder of the 9 annas, put that into a fund called the Reserve Fund and then, out of it, meet all these things; it, after all, comes out of the pockets of the poor agriculturists. That is what I wish to contend. I do not understand all the technicalities, but I understand this that the Government gave numbers of people to understand for thirty years that each one of them should pay so much. Suppose, for example, that I agreed to pay Rs. 100. Now that Rs. 100 has been converted by this currency legislation into something like Rs. 112 and odd annas. I have got nominally to pay Rs. 100 but I really pay commodities worth Rs. 112, so my rent gets raised by this manipulation or whatever be the proper term, money being made more valuable, by appreciation, the number of rupees remaining the same, but I have got to part with commodities worth 12½ per cent. more—and those commodities the Honourable the Finance Minister takes hold of to cover deficits, to pay off old debts and to give remissions and even to afford relief to the provinces. After all, however, it comes back to the same thing. This threat of there being a necessity of taxation if this 1s. 6d. is not maintained to my mind is like the old story of a gentleman asking his boy to get up in the morning and go about asking for alms, and he always said, "If you do not do this, you will have to beg hereafter." So the son replied, "If I shall not ask for alms, I shall have to beg, it is the same thing." So, Sir, this plea of there being additional taxation sounds to me somewhat comical.

There was another thing. My Honourable friend sitting opposite said, "Well, after all, it does not much matter". Well, not being a financier, I collected some opinions of experts from those large books which I borrowed. These experts said, and both sides are agreed, that if you raise this ratio now from 1s. 4d. to 1s. 6d. or if there is any change of ratio, for some time, for a short time—some say 3 years, others say 5 years, others say 10 years,—they say there is a period of what is called adjustment which extends up to 10 years (generally, it would be 10 years because India is a slow-moving country, and its concerns are agricultural, and commercial concerns get adjusted sooner than agricultural concerns, and so on), so that during these 10 years there will be some inconvenience; it is agreed both by the Honourable the Finance Minister and also the other people, that during this period the agriculturists will suffer. There is no doubt about that. That may be taken as a fact, it is admitted by experts on both sides. I have a list of those opinions, but I do not want to labour the point; it is admitted. There is the Honourable Mr. McWatters sitting there who submitted a memorandum to this Commission, and it is admitted in that, and it is admitted in various places; so during this transition period or adjustment period, these agriculturists are bound to suffer because, having agreed to pay so much rent in rupees and the rupee being

[Mr. G. S. Khaparde.]

raised, you have got to give more commodities to make up that amount. It is like—to give a common example—my having agreed to pay 10 seers as the rent; the sowcar says, "Yes, but I agreed when the seer consisted of so many tolas, but now, necessities have compelled me to raise it; so my seer will consist of 45 tolas"; and then the poor agriculturist has got to give it. So it comes back to the same thing. By raising the value of the rupee, you have raised the rates and the rents of agriculturists, and this is admitted by financiers on both sides. Then another argument is, just as the Honourable the Finance Minister put it in the other place, "For a time they will have to suffer, but not for long, and this is the period of transition; it does not much matter." Well, this is a very good argument to use on the part of my Honourable friend sitting here that it does not matter much, but I say it does matter very much now. As it is said in England, toothache is bearable to everybody except to the man who has it. Everybody is very happy about it except the agriculturist; everybody will be very happy indeed; but how about the poor agriculturist? Oh, for only a short period—it is said,—for ten years till the transition period is passed. (*The Honourable Sir Maneckji Dadabhoy*: "We are at the end of it.") No, the transition period still exists. (*The Honourable Sir Maneckji Dadabhoy*: "No") I ask you one question: "Have Government made an adjustment, for example, of all these allowances for exchange? Have the increased allowances been cut down in this year's Budget?" Then adjustments have not taken place. The officers still draw their exchange allowances and whatever the Lee Commission gave them—it is all there. How do you talk of adjustment having been made? You mean to say that the merchants have been able to adjust their prices? I should say that adjustment has not taken place. I would have said that the adjustment has taken place if in the Budget which is coming on later we had shown so much saved on account of exchange being raised by 2*d.* and the allowances we made at a time when the exchange was 2*s.* had been saved. I can understand that at least Government have made the adjustment. Nobody has made any adjustment so far as I know, and in the case of the agriculturist, he is a peculiarly unfortunate man in India. The price of his commodities is determined by competition in the open market. At home he pays what is called customary rents and customary dues. It is so in Maharashtra and I believe it is also the same everywhere else. Agriculturists always fall back upon custom, whether it is in England or India or anywhere else, and what are called customary wages are given to their own people. For that if you want to know, please read "Tudor Farm" that was published by Marie Corelli a few years ago and you will see how the thing goes on. Even in India the agriculturist pays so much to the village watchman, he pays so much to the village mahar; in the old days they were called Alukas and Balukas; in the present day they are known as customary rents for customary services. The agriculturist pays his customary dues and his price is only regulated by competition in the open market and there also his rupee is liable to be changed from 18 *as.* in the rupee. So the poor agriculturist is pressed between two stones of the mill and ground down straight off. And yet they say, "Yes, he will be profited." An argument was adduced to the effect that on marriage occasions the agriculturist wants English and foreign cloth and therefore he profits to that extent. That is a very good argument and I was surprised to hear it from my Honourable friend, who is a great landlord and who has got many tenants. On the one side, we say that the tenant is a very improvident man who spends too much on marriages, and so we take care



to take out of him as much as possible and leave him nothing. It is further said that he benefits when he buys fineries. But the poor man has mortgaged his property and his rights and bought a few fineries and for that my friend takes him to task.

Again it is said that this is only for a period of ten years and that the period will pass away. But a period of ten years means life and death to the poor man. It is all right for others. What does it matter? Epidemics will kill a thousand people in ten years, another thousand children will be born and the population will be the same. War kills so many people; other people get born and so what does it matter? Similarly, a Vedantee of my school will say in Egypt there was so much civilisation, the graves have shown so much civilisation, and what is Egypt to-day? Egypt was inhabited by people who knew nothing about these graves and probably were somewhat barbarous. What does civilisation matter? Let it be anything you like. These are all false arguments. No administrator ought to use these arguments. An administrator should take notice of the slightest injustice to anybody. Government exists to remove injustice and we all come here to cure present evils. If you say that these evils will pass off and you will have a period of plenty, I do not believe it. You are the administrators; administrators ought to see that no injustice is caused to even a single being. If you want to raise the rupee, give remissions to agriculturists, reduce the salary wherever exchange allowance has been paid, give remissions to these people and then I will understand that you are doing something already. My friend says that the period has gone. As I said, it has not gone. Even the Government have not begun to do it and who else can begin? Can the villager do it? So, this period has not passed. We are in the middle of it. If I may make bold to say, we are in the beginning of it; and the beginning of it is bad enough. In my province, as I see, partly even in this Imperial Capital in Delhi, you go about and give a ten rupee note to a shopkeeper and see if he cashes it. He sends it on to his neighbour and the neighbour sends it on to a third man and the note has got to go a good deal round before it can be encashed. Not that they are not worth money, they are worth lakhs, but they have not got ready money. Money has been so much taken away from the market that I have seen people able to pay, willing to pay, having great substance to pay, have not got ready cash; and therefore a new trade has arisen in the country which probably those who have watched the markets, as I have done, will know; a new trade has arisen, because foreign companies or other people come and purchase cotton and give you these notes. For Rs. 1,000 the man gives you ten 100-rupee notes. The villager must take it. He does not like it. He does not understand it. But it is legal tender. If he did not he would be liable. He does not know what to do with it. He has got to make his purchases in annas, in half-rupees and in quarter-rupees. So he goes about to a money-changer and says, "Take the hundred-rupee note and give Rs. 100." The money changer says "If you agree to pay one anna in the rupee I shall give you cash and not otherwise." So, the poor man has to pay one anna in the rupee and for Rs. 100 he pays 100 annas and he gets the Rs. 100 minus 100 annas. So much of currency has been withdrawn, which has made money scarce, and then you raise all these things. What is the poor man to do? He has got his wife starving at home; he does not care for one anna. A new trade has arisen in my province and elsewhere where the money-changer sits. You could not complain; if the police knew they would take hold of the man and probably prosecute him under some section

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of the Penal Code. So the money-changer makes an agreement that this matter should not be told, that he takes one anna for each rupee; and he says "If you do, I will never pay you and nobody else will" . . .

THE HONOURABLE THE PRESIDENT: The Honourable Member's story is very interesting, but I shall be glad if he will come back to currency.

THE HONOURABLE MR. G. S. KHAPARDE: I am coming back to it.

THE HONOURABLE THE PRESIDENT: He is talking about moneylenders and moneychangers.

THE HONOURABLE MR. G. S. KHAPARDE: A new trade has arisen because of this difficulty of money, cash and on account of notes. I mention all these things to show that the agriculturist will be ground down, will suffer tremendously, as admitted by all financiers, on this account.

Another point which has been admitted is after all even if it is true that the exchange has risen to 1s. 6d. it is only within the last two years and not more. The period of adjustment cannot possibly have passed. It takes in England more than two years to make adjustment. The third point that arises out of the same thing is that these constant changes that take place, how do they take place? In this particular instance, did it arise by itself and for any external cause or was there any cause by which this currency was raised? The rupee was made worth 18 annas. I think there are those telegrams published. I do not want to read them; they were read in another place, but those telegrams show distinctly and clearly that this has to be done by some Commission of some kind. I believe I am quoting the very words "by some Commission of some kind" and this comes and the thing is done. I do not attach much value and I do not put any sinister interpretation on this, but I submit there is a great deal in the argument that has been raised that it has not naturally risen to 1s. 6d. but by contraction and other various methods available. As I have seen, once it happened in a case; there was a difficulty, witnesses for one side said that all that took place under a tree; the other side witnesses said that there was no tree at the place. The Court said, "I will go and have a look at the tree." The Court fixed a day and on the day on which the Court went, they found a big tree grown there to a tremendous height. If the dimensions of the tree had been taken, it was higher than even when seen by witnesses. I happened to be appearing in the case; we looked it up and in one night a huge tree was bodily transplanted there by people of resources and it was said, "Here is the tree and under this tree we did it." What can you do? It is something like that. They have been raising exchange by contracting currency and so on and they say, "It has risen and it has been there for two years." I submit that there is a great deal in the argument advanced, as I also urge it here, that currency has been manipulated and that something like 23 crores of rupees have been spent in maintaining exchange at 1s. 6d. up to this time.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Not rupees, but 25½ millions gold sovereigns.

THE HONOURABLE MR. G. S. KHAPARDE: It may be, I am very bad at figures. At any rate it takes so much money to maintain it at the point they want to fix it at so it is not a natural rate. The 1s. 4d. rate has this recommendation that for years it continued at that and there is a tendency to fall to that, and to prevent it falling to that we spend so much out of the reserves. Taking this into

consideration, the main grounds on which 1s. 6d. has been brought in, fail; first that it rose by itself. I deny that; second that it remains there. That also I deny, because you have to spend so much out of reserves, and also that there has been an adjustment to prices. That also I deny. So as all the grounds given by the Commission fail, I cannot possibly accept them. One gentleman in the other place quoted Taylor on Evidence to show what value is to be attached to the evidence of experts. Experts are very good people, but are likely to depend too much on technicalities and often go wrong, and if you point it out they become very angry and say, "You do not understand." I remember in 1919 when I was a young Member of the Council and very shy, they raised the rate to 2 shillings. I opened my eyes and suggested to a Member, who as he is not here I shall not name him, can you have this? And he said, "You do not understand." He said "You do not understand and you will have plenty of money here and this will be so much and so much." I submitted to that opinion, but within one year they could not maintain it at 2 shillings, the thing fell down and we got into a tremendous mess and there were nickle coins brought out for us to see. When I say this is the kind of thing that happens I am told, "You do not understand." What is a poor man to do? I am afraid something of this kind is going to happen now. These two pence look very small and these things looked very small then, but within a year it came down. I do not prophesy, but within a short time this difficulty will be found and trouble will arise out of it. World prices cannot be controlled. This is an attempt at controlling prices. Stability of prices means you want to keep the prices at a particular level. You might as well talk of stabilizing the wages of the sea as talk of stabilizing prices; you cannot do it. World prices cannot be controlled by any Government that exists. Similarly, world prices must have their effect on internal prices, that cannot be prevented by anybody, and the repercussions will lead to changes, and no kind of financiers or no kind of laws will prevent it. Therefore, this attempt at controlling the waves, this attempt at binding down the wind not to blow at a particular rate and limiting the speed of it, all these attempts will ultimately fail, and I am unwilling that we should embark on this kind of adventure at this time. We are not speaking of gold currency yet. When we come to it, I shall submit any observations I have to make. India will be the only country in the world which has not got a standard coin. It has a standard coin, but that coin like a mythical pound is to be conceived but not to be seen. It does not exist and a large country like India is to exist without a coin of its own. All the other coins are token coins. The rupee is a token coin, the copper coin is a token coin . . . . .

