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THE
LEGISLATIVE ASSEMBLY DEBATES
(Official Report)

Volume II

(22nd February to 14th March, 1927)

FIRST SESSION
OF THE
THIRD LEGISLATIVE ASSEMBLY, 1927

Chamber No. 181X/23



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LEGISLATIVE ASSEMBLY.

Saturday, 12th March, 1927.

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

QUESTIONS AND ANSWERS.

TIME SCALE OF PAY FOR TEACHERS OF ANGLO-VERNACULAR SCHOOLS IN AJMER-MERWARA.

878. ***Rai Sahib M. Harbilas Sarda:** (a) Are Government aware that there is no time scale of pay for the teachers of Anglo-Vernacular schools in Ajmer-Merwara?

(b) Are Government further aware that some appointments in the Anglo-Vernacular schools, Ajmer-Merwara, carry graded salaries, the incumbents of which attain their maximum in five years, while others carry fixed salaries?

(c) Will Government be pleased to state whether the Medical, Police, Engineering, Forest and Civil Departments in Ajmer-Merwara enjoy the benefits of a time scale of pay?

(d) Are the Government aware that a time scale of pay was sanctioned for the Ajmer Government College staff with effect from April 1926?

(e) Are Government prepared to consider the question of introducing a time scale of pay also for the teachers of Government Anglo-Vernacular schools in Ajmer-Merwara?

Mr. J. W. Bhoré: With your permission, Sir, I should like to answer questions Nos. 878 and 880 together.

Government are not in possession of information which would enable them to reply to these questions, but they have called for it and on receipt, it will be supplied to the Honourable Member.

INACCURACIES IN THE ELECTORAL ROLL OF THE AJMER-MERWARA CONSTITUENCY OF THE LEGISLATIVE ASSEMBLY.

879. ***Rai Sahib M. Harbilas Sarda:** (a) Are Government aware that the electoral roll of the Ajmer-Merwara constituency for the last Legislative Assembly elections was deplorably inaccurate, there being innumerable repetitions of names of persons long dead being included among electors and names of hundreds of persons qualified as electors being omitted?

(b) Is it true