THE HONOURABLE THE PRESIDENT: I am afraid I shall not be able to allow the Honourable Member to repeat these remarks on the motion to which he refers. The Honourable Member said he would not speak on this point and then proceeded to do so.

THE HONOURABLE MR. G. S. KHAPARDE: I shall not speak on that debate, and I will finish it now.

THE HONOURABLE THE PRESIDENT: The question is an eighteen pence or a one and four penny rupee.

THE HONOURABLE MR. G. S. KHAPARDE: I am pointing out that India has only token coin . . . . .

THE HONOURABLE THE PRESIDENT: The Honourable Member knows his remarks are entirely irrelevant.

**THE HONOURABLE MR. G. S. KHAPARDE:** My contention is that a standard coin means . . . .

**THE HONOURABLE THE PRESIDENT:** The Honourable Member knows he is not in order. I must ask him to resume his seat.

**THE HONOURABLE SIR MANECKJI DADABHOY:** Sir, I do not profess to be an expert and I perhaps agree with the observations in connection with experts which fell from my friend Mr. Khaparde. I prefer to be a humble practical financier and I somewhat understand these questions and I look upon them from that point of view. As I said this morning, there is unfortunately a great deal of misunderstanding on the subject owing to the technical nature of the matter and the real complexity attaching to it. It is perhaps not very widely understood what is really the function of the exchange. Exchange is simply a mechanism by which the difference in two prices are adjusted. And as it was very rightly pointed out in a very felicitous manner by the Finance Member, the fluctuations in exchange are produced by the mutual interaction of internal and external prices. So in consideration of this question of the ratio, we have mainly to look to one important aspect of it. We have to see whether the prices have in a preponderant degree or in some substantial degree adjusted themselves to the ratio which has prevailed for the last 2½ years. I pointed out this morning that the exchange has been 1s. 6d. in relation to gold since June 1925 and in relation to sterling since October 1924. So practically for a period of 2½ years this ratio has remained steady in India. Now what does this steadiness denote? It denotes, to use simple language—I will try and avoid as far as possible all technical language in order that my Honourable colleagues may understand me—if it denotes anything it is this that adjustments have already taken place and that prices have adjusted themselves to the ratio. We, the majority of the members of the Currency Commission, came to a distinct finding that prices had adjusted themselves in a preponderant degree during the last 2½ years to this 1s. 6d. ratio, and therefore we recommended that that ratio should be adopted and placed on our Statute-book in replacement of the 2 shillings inoperative ratio which has been existing since 1920. My friend Mr. Khaparde in the course of his speech to-day remarked that the adjustments would take place 10 years hence. There he is mistaken. In the first place he has not appreciated the nature of our findings. I will only draw his attention to paragraph 176 of the Majority Report, where we came to a finding on this matter and said:

“The chief reason for this recommendation is our conviction which has been formed and cumulatively reinforced during the progress of our inquiry that at the present exchange of 1s. 6d. prices in India have already obtained a substantial measure of adjustment with those of the world at large, and as a corollary any change in the rate would mean a difficult period of readjustment, involving widespread economic disturbance which it is most desirable, in the interests of the people, to avoid, and it would in the end be followed by no countervailing advantage.”

It is to avoid this painful process of readjustment which would be involved by accepting or adopting the 16d. ratio that we recommended the 18d. ratio, and here our friends, Seth Govind Das this morning and Dr. Rama Rau wish India to go through that period of adjustment, that painful process of adjustment, and they want India, the country which they love and admire and for whose poor people they always profess to talk in this House, they want them to go through a long period of suffering again to make the fresh adjustment to 16d. The supporters of the 16d. ratio are

bent on snapping the natural tone and harmony of the world prices with internal prices which is the sole aim and purpose of stability of exchange and which India has achieved after much struggle and serious and somewhat hard process of adjustment simply for the purpose of rendering the past and to achieve a new, artificial, and different level of ratio at some future time by further suffering and privation. (*The Honourable Seth Govind Das*: "Question.") I am sorry if you cannot follow me. So we adopted this 18*d.* because we came to the honest conviction, a conviction based on a large volume of evidence of expert witnesses that the safest thing for us was to adopt the 18*d.* ratio. What did we do by that? We have followed the precedent that had taken place in 1898 when the Fowler Committee's Report was written. At that time, as some of my Honourable friends may be aware, the ratio was fluctuating in an arbitrary manner. At the time that Commission was appointed the ratio was between 14*d.* and 16*d.* Some time before that it was steady at the figure of 16*d.* The Majority Report of the Fowler Committee, with the exception of two men, came to the conclusion that it was in the interests of India not to disturb the *de facto* ratio. They said that prices had adjusted themselves to the ratio then and therefore that ratio ought to be adopted. I would ask my Honourable friends here to bear in mind that the adjustment then was for a comparatively brief period, not even for six months; while in the present case the ratio has remained in force since June 1925 at 18*d.* and in relation to sterling since October 1924. I think it will enlighten my friend, Seth Govind Das, to know that we followed exactly that precedence and at any rate avoided the danger which was then contemplated; and let me also remind my Honourable colleagues that this Fowler Commission's Report has been the anchor sheet of Sir Purshotamdas Thakurdas because all his findings have been based on the line of arguments in that Report and I am quoting from a passage therefore for your information:

"Various proposals have been made for disturbing the existing rate by the substitution of another rate. It has been proposed to fix the rate at 1*s.* 1½*d.*, 1*s.* 2*d.*, 1*s.* 3*d.*, and 1*s.* 6*d.* All these proposals are arbitrary and involve a dislocation of the existing ratio between rupee prices and sterling prices . . . We see no sufficient reason for altering the existing relations of prices and the essential conditions of contracts expressed in Indian currency or for reversing the course of exchange and return to some basis of value which may have prevailed during the interval period between the fall and partial recovery in the sterling value of the rupee and which does not possess elements of permanent stability in a higher degree than the present ratio. We are therefore of opinion that the permanent ratio should be that which has been adopted as the provisional rate in the past and which is also the market rate of to-day, namely, 1*s.* 4*d.* for the rupee."

The position is practically the same now to-day. At the time we wrote our Report, we found that the prices had adjusted themselves to the 18*d.* ratio and we were asked to go back to the 16*d.* ratio and for the very reasons that I have quoted above we could not see our way, in justice to India, to adopt any such impractical and unreasonable proposal.

Then, Sir, it has been argued here and also in the Assembly that 16*d.* should be adopted and the only merit on which the argument is based is that that ratio prevailed for a period of 18 to 20 years before the War. I do not know if my Honourable friends are aware that even during that period, when the ratio was maintained at 16*d.*, there was no naturalness about it. The manipulation which is now being condemned and against which so much has been thoughtlessly said, had to be resorted to for the purpose even of maintaining it at 16*d.* during that long interval of twenty years which preceded the War. (*An Honourable Member*: "What did

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it cost the state to do it?") I cannot tell you those figures as to what it cost then; but if you will just bear with me for a little while I will convince you completely before I sit down. So you cannot get rid of the manipulation which you are now condemning; whatever ratio you may have, even if you have 16d., you will require some measure of manipulation in order to keep to that ratio. There will be circumstances when that ratio will be unhinged and some sort of manipulation will be necessary. I quote no less a testimony on this matter than that of Lord Montagu in the course of whose examination I brought out an important admission that even in the Bank of England they have to manipulate the gold exchange occasionally. So a certain amount of manipulation is always necessary. You cannot get rid of it; and because the Government of India have to maintain a certain ratio in order that the prices may remain adjusted at a certain figure, that does not necessarily show the wickedness of the Government of India. There is unfortunately a great deal of misunderstanding on the subject. People do not exactly understand what is meant by manipulation . . . .

THE HONOURABLE MR. KUMAR SANKAR ROY CHOUDHURI: On a point of information, Sir, why was not it adopted . . . .

THE HONOURABLE THE PRESIDENT: Unless the Honourable Sir Maneckji Dadabhoy gives way the Honourable Member has no right to interrupt.

THE HONOURABLE SIR MANECKJI DADABHOY: I did not hear him, Sir.

THE HONOURABLE MR. KUMAR SANKAR ROY CHOUDHURI: If manipulation is necessary, why was it not adopted at the time in 1924 when 1s. 4d. was sought to be made the rate?

THE HONOURABLE SIR MANECKJI DADABHOY: Quite so; I will give you a reply to that. The manipulation was not adopted in 1924 because I think the Government, if they had done so, would have been guilty at the time of gross monstrosity: for this reason, and perhaps you remember that the world currencies in 1924 were still in a state of dislocation; world prices had not adjusted themselves, firstly to gold prices and internal prices in India had not adjusted themselves to the world prices at that time. It was impossible at that time in 1924 to have brought in a Bill for the adoption of the 16d. ratio; and I think the Government acted with caution and prudence in watching what was going on in foreign countries, I mean financial policies and conditions which were going through a period of struggle at that time. Everything was in a state of dislocation at that time and the Government of India, till they found themselves on a solid footing, were perfectly justified in not undertaking any legislation of this sort. I have given my careful attention to this matter and I assure my Honourable colleagues that I do not think the Government of India could have undertaken legislation of this nature or have appointed a Royal Commission even six months earlier. It was appointed at a most opportune time and because it was appointed at an opportune time we now see the good result; if only one justification can be urged it is the very fact that the prices in this country have steadily fallen and the Government of India have been able to maintain this ratio for such a long period. So what I wish to impress on my Honourable colleagues is that the cardinal principle of currency is that

everything adjusts itself to a stable ratio. The first thing is to get a stable ratio. Once you get a stable ratio everything will mechanically and automatically adjust itself; there will be no difference afterwards. And therefore what we had to find out was what ratio would fit in suitably with the existing price conditions and we had no other option but to go in for the ratio of 1s. 6d. for the simple reason that we had no evidence of any kind before us that we could have adopted the 1s. 4d. ratio without causing a serious disaster, a serious catastrophe in this country. (*The Honourable Lala Ram Saran Das*: "Question.") Well, I cannot make myself more explicit than what I am doing: if you cannot follow me, it is not my fault. Now my Honourable friend Dr. Rama Rau has said that the Government of India will not be in a position to maintain the ratio at 1s. 6d. and he said that the Government of India could easily maintain 1s. 4d. and it would have been a sound policy to have adopted that ratio. Now there too there seems to be some kind of misapprehension. What I wish to bring to the notice of my Honourable colleagues is that if once we are satisfied that adjustment has already taken place it is as easy to maintain one ratio as another, and that is a point that is unfortunately lost sight of by people who argue to the contrary. In my opinion if the adjustment has taken place completely or in a preponderant degree, it would be as easy to maintain the higher ratio as the lower ratio. Now in this matter of maintainability, the maintenance of the higher ratio, if you wish to maintain the higher ratio, your goods, your products, will cost the foreigner, the exporter, landed in a foreign country the same price if the exchange is higher and your internal prices are lower, as if the exchange is lower and your internal prices are higher. Therefore, so far as maintainability is concerned, it depends upon the adjustment which may have taken place, and the one sole factor, the one sole consideration in the case is one of adjustment only and nothing else.

Then it was said that in the case of unfavourable monsoons will you be able to maintain your ratio? My Honourable friend over there said it. Now let me be frank on this subject. If there is an unfavourable monsoon for a year or two it would be difficult to maintain the ratio; and let me also tell you that it would be as difficult to maintain 1s. 6d. as 1s. 4d. Even if you adopt 1s. 4d. with a year or two of unfavourable monsoons the whole currency machinery will be unhinged and you will not be able to maintain it except by a process of manipulation, so it makes no difference so far as that matter is concerned.

Then it is contended that we are entering on a long period of low world prices and that 1s. 4d. will be more conducive to the interests of India. Now I am a little doubtful on that point. I do not think that even in this country prices are likely to go down much lower than what they are at present. The adjustment has already taken place. In one important item, cotton, adjustment had probably not taken place till very recently; but so far as the prices of general commodities are concerned I think that adjustment has already taken place and there will be no difficulty in maintaining the ratio; and the same difficulty will arise to my mind in case the 1s. 4d. ratio is adopted. In this connection it is also stated that the price of gold is going steadily down, and if it goes down still further will you be able to maintain the ratio? I quite agree there is some force in that argument but nothing very serious will happen if the price of gold goes down. Remember gold is not an Indian commodity. Gold is a world commodity. If the price of gold goes down India will suffer with the rest

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of the world—you cannot help it. That is a contingency you cannot provide for. India, like all other nations of the world, will more or less suffer, and to maintain stability of prices you cannot do it without some sort of sacrifice. Sacrifice is essential; it is an indispensable factor if you want your ratio to remain at a particular level.

Then I see a great deal has been said by my Honourable friends both here and elsewhere and particularly by Dr. Rama Rau about the deflation that has been made of late, and about the squandering—I think the Honourable Member Dr. Rama Rau used the word “frittering”—of India's gold resources. We have been told that 25½ millions of gold have been frittered away. Now during the last few days I have been at some pains to collect the figures on this point. I thank the Finance Department for giving me help in this connection. The contraction of currency in 1926-27 during the months of April, September, November and December, was altogether 22 crores, and together with the sale of Reverse Councils and the cancellation of Treasury Bills amounted to Rs. 81 crores 25 lakhs. (*The Honourable Rai Bahadur Lala Ram Saran Das*: “What was the bank rate then?”) The bank rate was for a certain period over 5 per cent. and for 5 months 6 per cent. I know what you are referring to. If the variation in the cost price of Treasury Bills, namely, 48 lakhs is taken into consideration the total net contraction did not exceed Rs. 30 crores 77 lakhs. Now these figures have been pointed out everywhere, but it has not been pointed out that against this, notes have been issued against rupees coming in from circulation, replaced by silver and gold bullion in hoards to the extent of about 17½ crores so that the net contraction is only 13½ crores and not 30 crores. (*The Honourable Rai Bahadur Lala Ram Saran Das*: “Plus normal expansion?”) This you cannot regard as anything more than the contraction of superfluous currency which had been issued last year when the rupee was at its upper gold point. My friend asked me just now what was the rate of interest. The very fact that the Imperial Bank rate of interest remained at four per cent. for the period from the 10th of June, I think, to the 15th January—what does it prove? It proves that there was redundant currency, and this contraction was essentially what was necessary in the interests of the country. I know one or two big bankers in Bombay spoke to me and told me that they had a crore of rupees lying idle; they did not know how to invest it; and I am sure my friend, who is also connected with the Central Bank of India, will tell the same story if he is asked and is honest enough to admit it. (*The Honourable Rai Bahadur Lala Ram Saran Das*: “What are the conditions now?”) So this matter has been simply brought forward to prejudice Honourable Members who do not understand the circumstances under which deflation was made and to prejudice the country. (*An Honourable Member*: “We are not prejudiced.”) I hope you will keep an open mind. You know India is a peculiar country. For five or six months of the year we require what is called seasonal currency, and for six or seven months there is no demand, no use, for money at all. There is absolutely no use for money during the monsoon months. You have to finance the movements of cotton, jute, wheat during the busy period from November to March or April. (*An Honourable Member*: “May.”) You are quite right. Then comes a period of slackening of trade. (*The Honourable Rai Bahadur Lala Ram Saran Das*: “These are the slack months, are they not?”) Government has to expand the currency for securing funds for the purchase of



sterling exchange and also to find money for the maintenance of trade in this country. Now the very fact that there was a small absorption of rupees in the busy season of 1926 proves without doubt that there was a redundancy of currency and therefore you cannot find fault with the action of the Government of India in causing deflation in currency; they could not have kept the same amount of redundant currency. There was some action necessary on the part of Government, and that action unfortunately having coincided with this period when we are discussing the appropriate figure of the ratio, ill-informed people have mixed up and confined the two propositions and attributed sinister motives to Government; but we have taken into consideration all these factors in arriving at a judgment. It was our duty to do so, and we found that whatever deflation has taken place is fully justified by the circumstances of the trade and the state of trade in India during that time. (*The Honourable Rai Bahadur Lala Ram Saran Das*: "Is there redundancy of currency now?") There is enough to meet all reasonable trade requirements. You are not suffering from monetary tightness just now because even in the busy season of the year the bank rate has not exceeded 7 per cent. The bank rate in 1926, did not exceed 7 to 7½ and that high rate did not continue long. Now, then, during those three years 1920 to 1923 Government has been in a position to effect a contraction in currency circulation amounting to about 38½ crores. Having regard to the great inflation of our currency during the period of war and after which raised the circulation of rupees and notes from 248 crores in 1914 to 407 crores in 1918 the subsequent deflation must be regarded as both natural and proper. So I think that people need not have any apprehension on this score.

Now, Sir, I shall approach the great question which has been troubling my Honourable friends, Mr. Khaparde and Seth Govind Das—the question of the position of agriculturists. Now as I told you this morning, our one desire, the one desire of the Currency Commission, has been to look after the interests of the masses. We were not concerned whether a part of those masses were agriculturists or humble wage-earners or engaged in minor occupations of life. We were guided by one principle, and that principle was in what way we could best serve the interests of the larger number of the community in India, and with that sole object, in our desire to serve the greatest numbers we came to the conclusion that the 1s. 6d. ratio was the proper ratio. Unfortunately there is also a great deal of misunderstanding on this subject. I know I have often heard this argument, and I would ask you to give the Commission, which consisted of practical men—I am not speaking of myself, I am only a humble factor, I am speaking of two great men, as I said, men of the type of the Right Honourable Hilton Young and Sir Henry Strakosch who have a world reputation in financial matters, are known all over Europe, one of whom settled the currencies of two unfortunate European countries before he sat on this Commission and who gave us the advantage of their great knowledge and unrivalled experience—the credit which is their due; you will give these men at least some credit that they could never have ignored this important consideration of the interests of agriculturists in this country, knowing as they did that in India agriculture was the main industry of this country, and that the prosperity of the people depended on the prosperity of that industry. (*The Honourable Rai Bahadur Lala Ram Saran Das*: "On low prices?")

THE HONOURABLE SETH GOVIND DAS: Oh! Sir, there is again the same question of experts which the Honourable \* \* \*

**THE HONOURABLE THE PRESIDENT:** Order, order. The Honourable Member is not entitled to reply.

**THE HONOURABLE SIR MANECKJI DADABHOY:** I have already told you that I am not an expert—you are an expert, I know I am not. Now this shibboleth, this constant slogan of exporters suffering should be here exploded. Now let me say here, as a side issue, that I am a large exporter myself. I am deeply connected with the industries of this country. My personal interest in every way was for the 1s. 4d. ratio, and I may also say that I sat on the Commission with an innate bias for the 1s. 4d. ratio, and those of my Honourable colleagues who have done me the honour of reading my examination of the various witnesses that came before the Commission must have seen that throughout the four months that I was examining witnesses, I had endeavoured to find out if there was justification for the 1s. 4d. ratio being put on the Statute-book. I submitted at last to the logic of facts and circumstances which were incontrovertible and it was only after I came to the conclusion that India's best interests could only be served by the adoption of the 1s. 6d. ratio, that I joined my colleagues in signing the Majority Report.

**THE HONOURABLE MR. MAHENDRA PRASAD (Bihar and Orissa: Non-Muhammadan):** Sir Purshotamdas Thakurdas was not the only member who sat on the Commission with a bias?

**THE HONOURABLE SIR MANECKJI DADABHOY:** If there was any bias in me it was a concealed predilection for 1s. 4d., but I did not proclaim to the world, I did not bring in Bills, I did not bring any Resolutions, I did not heckle the Finance Minister with questions, I did not plunge myself into a big controversy; I did not endeavour to defend our findings no sooner I had signed the report, but I wholly abstained from taking any part in the controversy raging over the ratio. I am speaking on this occasion to give expression to my views for the first time. Sir, there is considerable misunderstanding on this subject. Here I wish to point out to my Honourable friends that if you export goods and receive larger numbers of depreciated rupees, how would it benefit you? If you export goods and receive smaller numbers of appreciated rupees, is it a better proposition? Are you standing on any different footing? Sir, the proposition is clear, that the export . . . .

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS:** Put this theory in practice.

**THE HONOURABLE SIR MANECKJI DADABHOY:** You can have your say later. If I am constantly interrupted in this way, I will not be able to sit down and you are only delaying . . . .

**THE HONOURABLE THE PRESIDENT:** The Honourable Member may continue and leave it to the Chair to save him from interruptions.

**THE HONOURABLE SIR MANECKJI DADABHOY:** The difference is nothing. The position is practically the same even if you export your goods and get smaller number of appreciated rupees, and that is just the position. There is a simple misunderstanding on the subject. But I go further and repudiate the charge that the adoption of the 1s. 6d. ratio is going to hurt the agriculturist, and I am in a position to prove that completely. It must be borne in mind that once the prices of commodities are stabilised

at the gold value as determined by the ratio between the rupee and gold there is no apprehension of either loss or gain to the producer or the exporter. If we take the last Census Report, the number of persons described as ordinary cultivators in India is 173 millions, out of a total population of 316 millions. Now, I will refer to these 173 millions, but pray let me state here that the immediate effect of reducing the rupee ratio to 1s. 4d. would be a general rise in prices and secondly a consequential reduction in the real wages of the people. Now, of these 173 million people who live by agriculture, will my Honourable friend Lala Ram Saran Das tell me how many of these people have an exportable surplus?

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Will you tell me?

THE HONOURABLE SIR MANECKJI DADABHOY: The whole thing is what is the volume of our external trade as compared with the volume of internal trade and what proportion of the external trade the agricultural population is interested in?

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Three and a half per cent. of the imports.

THE HONOURABLE SIR MANECKJI DADABHOY: Now, let me tell the Council at once that our external trade does not come up even to 5 per cent. of our total internal trade, and let me also tell the House that the agriculturist who is said to suffer so tremendously—most of these 170 millions of people, as I have heard my Honourable friend Lala Ram Saran Das often stating, live on half a meal a day. They have got no grain surplus, and exchange either at 1s. 4d. or 1s. 6d. does not affect them.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: I never made that statement.

THE HONOURABLE SIR MANECKJI DADABHOY: I beg your pardon. It does in no way affect him.

Now, I will just briefly deal with our five big articles of agricultural products, jute, cotton, wheat and rice. These are four; I will not take the other. Does anybody at all believe seriously that the price of cotton is regulated, so far as internal production and consumption of cotton is concerned, by the rupee being at 1s. 4d. or 1s. 6d.? Of course I quite agree that where you have to import cotton from South Africa or America, or where a certain amount of cotton goes to England, there you are affected in a way. But what are the fluctuations from day to day? I have been intimately connected with the cotton trade for the last 20 years and I may tell this Council without fear of contradiction of any sort that the difference in fluctuation is never less than Rs. 10 to Rs. 20 per candy of 788 lbs. (*An Honourable Member*: "Question.") Sometimes the price goes to considerable more, sometimes the difference is not much, and the factor of this exchange difference does not in any way affect the Indian trade. If it affects, it invariably affects for the benefit of the agriculturists. So far as the export of jute is concerned, it is practically a monopoly. No amount of difference in exchange is likely to affect that trade. Jute is practically the monopoly of Bengal. No part of the world is in a position to produce jute and it makes absolutely no difference. I have here with me, so far as wheat is concerned, the figures of production for the last five years from 1921 to 1926. I have also the figures of export of wheat

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and on a strict examination of the figures I do not find that even 3 per cent. of the total production is even exported. Not 3 per cent. I challenge anybody to prove the contrary. Now, when you take the export of wheat, everyone knows—we may talk in the name of agriculturists anything to excite sympathy and I have a great deal of sympathy for agriculturists, I may say the prosperity of my business depends on the prosperity of agriculturists—but I tell you that when people go and buy wheat for the purpose of export, the material condition of the agriculturist is never given any consideration. Lala Ram Saran Das will surely endorse it. Wheat is purchased in large quantities months before export takes place independent of the fact of the prices: It is based on world prices. It is the price prevailing in Australia, in Canada, and in other wheat producing countries that determines the price of wheat, and the middleman makes his money and his profit. It is the middleman who speculates, who buys large quantities of wheat and exports on his own account and at his own risk and at times covers his exchange, while occasionally he does not cover his exchange. The producer would not get the benefit of the 16d. ratio and the extra amount realised would go into the pockets of the exporters.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: No, Sir, not nowadays.

THE HONOURABLE SIR MANECKJI DADABHOY: The agriculturist is not in any way prejudiced by this; it is the middleman who makes the money, it is the European exporter. As my friend unkindly said this morning, we are doing all this for the benefit of the foreigners. It is this foreign exporter who is making the money and who is not troubled for a moment by the fact that the rate is 1s. 4d. or 1s. 6d. It affects his freight of course; it does affect him very considerably, and he takes that into consideration. You know the *lowney* system in India. Payments have to be made to cultivators months before the harvest and when they make those payments they conclude contracts, and in pursuance of those contracts, payments are made and when those payments are made, are they made on the basis of 1s. 4d. or 1s. 6d.? It is all talk, words and nothing else. The price of the produce is fixed on the rupee and never on the pound sterling. Is not the agriculturist benefited by large imports of railway and other materials, irrigation and agricultural implements, imported yarn and piecegoods? It is in the name of the agriculturist that these platitudes are expressed and given out to the world, simply in his name by a section of people whose interest it is to keep exchange to-day at 1s. 4d.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: What is that section?

THE HONOURABLE SIR MANECKJI DADABHOY: You know that better than I do. Then in the matter of the agriculturist, you know that a large number of them cultivate their lands and get enough to live on, but there are a large number of big landlords also whose case practically stands on a different footing. On the other hand by adopting a 1s. 4d. ratio, you raise economically the price of the foodstuffs of these poor agriculturists who have to toil from morning to night. You add to their domestic budget 12½ per cent. more a year. If the ratio is lowered the agriculturist will obtain a larger number of rupees for surplus produce; but he would have to pay at the same time a larger number of rupees for all domestic requirements and for goods, labour and service. Now, pray, where will the

cultivator get this more rupees from? It is perfectly clear that the wage earners, the middle classes, the clerks in offices and other consumers of the produce that will pay for this extra price. So instead of serving the agriculturist by reducing the ratio 1s. 4d., you are simply mulcting these poor people and also other people who get their wages not in grain but in money. By a concealed process you are reducing the wages of these people. This is your sympathy for these poor agriculturists. This is the sympathy of my friend Seth Govind Das for these poor agriculturists.

Then I come to answer the argument of my friend behind me (the Honourable Mr. G. S. Khaparde) as regards the difference it would make in the payment of the land revenue settlement. From the speech which he made this morning, which I did not exactly follow, I gathered that the burden of his song was really that so far as the settlements are concerned, by the adoption of a 1s. 6d. ratio these people will suffer. It is a mistake to urge that the policy of having a high ratio will do any injustice to the agriculturist by increasing the burden of land revenue. It was also contended that land revenue contracts were settled when exchange was at 16d., but it must be remembered that there has been a great rise in prices since 1914. Therefore the real incidence of land revenue measured in terms of commodities has been materially lightened. You will kindly bear in mind that since 1917 the ratio has never been 1s. 4d., so you have only to take the settlements that have taken place in these last ten years. As regards those, I understand the settlements in this country extend for a period of ten, fifteen or twenty years. The Government have also decided to dispense with long-term settlements nowadays and to adopt short-term settlements. So most of these old term settlements have expired and will not be affected by the adoption of a 1s. 4d. ratio. But even if I concede for the purposes of argument that these settlements are affected, will you please tell me what proportion of the profits from increased prices since 1914 they have derived? Did not the prices rise after 1914 very largely and did not those high prices recompense these people for the little sacrifice that they may now have to suffer for a period of three or four years? It is a mistake therefore to urge that the policy of a high ratio will cause an injustice to the agriculturist. As I said before, if the adjustment of prices has already taken place, both the cost of production and the cost of living for the agriculturist have also fallen correspondingly and this gain must be set against the loss, if any. Those who have perused the Taxation Inquiry Committee's Report must have seen recorded there the opinion of an eminent economist that from 1900 to 1925 the real burden of land revenue had fallen by 42 per cent., owing to the steady rise in prices. Sir, I say, so far as the land revenue is concerned Honourable Members on the other side have no case whatsoever. I am speaking of the findings of an expert Committee on which an Indian, and I am glad to say a big landed proprietor, in the person of the Maharaja of Burdwan, was represented. His interest in agriculture is as great as any one's and that gentleman is as patriotic as any one in this Council. I was interested to see that the great financier Mr. Madon even has fallen out with Sir Purshotamdas Thakurdas. Mr. Madon contends that the Government gets more out of the farmer as a result of the rise in exchange whereas Sir Purshotamdas Thakurdas says that the revenue will be reduced in consequence of the rise. I submit there is no apprehension whatsoever of any kind and the lower price in rupees which the agricultural producer may obtain for his produce under the 16d. ratio is compensated by a substantial return in service.

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This brings me to the question of contracts, that people who have long-term contracts will be affected. There also I am of opinion that in considering that matter you have not to go ulterior to 1914. I admit that to a certain extent perhaps the contracts made since 1914 might be affected, but what are those contracts? You are not referring to agricultural indebtedness, where these contracts and this indebtedness goes on from sire to son. I have known in my practice at the Bar that in some cases grain debts have come down from 60 or 70 years, but there the real intention is never to pay or liquidate the debts. They go on from sire to son. They may be kept on the landlord's and the local bania's books from generation to generation and they give a few hundred candies of grains and take in return a few hundred candies and thus keep the account alive indefinitely. Surely we could not protect this class of people; it is impossible for anybody to protect them. In this connection I may point out that we never have had placed before us satisfactory statistics relating to agricultural indebtedness. No two people agreed in regard to the total indebtedness of the country. It is not possible to know it, the figures are of such a conflicting character that it is impossible to come to any reliable conclusion from them. In this connection let me emphasize that if the *de facto* rate of exchange is stabilised the agriculturist will be no worse off than he has been for the past 10 years. On the other hand if exchange is artificially lowered the payer of land revenue including the great mass of agricultural wage-earners will be prejudiced by the amount of this depression measured in terms of the rising prices.

Sir, I believe I have disposed of most of the salient points. I only wish pointedly to bring to the notice of this Council the gross injustice that would be done to this country by the adoption of the 1s. 4d. ratio. We cannot lose sight of the fact that the immediate adoption of 16d. would  
 4 P.M. lead to an increase in the difficulties of the Central and Provincial Governments. The Provinces are practically bankrupt: this year no province has reported a surplus: to my knowledge in every province in India the tale of sorrow has been told of heavy deficits: they have not been able to spend anything on nation-building works, on education of the masses, on sanitation or any other works of public utility. Are you going to enhance the difficulties of these Provincial Governments by taking away from them this little relief which, all honour to Sir Basil Blackett, he has striven during the three years of his office to achieve and give to the provinces? Are you going to take away from these provinces the meagre measure of relief which will enable them to stand on their own legs and to be prepared in advance for the duties of financial autonomy? Your one ambition, your one desire, the one ambition of every Indian to-day is to get full fiscal autonomy for the provinces. Are you going to help the attainment of fiscal autonomy by reducing the ratio from 18d. to 16d.? Are you prepared to make heavy sacrifices and reduce the surplus of the Government of India into a huge deficit? Are you prepared to tell the provinces that the Members of this Council have stood in their way and will not help the Government of India to give them this much-needed relief? I do not wish to take up the time of the Council by reading the opinion of the Madras Government the significant part of which has been embodied in our Report. Two paragraphs of that letter will, I believe, bring tears to your eyes—the plight and the sad financial predicament in which the Madras Government is at present. And yet to my great sorrow the

Madras Members of the Assembly were the first to go against this eminently useful proposal of the Government of India in the matter of the grant of relief. Sir, this is not the only thing that will happen. You will not only postpone the remission of provincial contributions, but you will have to be party to a policy of new taxation. I am not prepared to become a party to new taxation in this country at this stage. When I see that trade is in such a bad condition, when there is a general depression all over India I could never agree to additional taxation; and yet I have heard it very confidently said "Put 1s. 4d. on the Statute-book and there will be an end to all troubles." I say, Sir, the troubles will not cease; the troubles will duplicate; the troubles will indefinitely expand; and it will enslave India and put her in the ranks of backward nations. What are the losses that we shall have to suffer? On the basis of the Budget for 1925-26 the net sterling expenditure of the Central Government would immediately increase by Rs. 3 crores per annum. An immediate increase would take place in our railway expenditure, and increases in rates and fares are bound to follow. It would necessitate the revision of the terms of railway contributions. The existing contribution of Rs. 5 crores which you are getting from the railways towards the general revenues will have to be revised. Extra expenditure on stores purchased in India will have to be incurred. Readjustment in the salaries of Government officers, servants, and others will have to take place. It would impair the financial credit of India and we will have to borrow at increased rates of interest. It will prevent our building up a firm and enviable structure of credit which enables India to borrow so cheaply. The credit of India will be lost. Yet to my great sorrow, when this important Bill deciding the fate of the country was being discussed in the Assembly the Indian News Agency published a telegram giving the purport of a memorandum in which Sir Purshotamdas Thakurdas, Mr. Madon and Mr. Birla recommended the policy of deferring the debt redemption. I will read an extract from their memorandum. The authors of the memorandum propose that "no specific provision for debt redemption should be made in the next year's Budget at this stage. This will make an amount of 5.2 crores available to meet such reduction in revenues as may result from a reversion to 1s. 4d."

God save us from our friends. Would you adopt this course in your mercantile houses? Would you not provide a sinking fund for your debts? Every ordinary man lays by from his salary or reserves a few rupees for the purpose of paying his debt. Will you want the State to make no provision for the redemption of its national debt? What would be the result of this policy? Not only the bankruptcy of the country but loss of our credit in the country and loss of our credit in the world, with the result that India will never be able to get foreign loans and India will never be able to raise money at low rates in this country for her purposes.

Then, Sir, I have only one remark more to urge. Do not for a moment believe that 1s. 4d. is a panacea for all our troubles, that it is going to put us on our feet; do not for a moment be led away by these specious arguments. The 16d. ratio means unbalanced budgets, a loss of credit, indefinite continuance of remission of provincial contributions and a disastrous and general disorganisation of all trade. It is not always correct to state that a low exchange is beneficial to India. There are just as significant limits to a low exchange as to a high exchange. If a low exchange is good for India, why not argue that a 1s. ratio would be still more advantageous?

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What we require really is to improve the standard of living of our people, and that cannot be attained if the rate is too low, as this tends to increase the cost of living. It is wrong to assume that this would be adjusted by higher wages. I assert with confidence that the cost of living would rise much faster than the increase in wages. Too low a ratio would be just as serious a handicap to trade as too high a ratio. We want, therefore, a happy medium between all the conflicting forces of economic laws. To recommend a low ratio as to be prohibitive to imports would be as serious and disastrous as to fix one so high as to be a handicap on exports. The fact is that no pre-war standard whether in terms of ratio or in terms of purchasing power is either natural or possible. Sir, I oppose the amendment.

THE HONOURABLE COLONEL NAWAB SIR UMAR HAYAT KHAN: I move that the question be now put.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Sir, I understand that in the other place the Honourable the Finance Member did admit that he might have to revert to borrowing in London. The House will perhaps remember that I had myself foretold this in the speech on the occasion of the budget discussion about a week back. I am afraid that he overlooked that it is not a question that he may have to do it, that a magician's wand alone could enable him to avoid borrowing in London. It is also said, Sir, that the poor zamindars will greatly benefit by the 18d. ratio. I have already explained, Sir, that it will not benefit them. Surely the bigger zamindar is not a tiller of the soil, as he gets the soil tilled and the weeding done and the rest of the processes is carried out by employing humble persons on such jobs. Have Government got even approximate figures to prove the incidence of the burden falling on the rich zamindar and the actual tiller of the soil? No figures can be put forward for this purpose and assertions are made with all the weight carried by Government officials. The fact is that even the better off zamindar employs as his sub-tenants persons who are paid half or one-third of the produce, and to the extent of articles exported and to the extent of articles consumed in this country by the indigenous industries and the local population, these workers on the estates are all bound to suffer. One thing which has impressed me most all through this controversy is the absolute boldness with which Government put forward arguments despite their knowledge that they have no figures or statistics on which to base their arguments. I say, Sir, without fear of contradiction, that in depriving the agriculturist of 12½ per cent. for his raw produce by the higher ratio you undoubtedly hit the poorest section of the agriculturist classes and what proportion of such loss falls on the zamindar is uncertain. But may I ask how Government are justified even in hitting the richer section of the zamindar classes? And I would ask my various friends belonging to that class not to overlook the indifference with which Government regard their interests in this question. Why hit any class unnecessarily, and where is this process to end, once you accept that it is a legitimate process? Are we then to have an appreciation of the rupee from time to time as the Government wants it? And when is the next promotion of the rupee to 1s. 8d. or 1s. 9d. coming on? I would ask my zamindar friends to beware of this handy method of Government to deprive them of 12½ per cent. in rupees for their raw produce.



Sir, my Honourable friend Sir Maneckji Dadabhoj with reference to the remarks made by the Honourable Mr. Khaparde has observed that the people lose nothing as their settlements have not been made after 1914. I might explain to my Honourable friend that all the settlements do not end at a certain period. In the Punjab, for instance, several districts have been settled after 1914 and in arriving at the assessment of revenue the prices of the five years preceding have only been taken into consideration. It is possible that Sir Maneckji has not taken that point into consideration when refuting the argument put forward by my Honourable friend Mr. Khaparde. When assessment of revenue has been made in certain districts on high prices and when you appreciate the rupee, will the Government be prepared to reduce the land revenue accordingly? I would like the Honourable the Finance Member to throw some light on this question. Sir Maneckji has said that our surplus is due to the 1s. 6d. ratio and that if this ratio had not been adopted the country would have had to face a deficit. May I ask my Honourable friend in case we adopt the 2s. or 1s. 8d. ratio, shall we have a further surplus?

THE HONOURABLE SIR MANECKJI DADABHOY: My answer is at the end of my argument.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: I have not been convinced by the argument put forward by my friend who has also informed the House and read before it a statement that in the year 1914 the Government did deflate the currency. I asked him a question: What was the bank rate prevailing then? The Honourable Member had the courtesy to reply and he said that the bank rate prevailed somewhere about 5 per cent. Sir, the bank rate is the index of the demand for money in the country. In case the demand goes up the bank rate follows. Now although there is no big crop moving except the rice crop in Burma the bank rate has been pushed up to 7 per cent. Is it not the case that there is a demand for more money, and when there is a demand for more money, how is the contraction in paper currency justified? Sir Maneckji Dadabhoj also gave figures to show that gold and silver to the value of 17½ crores were brought into India. If we take that into consideration, even then there has been a great deflation of currency. The Honourable the Finance Member when discussing this question in another place said that no normal expansion of currency is needed during the depression period. If I am right, Sir, I must say here that in these times we have depression. When we have times of depression why, Sir, is the bank rate ruling high? These two things are inconsistent, and as the bank rate has to be taken as the correct index of the demand for money, I think the deflation in currency ought not to have been allowed. My friend the Honourable Seth Govind Das in his observations said that the Government wants to divide the agriculturists and the wage-earners. I differ from him in this respect, because I hold that most of the labouring classes come from the agriculturists and so their interests are identical. My Honourable friend over there interrupted Sir Maneckji and said what will be the effect on cotton prices? Of course he said the price of cotton will go up 12½ per cent. Sir, as far as the question of initial price of a raw material is concerned, the manufacturers aim at a margin of profit, in case they have to buy raw material at a high price and get a comparatively higher price for the produced article, they do not care.

**THE HONOURABLE MR. MANMOHANDAS RAMJI:** The question was about the agriculturist getting less and I pointed out that he will get more.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS:** Well, Sir, I have not quite followed what my Honourable friend has now said. I have always held and even now hold that in case the exchange is put at 1s. 6d. the poor cultivator will certainly get 12½ per cent. less price for his produce.

**THE HONOURABLE SIR ARTHUR FROM:** The exchange has now been 1s. 6d. for two and a half years.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS:** My Honourable friend Sir Arthur Froom says that the exchange has been low for the last two and a half years. Now he, as a big shipper, will certainly endorse what I say, that during these last two and a half years our exports in wheat and in cotton and many other commodities have fallen heavily.

**THE HONOURABLE SIR MANECKJI DADABHOY:** That has to do with Canadian and Australian prices.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS:** Because the pound sterling has been fetching only Rs. 13/5/4 instead of Rs. 15—that has been the chief cause why the exports have fallen so heavily.

**THE HONOURABLE SIR MANECKJI DADABHOY:** The competition of Australia and Canada has been the chief cause.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS:** I do not know about Australian cotton but I am talking of what we felt in India.

**THE HONOURABLE SIR BASIL BLACKETT:** What about the small crop of wheat? Has that nothing to do with the reduction in the export of wheat?

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS:** If there was a small crop of wheat, why were the prices of wheat ruling so low? Why was there export? Whenever, Sir, there is a short crop of any commodity, the prices always rule high. The Honourable the Finance Member has admitted himself that the price of wheat in the Punjab and in other places has been low this year. Why low, Sir? Because the crop was short. Is that what the Honourable Finance Member means?

**THE HONOURABLE SIR BASIL BLACKETT:** No. I think I must repeat what the Honourable Sir Maneckji Dadabhoy said, that I have given my statement; I cannot explain it in full.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS:** The Honourable Mr. Khaparde, Sir, then, has observed that the agriculturists pay a big discount on the currency notes, which is illegal. I may inform him, Sir, that as far as the discount on currency notes is concerned, the poor agriculturists have to pay that in the market to get the equivalent silver for it. Although that rate of discount since the Imperial Bank opened numerous branches has gone down, even now, Sir, the agriculturist has to pay a discount on encashing his currency notes. Particularly currency notes of higher value than Rs. 100 even now are encashed by the Imperial Bank of India and other banks generally at two annas per cent. (*The Honourable Mr. Manmohandas Ramji: "On account of exchange?"*)

It is not a question of exchange; I am now talking of what it costs the agriculturist. Of course call it exchange, which is only a technical word as far as one's business is concerned, but as far as the agriculturist is concerned it is a tax. (*The Honourable Sir Maneckji Dadabhoy*: "He will pay the same with exchange at 1s. 4d.?"') But when he pays it, with exchange at 1s. 4d., he will get a corresponding increase in the price of the produce which he sells. (*The Honourable Sir Maneckji Dadabhoy*: "Question.") So he will not mind the exchange as much as he minds it now. The Honourable Sir Maneckji Dadabhoy said that this subject is a very complex and difficult subject to understand. Well, Sir, after all, the simple test of profit to a business man is what we call in the Punjab simply a question of purse balance; in case we find that after a certain transaction we have lost money on our capital, our purse shows that we have made a loss (Hear, hear). Sir Maneckji has been saying that we shall be getting more appreciated rupees. I consider that only a theory because after all, what will be the benefit to the zamindar when he gets only Rs. 13/5/4 against Rs. 15? How will the appreciation of the rupee benefit him?

**THE HONOURABLE SIR ARTHUR FROOM**: That is what you are paying now.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS**: Then, Sir, the Honourable Sir Maneckji Dadabhoy has also observed that in case the exchange ratio is now changed, it will cause a dislocation in trade. I hold, Sir, that even now the trade is in a dislocated condition; and I have already said, Sir, that in all big centres of trade like Amritsar, Lahore, Cawnpore, Calcutta, Bombay, etc., whenever you see any merchant, he will look depressed and will say that business is very poor. In the Punjab in particular, Sir, the condition of the business man is so poor now that although the bank rate is said to be seven per cent., they cannot get money even at 12 per cent. The 7 per cent. bank rate is only meant for the very first class parties. The second class parties, the number of which is certainly a great one, are feeling really a great inconvenience in financing their trade. In case this is not dislocation, what can dislocation then be? Of course some people will say, because exchange has not been stabilised, the condition of these merchants cannot be improved. But, Sir, what I hold is that in case the buying power of the masses goes down, how will trade improve? Sir Maneckji also observed—in case I am wrong, he will put me right—that only 3 per cent. of our total produce is exported.

**THE HONOURABLE SIR MANECKJI DADABHOY**: No, no, I referred to the case of wheat.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS**: Well, Sir, as far as the Punjab is concerned, I think that assumption is wrong.

**THE HONOURABLE SIR MANECKJI DADABHOY**: I have got the official figures for the last three years.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS**: For the Punjab?

**THE HONOURABLE SIR MANECKJI DADABHOY**: For the whole of India.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS:** I am talking of the Punjab.

**THE HONOURABLE MAJOR NAWAB MAHOMED AKBAR KHAN:** The Punjab forms part of India.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS:** It is part of India, but of course the Punjab is a province which is one of the chief wheat-producing provinces of India, and so what I say is correct. (Laughter). The Honourable Sir Maneckji Dadabhoy also observed that fluctuations in cotton only ranged to the extent of Rs. 20 a candy. In case I have understood him rightly, I consider that his statement is wrong. The Honourable Member knows that the prices of cotton during the last few years have gone down fifty per cent., if not more. So the statement that they have gone down only to the extent of Rs. 20 a candy and that the fluctuation does not extend to any higher figure does not hold good. He also said, Sir, that the cultivator does not export any grain. (*The Honourable Sir Maneckji Dadabhoy:* "Directly, I said.") I have dealt with this point before, Sir, but I want to repeat it for his information that he does export cotton, jute and other stuffs which he cannot consume himself. Will the Honourable Sir Maneckji tell me what quantity of jute or what percentage of his produce an average cultivator does consume? I hope he will answer this point. Sir, he has also talked of landless agriculturists. I have not followed him, I do not know what he means by that. Does he mean labourers who are working in urban or rural areas? I hold, Sir, that all the prices that we get of our produce in India are based on a sterling basis. All the exporters buy produce of the agriculturists on the basis of sterling rates. An observation was made by my Honourable friend, Sir Maneckji Dadabhoy, that in the various markets middlemen give advances to agriculturists at a fixed price in advance. As far as the Punjab is concerned, Sir, that practice does not hold good now. (*The Honourable Sir Maneckji Dadabhoy:* "We are not legislating only for the Punjab.") But as far as my information goes, Sir, the agriculturists now have become much wiser and they can guard their interests much better. No forward contracts are now made on those scales by agriculturists with middlemen. Then, Sir, Sir Maneckji has also talked about the addition of 12½ per cent. in the purchases of imported goods. He has also said, Sir, if I have followed him correctly, that they consumed 5 per cent. of the imported goods.

**THE HONOURABLE SIR MANECKJI DADABHOY:** I never said anything of the kind.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS:** I hold that they consume about 3½ per cent. of imported goods and in case they have to pay a little more for their imported articles they are compensated by getting a higher price for their produce. It has also been said, Sir, that in case we do not adopt the 1s. 6d. ratio, it will result in more taxation. I hold, Sir, that under the 1s. 6d. ratio, the country will be inflicted with a concealed heavy taxation of 12½ per cent. on the total agricultural produce. So, I hold, Sir, that even now if this House adopts the 1s. 6d. ratio an additional taxation of 12½ per cent. on all the produce of India will thereby be incurred. The Honourable Sir Maneckji has also dealt with the question of the redemption of debt and has cited a passage from the opinion of certain legislators in the other place. In that connection, I may say,

what I have already said, Sir, on a former occasion, that the redemption of debt is being done on a much larger scale in India than it ought to be done. During the speech that I delivered the other day I said that we are redeeming 2½ per cent. of our debt against only less than half per cent. of what Great Britain does. I do not say that we ought not to redeem our debt. We ought to redeem it on the same scale as other countries are doing it.

THE HONOURABLE SIR MANECKJI DADABHOY: On doomsday?

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Not on doomsday. Great Britain is paying only less than half per cent. on redeeming her debt, most of which is unproductive; and India cannot afford to meet the debt redemption of 2½ per cent. on its productive debt. I do not want to take much time of the House and I am of opinion that in case the 1s. 6d. ratio is adopted it will enslave India.

THE HONOURABLE MR. MANMOHANDAS RAMJI (Bombay: Non-Muhammadian): Sir, this question of ratio has raised a good deal of controversy. The opinions are, however, divided. The Government is accused of dishonesty, people who share the opposite view are called traitors to the country by those who want the ratio to be fixed at 1s. 4d. gold. Under these conditions I rise to support the 1s. 6d. ratio. I am neither an economist nor a platform speaker, nor a lawyer by profession to be able to argue the case with so much eloquence as is possible in the case of some of my friends. I am a merchant and as such I will try to put before the House what I think to be the real situation. We have first of all in the issue of the case to consider what is best in the interest of the country as a whole and it will not be safe to restrict our view to individual cases such as that of agriculture and industries. It is not gainsaid that these interests do not deserve consideration but do not overdo a thing. It is argued that a large proportion of the population is agriculturist and their interests must be safeguarded in preference to any other. Let us therefore see how far the agriculturists are affected. It is the law of supply and demand which governs the prices of commodities and not the rate of exchange. The exchange has as a matter of fact nothing to do with internal prices of the commodity which is only consumed in the country where it is produced. In case where the commodity is produced partly for local consumption and partly for export to other countries, the price of such produce will depend on the price obtainable in that foreign market in competition and not at the rate of exchange ratio. If your exchange is fixed high or low the foreign consumer will not pay anything more, in competition. Take for instance the American cotton the price of which determines the price of cotton grown all over the world, according to quality and not according to the exchange ratio. Let me quote one instance. This year the American cotton crop is abundant and prices have gone down nearly thirty per cent. all over the world. Indian cotton, which was quoted at Rs. 400 per candy last year, is worth only Rs. 300 in India to-day. The cultivator is getting so much less and yet the exchange remains the same, *i.e.*, nearly 1s. 6d. Of course the exporter will get 12½ per cent. more rupees for his exported articles if the exchange was at 1s. 4d. But let us examine the real worth of these more depreciated rupees in terms of gold. One rupee at 1s. 4d. will be worth 7.59344 grains gold; in other words, a cultivator will get for one candy of cotton at Rs. 300, 2542.59 grains of gold at the rate of 1s. 6d.

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Just remember these figures 2542·53 grains of gold for one candy of cotton at 1s. 6d., while at the rate of 1s. 4d. he gets Rs. 337-8-0, not Rs. 300 but Rs. 337-8-0. That is the cry raised by the supporters of 1s. 4d. ratio. I take their figures that the cultivators will get at 1s. 4d. 12½ per cent. more and add 12½ per cent. He is bound to get Rs. 337-8-0 per candy, that is, Rs. 37-8-0 more or 2512·13 against 2542·53 grains of gold; therefore at 1s. 6d. the cultivator gets more in terms of gold and not less. He actually gets more at the 1s. 6d. ratio in terms of gold. As you are fixing the rupee in parity with gold, all the money that you get in return for your goods from foreign countries is remitted here in gold and you are actually going to get more gold for a certain unit of commodity sold in the foreign market; and yet this cry is raised that the cultivator will be a loser by 12½ per cent.

Now, Sir, let us consider *bogey No. 2*—industries will suffer. I do not think the arguments advanced in this case also to be correct. If industries are to be protected, the best course is to protect them by tariffs, or bounties or subsidies but not by indirect means, *i.e.*, by depreciating currency. It was urged in the other House that by fixing the ratio at 1s. 4d., all industries will prosper, and if it is fixed at 1s. 6d., they will be ruined, and new industries will not be started. Now, Sir, let us look at this question from a practical point of view. Take Tata's steel industry. That industry was not in a prosperous condition all the time the ratio 1s. 4d. was prevalent. It was the protection that saved it. The 1s. 6d. rate is steady since the last two years. What was the position of the steel industry two years before? It was much worse. Take again the case of the mill industry and you will find the same thing. It is the protection not the ratio that helps the growth of industries if judiciously protected. Do not saddle the consumer by protection too much. Many countries had to give up the policy of protection and had to resort to free trade in the long run. What I say, Sir, is that let us not fight for the ratio but to see what is the least harmful. The 1s. 6d. ratio has been prevalent for the last two years and has remained steady. Why then disturb it? The Honourable Members, I mean those at any rate who are connected with trade and commerce, will, I am sure, bear out the view that it is not desirable or prudent to disturb the ratio. It is bound to cause dislocation in trade for some time, ruin some, and profit others; but in the long run there is neither gain nor loss. A distinguished Member of the other House very light-heartedly said about importers "People ought to have covered their exchange and should not have run the risk of exchange and such people deserve no sympathy." My answer to the Honourable Member is that in trade one has to incur a certain amount of risk and is not always particular to cover his transactions and has to speculate cautiously, and without this you cannot trade. The fluctuation in prices will immediately follow as soon as you change the ratio. The change will seriously affect traders either in gain or loss.

Now, Sir, about *bogey No. 3*—the effect of this change in ratio on debtors, and creditors and on long-term contracts. All these transactions are not entered into at one and the same time; the majority of them are short period contracts, say for one year at the most, because loans advanced by bankers are not given for a long period but for one year and renewed from year to year. Therefore, the majority of such loans obtained by poor people from bankers are liquidated as they fall due. This argument of poor agriculturists' suffering, therefore, falls to the ground. Now I come

to the long-term loans. Let us examine these. Many of them are debentures. Government debts, and public bodies debt. Who loses in this transaction? Rich companies, Government or public bodies? None of them have complained so far. So the whole question resolves itself into this—that almost all small loan transactions are liquidated from year to year and, therefore, there ought to be no complaint. The actual people who suffer are big companies, Government and public bodies but they too do not complain. On the contrary the Government have themselves proposed this change. As such there ought to be no complaint by anybody, on the contrary, the interest and principal which is to be received by people who have invested their money will be benefited to the extent of 12½ per cent. in terms of gold.

Sir, I have been able to show that this measure is not harmful to anybody, but surely it allows things to go on without causing any disturbance; whereas if the 1s. 4d. ratio is accepted it will dislocate trade and commerce, ruin many and the agricultural population will gain nothing more thereby.

Sir, it is argued that the agriculturist will get 12½ per cent. more for his produce if the rate is fixed at 1s. 4d. What does this suggestion mean? It means nothing more than this that you reduce your wealth in terms of gold from 8·47512 grains gold to a rupee to 7·5334, i.e., by nearly one grain of gold to every rupee that you have in your possession as wealth. Now, Sir, may I ask whether any of us is prepared to lose one grain of gold for every rupee that he has? The answer is obviously in the negative. Again Government have themselves proposed this change in ratio, and therefore, there ought not to be any complaint by anybody. On the contrary, those who hold Government securities, debenture holders and holders of securities of public bodies stand really to gain 12½ per cent. in terms of gold.

If the ratio is not disturbed and allowed to be permanently settled once for all there will be peace of mind to every one. The people of this country have suffered heavily on account of the exchange and currency question being brought up either by Government or importers at very short intervals. Its history begins from the time of the East India Company and it is high time that it ought to be settled once for all. My advice is, do not quarrel about what was done by the Government in the past but look to the present proposal and decide once for all. I have given my opinion through the Government of Bombay and it is in the hands of Honourable Members, in which I have dealt with this question more exhaustively and I hope the Honourable Members will not be carried away on account of arguments advanced by the other side. Everyone has a right to hold any opinion he chooses, but is not to be condemned for holding the opposite view in the name of country. Every one of us has undertaken to do our duty to the country and let us act freely.

One more point before I resume my seat. It is often complained that in trying to keep the exchange high, Government has reduced the gold resources of the country. May I ask when people want Government to stabilise the exchange at a particular point Government has to do its duty; if you do not want to keep the exchange steady, the rate of exchange will fluctuate between 1s. 8d. and 1s. 4d. according to demand. When there is an adverse balance of trade, the people will then have to give gold instead of the Government, and a quantity of gold in either case.

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will go out of the country. The explanation of this is that you want Government to give you a certain rate in order that you can trade safely. Now, if you do not want Government to do that, you will have to do the same thing; you will have to remit your money for excess articles that you have purchased over all your exports in gold and the gold will go to the same extent out of the country, whether it goes from Government or the public coffers or from your own private pockets. But the loss to the country will be the same; that is my point.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Imports do not exceed exports.

THE HONOURABLE MR. MANMOHANDAS RAMJI: Never mind. Before I finish I want to say one thing. A lot of things have been said about the taxation that the agriculturist will have paid in the shape of these appreciated rupees. Of course I admit that argument; but if that argument appeals to those people who are affected, it is their duty to come forward and bring here measures to reduce the land revenue, because the rupee ratio is kept high. If you want to reduce your land tax, do so by straight means instead of by covering it through manipulation of exchange. With these few words I oppose the amendment.

THE HONOURABLE MR. A. C. McWATTERS (Industries and Labour Secretary): Sir, I do not propose to detain the House long at this late hour of the evening; and if I rise to take part in the debate on this amendment it is not in the expectation of being able to add anything that is new to the discussion which has raged throughout the country for the last six months and more. But for more than six years I have in different capacities had to deal every day with these questions of exchange and also I was the writer of the memorandum which was presented to the Currency Commission on this ratio question, the conclusions of which were substantially accepted by the Commission. Therefore it is a subject in which I naturally take a great personal interest, and also it is a matter on which a right decision is, I am deeply convinced, of the greatest importance to the country as a whole.

The great difficulty which I always feel in this question is that whereas certainly 90 per cent. of the people who seriously consider the subject are agreed upon the basic principles, a number of the arguments which are used by a great many people, shall we say, by 65 as against 68, are inconsistent with those principles. Now, the basic principle to my mind is simply this: that intrinsically no one rate can be better than any other rate, and that the merit or demerit of any particular rate must depend upon the circumstances in which that rate is introduced and made effective. In other words, it depends upon the amount of disturbance which will be caused before that rate can be introduced and made effective, or as is more commonly expressed, it depends upon the amount of adjustment necessary—adjustment of internal and external prices, adjustment of wages and contractual relations and adjustment of Government Budgets and taxation. This general principle is by no means a truism, for various corollaries follow from it, and I think that if it had been remembered it would have given the correct answer to my Honourable friend, Rai Bahadur Lala Ram Saran Das, as to why it was not desirable to have a ratio of 2s. 10d. and it would have supplied an equally correct answer to the Honourable Seth Govind Das when he was asked why we should not have a ratio of one



penny. The answer is perfectly clear. It is not merely because a ratio of one penny would be "unjust," but because it would be simply ridiculous having regard to the amount of disturbance which would be caused in arriving at it or at 2s. 10d. Also if the basic principle is kept in mind, it would eliminate at once various arguments, some of which I have heard in the debate to-day, such as the unqualified statement that a lower rate must be to the benefit of the exporter and producer: similarly it would eliminate any statement which implies that the depreciation of a country's currency in terms of foreign money can add in any way to the wealth of the country. Or again it would eliminate any statement that it is more difficult, once prices have adjusted themselves, to maintain a higher rate than a lower rate. I noticed when Sir Maneckji Dadabhoj made that statement, the Honourable Lala Ram Saran Das shook his head, and it is a subject which, I admit, is difficult to follow for a person who has not very carefully studied this particular point. It is one in which I think we in India are apt to be influenced by the fact of the failure to maintain the rate of 2s. in 1920, the reason being then of course that at that time prices had not adjusted themselves; prices all over the world were in a state of complete disorder; prices and exchanges in all countries; and the problem then attempted, looking back at it now, was an insoluble one. But the proposition that it is no more difficult, if prices have adjusted themselves, to maintain the rate of 18d. than it is to maintain 16d. is unquestionably correct, and I should like, if I may, to try and elaborate the matter a little further by a practical illustration. Let us suppose that we have two rates, 18d. and 16d. and that prices have adjusted themselves to each of these two rates. At 18d. let us say that we require Rs. 400 crores of notes and coin to maintain a certain volume of trade. You will require Rs. 450 crores to maintain the same volume of trade with the exchange at 16d., in order to allow for the higher range of prices. Then let us suppose that there is a failure of the monsoon or a series of failures of the monsoon and that it becomes necessary to prevent exchange falling below the lower gold point by making a contraction of the currency by say 10 per cent. You will, at 18d., have to contract 40 crores; at 16d. you will have to contract 45 crores, and the point I wish to make is this: that 40 crores at 18d. and 45 crores at 16d. are both exactly equivalent in sterling or gold. Therefore the strain upon your resources in both cases is identically the same.

You cannot then increase the wealth of the country in any way by depreciating the currency from 18d. to 16d. But what does happen undoubtedly is that in the process of going from a higher rate to a lower rate you do give certain advantages to certain classes of the community at the expense of other classes. Let us take the Bombay mill industry which

5 P.M. has been mentioned so often in this discussion. I listened in the other House to one of the leading members of that industry who was explaining the complete disinterestedness of the Bombay mill industry in this matter because, as he quite rightly pointed out, no less than 60 per cent. of their cost of production was in raw cotton which *ex hypothesi* would go up in price if exchange went down to 1s. 4d. Also he admitted that they would have to pay more for imported machinery, and therefore, he said, we are not advocating this change in our own interest at all. But he omitted to mention that there was still a balance of the cost of production made up by the wages of labour and that therefore the employers might get some advantage if their workmen failed to get an increase in wages to compensate for higher prices. In fact the employer in the mill industry

[Mr. A. C. McWatters.]

can only gain his advantage at the lower rate at the expense of one of the partners in the industry, namely, the workmen. And the position as regards the agriculturist, of whom so much has been said to-day, is something similar. The agriculturist who has a surplus for sale will at 1s. 4d. receive more rupees for his produce. He will also at the same time have to pay more for everything he buys. But there is a possible margin where he may gain and that margin is at the expense of any of his agricultural labourers who are on fixed wages. During the process of adjustment there is a possibility of the agricultural producers gaining an advantage at the expense of one of the partners in agriculture, namely, the agricultural labourers, who, I may point out, number something like 48 millions in this country.

The whole of this question was summarised most succinctly by the Currency Commission in paragraph 205 of their Report. They said:

"Broadly speaking, the arguments which have been brought forward to prove that a reversion to 1s. 4d. would be beneficial, merely show that, during a period of adjustment of conditions to that rate, certain sections of the community (*e.g.*, debtors, exporters, and employers of labour) would be benefited at the expense of certain other sections (*e.g.*, creditors, importers, and wage-earners)."

And if the House is not satisfied with the expert opinion of the Currency Commission I should like to quote a very short passage from the evidence of the greatest economist of the last generation, the late Dr. Alfred Marshall. His evidence was given before the Fowler Committee in 1896 and he was dealing with the question of how far a depreciating currency gives a bounty to the employer who is producing for export. The question he was asked was this:

"But the fact that there is a bounty is not altered or done away with by the fact that the advantage is gained at the expense of the classes that you name; the fact of the bounty remains?"

To which Dr. Marshall replied:

"There is no doubt it is a bounty but the question is whether it is a bounty to the export trade. I say there is no bounty to the export trade, but there is a bounty to one class of the export trade at the expense of other classes in the export trade."

The Chairman then said:

"That is, what one gains another loses?"

Dr. Marshall replied:

"That is my opinion; and the question whether these shiftings from one class to another are substantially equitable and in the interest of the country as a whole, or not, depends, in my opinion, as indicated in my first day's evidence, on the question whether the currency retains a constant value in terms of man's efforts. An increased purchasing power of the currency in terms of commodities seems to me a good thing if it corresponds to an increasing command over nature which man has obtained by improvements in production and transport."

It seems to me that that statement goes absolutely to the root of the matter. You cannot increase the wealth of the country by merely altering the rate of exchange; you can do so only by increasing the command of man over nature. All you can do by altering the rate of exchange is temporarily to confer an advantage on one class at the expense of another.

So the Commission to my mind were perfectly right in laying all the emphasis they did upon this question of adjustment; because it is on

that that the whole question of whether 1s. 6d. is the right ratio or not turns. The Commission devoted a great deal of their Report to this subject; but if the House is not convinced by the figures put forward by the Commission, which were the best available, it should at least be convinced by the figures which were included in the Minority Report because those figures, if the necessary arithmetical corrections are made and if they are continued to June 1926—a month before the Commission reported—show that adjustment of internal and external prices to the extent of 80 per cent. had been effected at that time. And moreover the Minority Report actually has this sentence:

“ They ”

—that is, the Majority—

“ then proceed by means of a graphic representation to show that prices in India in terms of gold have since the middle of 1922 generally moved parallel to the movements in world prices in terms of gold. Thus is of course as it should be; for after all there is such a thing as a world price level measured in terms of gold to which prices in any country must in general tend to correspond if not in actual level.”

Considering that the rupee has been linked to gold, since April 1925, that statement is exactly what the advocates of 1s. 6d. are contending and nothing more. It is a statement that prices have adjusted themselves.

One point was made by my Honourable friend Seth Govind Das and by others, that the rate of 1s. 6d. has been attained by manipulation and that therefore there is something unnatural about it. Now the manner in which the rate was attained would, to my mind, make no difference whatever in the decision of the question whether the maintenance of the present rate will or will not cause a greater disturbance than a reversion to 1s. 4d. But I should like to emphasise the fact that there is no currency in the world in which there is not always an element of control or manipulation by the Currency authority, whether it be a bank of issue or whether it be the Government. The Bank of England controls currency in England through the discount rate. The Federal Reserve Bank of New York has complete control of the member banks and thus controls the currency system of America. And the Government of India have hitherto—though they are now anxious to shake off the burden—been unavoidably led to control the currency system in this country. If they had not done so, after two or three months the commercial community would have been the first to come to them and ask them to do it, because we should have had a series of leaps and falls in exchange which would have disorganised the whole trade of the country.

I should like at this point to make a slight digression in view of various remarks which have been made about the bank rate and about the action taken by Government in maintaining exchange. The point is connected with the issue of emergency currency, that is, loans from currency to the Imperial Bank. It was suggested in another place that the Machiavellian Finance Department in issuing a memorandum of procedure to the Controller of Currency in October 1924 inserted deliberately the words “subject to the following minimum rates” when prescribing the rates at which the Bank should be allowed to take loans from currency; the inference being that until that time it had always been understood that the Bank would be allowed at its own option to take a loan at 6 per cent. This statement interested me and I took the trouble to look up the memorandum, dated 19th September 1923, which had been issued somewhat

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more than a year before by the Government of India on the same subject, and I was interested to find that the words "subject to the following minimum rates" occur there also. In fact, it has found a place in the memoranda of instructions on this subject from the very first day on which this system of emergency currency was started.

I return now, Sir, to the question of the disturbance. There is one element of disturbance which is easily envisaged, and although it is not a decisive element, it is so important that we must consider it; I mean the effect upon the Budgets of the Government of India and of the Local Governments. Various estimates have been drawn up from time to time of the effect of a reversion to the 1s. 4d. rate; and after a most careful examination of the latest estimate which has been put in by the Honourable Mr. Brayne, I find that in all substantial points it agrees with my own views on the subject, and I am prepared to say that it is not an overestimate of the loss; in fact I think it is an under-estimate and my reason for thinking so is because of the effect upon the Government of India's credit of a reversion to the 1s. 4d. rate. Four years ago, Sir, when I joined the Finance Department as Secretary I admit that it was with some feeling of alarm that I looked at the prospects of the years just ahead. We had with the aid of the Retrenchment Committee made an effort to balance the Budget. We had obligations to the railways for 150 crores of capital expenditure, and large amounts were required by Provincial Governments for schemes, such as the Sukkur Barrage and the Sutlej Valley Project. We had maturing debt borrowed at very high rates coming due practically every year in large amounts, and we had the provincial contributions still hanging round our neck. If anyone had told me that in a few years' time we should be in the position in which we now find ourselves, I should have found it difficult to believe it; and, Sir, this result is due entirely to the financial policy which was unswervingly carried out by the Honourable the Finance Member. (Applause.)

THE HONOURABLE SIR BASIL BLACKETT: And by the Financial Secretary.

THE HONOURABLE MR. A. C. McWATTERS: It was a great privilege to be associated with the Honourable Sir Basil Blckett during those years. The point which I wish to emphasise is that anything which would unsettle the Budgets of the Government of India and of the Provincial Governments to the extent which a reversion to the 1s. 4d. ratio would do, would cause a shock to the credit of the country from which it would be very difficult to recover. I very much regret, Sir, that a few weeks ago the Honourable Seth Govind Das did not move his Resolution which suggested that large sums should be provided in the Central Government's Budget for the development of industries, because I had intended on that occasion to take as my text the proposition that the most valuable way in which the Government of India could help in the development of industries in India was by the continuance of their present financial policy, a policy which will lead quickly to the extinction of the provincial contributions and which will enable Government thereafter, one may hope, to reduce those items of taxation which bear most severely on trade and industry: and therefore, from the point of view of the development of industries also, I consider that the adoption of this amendment would do the greatest disservice to that very cause which the Honourable Seth Govind Das has so obviously at heart. (Applause.)

THE HONOURABLE MR. V. RAMADAS PANTULU (Madras: Non-Muhammadan): Sir, if I rise at this late hour, it is not because I pretend to make any substantial contribution to this controversy. I am aware, Sir, that every possible aspect of the question was debated upon in another place and also in the country for a long time before the introduction of the Bill in the Legislature. I am not going to give this House a rehearsal of Sir Basil Blackett's eleven points or Mr. Jamnadas Mehta's twelve points. My object in rising is merely to show that some of the great virtues claimed by the Honourable Sir Maneckji Dadabhoy for the Report to which he was a signatory do not seem to exist in the estimation of others than himself. The first point that he raised with regard to the value of the Report is its personnel. I will remind my friend and ask him to recollect the scene from the gallery of the Legislative Assembly when the Resolution about the dissatisfaction of the House regarding the personnel of the Currency Commission was being hotly debated. I know how uncomfortable my friend was when he heard the onslaught made upon that personnel. It is now, Sir, a matter of common knowledge that in the selection of that Commission the undertaking given impliedly by the Finance Member that it would consist of a majority of Indians was broken, and that it did not command the confidence of the country. Following upon the protest made in the Assembly, there were protest meetings all over the country, and everywhere the country gave expression in unequivocal terms to its want of confidence in that Commission. Therefore, the less Sir Maneckji had said of that Commission, the better would it have been. Then, Sir, with regard to himself, from his seat in this Chamber he declared that the decision arrived at by him was in the best interests of the country. That, Sir, is not very convincing, because the seat which he held in this House before he was appointed to the Commission was subsequently lost, and his present seat he owes to the Government which has bolstered up this Bill.

THE HONOURABLE SIR MANECKJI DADABHOY: No. I owe the loss of my seat to the Leader of the Swaraj Party going from village to village, house to house, and . . . .

THE HONOURABLE MR. V. RAMADAS PANTULU: I say, Sir, that the voters, the electors of Sir Maneckji Dadabhoy's constituency expressed disapproval of his conduct in signing this Report; and that is why he lost his seat. Whatever the cause is, Sir, his elected seat he lost. Then he assumed the rôle . . . .

THE HONOURABLE SIR MANECKJI DADABHOY: May I give a personal explanation, Sir? He is wrong there, because I lost my seat before I was appointed on the Commission.

THE HONOURABLE THE PRESIDENT: That is not a personal explanation but a reply to the Honourable Member's argument.

THE HONOURABLE MR. V. RAMADAS PANTULU: Then, Sir, he assumed the rôle of a judge, and in that matter he prided himself on the fact that in contradistinction to what my Honourable friend Sir Purshotamdas Thakurdas has done, he did not go about the country to ventilate his opinions. May I remind him, Sir, that a Commissioner, however exalted his position may be, is not the judge. The Report to which he put his signature is to be judged by the people, it is we who are to pronounce upon the correctness of that Report, and that is what we are

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doing to-day; therefore I say he should not have arrogated to himself the functions of a judge but should have submitted his conclusions merely for the judgment of the House and of the country. Therefore, Sir, having said so much about the excellence of the personnel of the Commission and Sir Maneckji Dadabhoy's part in it, I will just say a few words on the merits of the Report without tiring the patience of this House.

We are told that with a 1s. 6d. ratio the Government and the country will get a lot of money, that the remission of the provincial contributions need not be foregone and that Budgets need not be unbalanced. There will also be plenty of money to pay wage-earners, and public servants, there will be reduction of railway fares and so on. May I ask where this money is going to come from? There are at least some people in this country who are unsophisticated and whose minds are not muddled with currency controversies. They would like to know where from the Government are going to get this wonderful volume of money at 1s. 6d. It must come from the people of this country or from the foreigners who deal in our goods or some other source. What is that source?

THE HONOURABLE SIR ARTHUR FROMM: Study the Budget.

THE HONOURABLE MR. V. RAMADAS PANTULU: It is somewhat difficult to believe that all this extra money got at 1s. 6d. is not coming from the people of this country but from some people outside India. It does not fall from heaven like manna. Therefore it must come from somebody. Sir Maneckji Dadabhoy has told us that this wonderful 1s. 6d. has brought all this extra wealth into this country and has put it into the coffers of Government so as to enable them to wipe out provincial contributions and bring about the millennium in several directions in this country for which Sir Basil Blackett claims credit. On that we have not had any convincing arguments. To me the whole thing is so fallacious; it is all financial jugglery. The money must come from and the advantages which the Government derive must fall as burdens upon the shoulders of the people who produce the commodities in this country in competition with foreign importers. There is no other manner in which the money can come. I wish it had been shown that the money could come in a different manner. Sir Maneckji Dadabhoy's speech, I listened to, with considerable care, to see whether he would answer any of the points raised in the other House. He had less excuse for not being convincing here, because all the points of view of the other side were put very clearly there. The only conclusion that I can come to is that he had no answer to give and that it was all a waste of time. One thing he emphasised over and over again, namely, that prices have adjusted themselves to the 1s. 6d. ratio. Sir Basil Blackett fairly conceded that it was a question of fact and I have searched in vain for tangible evidence in the Appendices of the Currency Commission's Report to find if there is any material upon which such a conclusion could be based. Every witness was asked "Assuming that prices have adjusted themselves, what do you say?" And the answer was "Assuming it is so, the 1s. 6d. ratio is good." That is what I found. And Sir Maneckji himself, curiously enough, when I read through the evidence gave me the absolute impression that he was a protagonist of 1s. 4d. and gold currency. The way in which he cross-examined witnesses, if I know my job as a lawyer, undoubtedly indicated that he was then distinctly in favour of 1s. 4d.

THE HONOURABLE SIR MANECKJI DADABHOY: I did so because I wanted to extract the truth and get to the bottom of the thing; that is the tactics of a lawyer would have changed my mind on conviction, if the witnesses had satisfied me.

THE HONOURABLE MR. V. RAMADAS PANTULU: I would like to know when it was that he changed his mind. Since I came to Delhi, I have seen men change rapidly. I hope it is not for like causes. He distinctly gave me the impression that he was trying not merely as a cross-examining lawyer holding the other view, but as one who was putting his case; because he himself said, that he understood his position was one of a judge; and a judge when he examines witnesses in the box would like to get answers which in his own view are correct or establishing the position which the judge holds. I cannot help inferring that he was trying to elicit answers which at that time accorded with his own views. Then, Sir, the rest of the arguments of Sir Maneckji need not be answered. He says that forty crores at 1s. 4d. will be the same as 45 crores at 1s. 6d. It will be so if prices have adjusted themselves. When we say that prices have not fully adjusted themselves, there is no virtue in such arguments. My Honourable friend was taking very elaborate notes of the Assembly debate and a mountain was really in labour for a week and it produced a veritable mouse at the end.

I wish to point out that in answer to my friend Mr. Kumar Sankar Roy Choudhuri's question why Government threw away the opportunity that afforded itself in 1924 of stabilising at 1s. 4d. if they were genuine in their assertions, he said very emphatically that the Government would have committed a blunder if they had done so and there were then no materials for them to do so. Is that a fact? I will only read to this House one small sentence from the minute of Sir Purshotamdas Thakurdas, not so much as his opinion, but as quoting from Government documents to show that they were waiting for an opportunity until the ratio went up to stabilise it and not to do it when it was at 1s. 4d. That passage is to be found at page 121:

"When in September 1924, the rate was approximately 1s. 4d. gold (it ranged during the month between 1s. 5½d. and 1s. 6d. sterling), suggestions were made officially to the Government, in the Legislative Assembly, to restore this ratio to the Statute-book, in place of the fictitious ratio of 2s. gold. The Government of India declined to favour these proposals. Their telegram of the 11th of October 1924 (when exchange was about 1s. 4¼d. gold) to the Secretary of State shows that their policy then was to look for, in their own words, 'a permanently higher rate than 1s. 4d. gold'."

—these words are quoted from Government documents—

"a permanently higher rate than 1s. 4d. gold. Subsequently, when in April 1925 the pound sterling reached gold parity, the Government of India were able to talk of this new ratio as 1s. 6d. gold instead of 1s. 6d. sterling. The unavoidable conclusion is that the Government of India could have stabilised the rupee at 1s. 4d. gold in September 1924, thus restoring the long established legal standard of money payments, if it had chosen to do so."

I certainly prefer to accept this conclusion to the mere assertion of Sir Maneckji Dadabhoy.

Then, Sir, one word more and I have done. Every protagonist of the 1s. 6d. ratio in this House attempted to controvert our statement that by that ratio the agriculturist was hit. I really do not know how they came to that conclusion. To the arguments that were advanced by my Honourable

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friend on my left here, Mr. Manmohandas Ramji, very little need be said in answer, because they do not deserve any answer. Mr. Manmohandas Ramji said that for Rs. 300 worth of goods the cultivator will get 2,542 grains of gold at the rate of 1s. 6d. and at 1s. 4d. even if you get Rs. 337 you will only get 2,512 grains of gold. The first point about this matter is that the cultivator is not paid to consume gold; and then if gold is given, let him go to the mint and ask for money. Under clause 4 of the Bill he will find that every tola of gold will be worth Rs. 21, whereas according to the amendment proposed by my Honourable friend Seth Govind Das it will be worth Rs. 28 and odd. Therefore such arguments are really of no use, because the man is not paid in gold; and the other argument is that middleman carries . . . .

THE HONOURABLE SIR BASIL BLACKETT: If he is not paid in gold, what is he paid in?

THE HONOURABLE MR. V. RAMADAS PANTULU: He gets his price only in a silver token coin.

THE HONOURABLE SIR BASIL BLACKETT: What does the token rupee indicate?

THE HONOURABLE MR. V. RAMADAS PANTULU: That is the issue. The point is not that he gets more grain of gold for he does not gain anything thereby. Supposing he takes his gold to the Government treasury and asks for money, he will get at the rate of Rs. 21 per tola, whereas if the rate is 1s. 4d. he will get Rs. 28. The money will be less according to your ratio. Then, Sir, with regard to the agriculturist not suffering, there is one other argument, namely, that the middleman profits. Even if the middleman takes away a portion of the profits, we are yet to be persuaded to believe that no portion of it goes to the agriculturist. I have got some experience of agriculturists and I have known how the exchange affects their income. I may tell this House that I am not speaking merely from *a priori* reasoning. I am in charge of a co-operative bank which lends money on a very large scale to agriculturists; when we go to collect our dues we find that the agriculturists are very hard hit by the exchange; and whenever exchange goes up agriculturists really lose and they get less for their agricultural produce and they really suffer a loss. I may here say, Sir, one word with regard to the extent of loss which the agriculturist suffers. It is really not 12½ per cent. of the price. There is a fallacy there. It is much more than that, because profits are reduced by nearly 66 per cent. I will make it clear by a small illustration. I believe it was given by Sir Victor Sassoon in the other House and I may repeat it; it will not take one minute to do so. Supposing the price of a commodity like cotton is 100 rupees at the place of export. On this it is a fair estimate to put his marketing charges and transport charges at 22 per cent. Then the balance that he gets is 78 rupees, out of which 60 per cent. represents the cost of production; therefore the net profit to the agriculturist is 18 rupees. If your exchange is 1s. 6d., then the cost at the place of export will be not 100 but 87½, that is 12½ per cent. less. Out of 87½ you take away 22 per cent. for marketing, transport and other charges and 60 per cent. for cost of production; then what remains now, only 5½ per cent. Therefore instead of making 18 rupees he makes only 5½ rupees. The cost of production is



not lessened, the cost of preparation for the market is not lessened; they remain practically constant. What is lessened is the price at the outgoing port. Therefore, instead of 18 being left only 5½ are left. Therefore the loss sustained is 66 per cent. on his profit. Therefore, when you argue that the agriculturist is not hit, it is not at all convincing. The other day I read a small extract to this House from a letter addressed to Sir Purshotandas by a missionary who has devoted all his life in India to the uplifting of the agricultural class. He himself receives a pension to be sent home in sterling and sustains a loss of about Rs. 60 every month. Still he remains here to work for the agricultural class of this country. He says what is the good of educating the agriculturist and teaching him improved methods of agriculture and how to market his produce and how to make more money if by these invisible means of exchange manipulation you take away much of the profit. In this way, he says, all his labour is wasted. His Excellency has set up a Commission here for the benefit of agriculturists, but the labours of that Commission will be absolutely wasted and no agriculturist can receive any benefit if by means of this currency policy of the Government of India, what is given with one hand is taken away with the other hand. Therefore, I have no option but to support the amendment and oppose the 1s. 6d. ratio.

THE HONOURABLE MR. A. F. L. BRAYNE (Finance Secretary): Sir, I should have tried to reply at some length to this most interesting debate, but the excellent speeches of my Honourable friend Sir Maneckji Dadabhoy, Mr. Manmohandas Ramji and Mr. McWatters have so fully covered the ground that it is unnecessary for me to detain the House at any length. There is one point I should like to mention: My Honourable friend Mr. Govind Das waxed merry over the Finance Member's poetical achievements. He quoted at length those points which the Finance Member made in his speech in which each sentence ended with the words "to the permanent benefit of nobody." Seth Govind Das said he was as much of a poet as the Finance Member, and with considerable success he gave us a litany ending with the same refrain. That was all very well, but unfortunately for comparison those litanies were pitched in different keys because the Honourable the Finance Member's litany referred to a state of things where there is a sudden drop from an established ratio of 1s. 6d. to 1s. 4d., whereas Seth Govind Das's litany referred to circumstances in which prices and general conditions have been stabilised for a period of two years at a ratio of 1s. 6d. Seth Govind Das brought forward several of the fallacies of the Currency League. I think the worst of them is that the 1s. 6d. ratio means an annual loss of 40 crores of rupees to India. I am at a loss to find where that loss comes from, but I believe it comes from the difference between the values at 1s. 6d. and 1s. 4d. of the exports of Indian produce. Well, as the imports into India of foreign produce are just slightly below the exports and the difference between imports and exports is made up by invisible imports on account of services rendered in the way of transport charges and so forth, what is gained by the larger amount of rupees obtained for exports at 1s. 4d. is lost in the larger amount that India has to pay for imports at the same ratio.

The position of the agriculturist has been fully dealt with, but there is one point I should like to mention. The figures which I will quote are taken from the index number of wholesale prices in Calcutta. The index number in 1914 for cereals and pulses may be taken as 100. In December

[Mr. A. F. L. Brayne.]

1923 prices were 105 for cereals and 109 for pulses; in January 1927 the index figure for cereals was 143 and for pulses 155. That rise in price from which the agriculturist has gained has been attained almost entirely while the rupee has been stabilised at 1s. 6d. It cannot be said that the higher ratio has definitely injured the agricultural classes if these facts are correct. I will not detain the House any longer, and with these words I oppose the amendment.

THE HONOURABLE THE PRESIDENT: The original question was:

"That clause 4 do stand part of the Bill."

Since which an amendment has been moved:

"That in clause 4 for the words 'twenty-one rupees, three annas and ten pies' the words 'twenty-three rupees, fourteen annas and four pies' be substituted."

The question I have to put is that that amendment be made.

The Council divided:

AYES—10.

Govind Das, The Honourable Seth.  
Khaparde, The Honourable Mr. G. S.  
Mahendra Prasad, The Honourable Mr.  
Mukherjee, The Honourable Srijut  
Lokenath.  
Ram Saran Das, The Honourable Rai  
Bahadur Lala.  
Ramadas Pantulu, The Honourable  
Mr. V.

Rama Rau, The Honourable Rao  
Sahib Dr. U.  
Roy Choudhuri, The Honourable Mr.  
Kumar Sankar.  
Sett, The Honourable Rai Bahadur  
Nalininath.  
Zubair, The Honourable Shah Muham-  
mad.

NOES—31.

Akbar Khan, The Honourable Major  
Nawab Mahomed.  
Brayne, The Honourable Mr.  
A. F. L.  
Charanjit Singh, The Honourable  
Sardar.  
Commander-in-Chief, His Excellency  
the.  
Corbett, The Honourable Mr. G. L.  
Dadabhoy, The Honourable Sir  
Maneckji.  
Das, The Honourable Mr. S. R.  
Desika Chari, The Honourable Mr.  
P. C.  
Evans, The Honourable Mr. F. B.  
Forest, The Honourable Mr. H. T. S.  
Froom, The Honourable Sir Arthur.  
Gray, The Honourable Mr. W. A.  
Habibullah, The Honourable Khan  
Bahadur Sir Muhammad, Sahit  
Bahadur.  
Haig, The Honourable Mr. H. G.  
Mamohandas Ramji, The Honour-  
able Mr.  
McWatters, The Honourable Mr.  
A. C.

Misra, The Honourable Pandit Shyam  
Bihari.  
Muhammad Hussain, The Honourable  
Ali Baksh.  
Nawab Ali Khan, The Honourable  
Raja.  
Rainy, The Honourable Sir George.  
Sams, The Honourable Mr. H. A.  
Sankaran Nair, The Honourable Sir  
Chettur.  
Singh, The Honourable Maharaja-  
dhiraja Sir Rameshwara, of Dar-  
bhanga.  
Stow, The Honourable Mr. A. M.  
Subrawardy, The Honourable Mr.  
Mahmood.  
Swan, The Honourable Mr. J. A. L.  
Symons, The Honourable Major-  
General T. H.  
Tek Chand, The Honourable Diwan.  
Thomas, The Honourable Mr. G. A.  
Thompson, The Honourable Sir John  
Perronet.  
Umar Hayat Khan, The Honourable  
Colonel Nawab Sir.

The motion was negatived.

THE HONOURABLE THE PRESIDENT: There is another amendment to clause 4 which stands as No. 9 on the paper. The Honourable Seth Govind Das has informed me that he does not wish to move it. Does the Honourable Rai Bahadur Lala Ram Saran Das wish to move his amendment?

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: No, Sir.

THE HONOURABLE THE PRESIDENT: The question then is:

"That clause 4 do stand part of the Bill."

The motion was adopted.

THE HONOURABLE THE PRESIDENT: Further consideration of the Bill will take place to-morrow.

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NOMINATIONS TO THE PANEL FOR THE STANDING ADVISORY COMMITTEE IN THE DEPARTMENT OF EDUCATION, HEALTH AND LANDS.

THE HONOURABLE THE PRESIDENT: I have to announce to the Council nominations to the panel for the Advisory Committee in the Department of Education, Health and Lands. The following nine Honourable Members have been nominated:

- The Honourable Colonel Nawab Sir Umar Hayat Khan,
- The Honourable Major Nawab Mahomed Akbar Khan,
- The Honourable Rai Bahadur Lala Ram Saran Das,
- The Honourable Maharaja Sir Muhammad Ali Muhammad Khan,
- The Honourable Raja Nawab Ali Khan,
- The Honourable Rao Sahib Dr. U. Rama Rau,
- The Honourable Saiyid Alay Nabi,
- The Honourable Mr. M. Suhrawardy,
- The Honourable Seth Govind Das.

As an election is necessitated, I direct that the election shall take place on Saturday.

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MESSAGE FROM THE LEGISLATIVE ASSEMBLY.

SECRETARY OF THE COUNCIL: The following message has been received from the Secretary to the Legislative Assembly:

"I am directed to inform the Council of State that two motions were carried by the Legislative Assembly at their meeting held on the 24th March, 1927, and to request the concurrence of the Council of State in the recommendations contained therein:

*First motion:*

"That this Assembly do recommend to the Council of State that the Bill further to amend the Imperial Bank of India Act, 1920, for certain purposes be referred to a Joint Committee of this Assembly and of the Council of State and that the Joint Committee do consist of 28 members."

[Secretary of the Council.]

*Second motion:*

“That this Assembly do recommend to the Council of State that the Bill to establish a gold standard currency for British India and constitute a Reserve Bank of India be referred to a Joint Committee of this Assembly and of the Council of State and that the Joint Committee do consist of 28 members.”

The Council then adjourned till Eleven of the Clock on Friday, the 25th March, 1927.

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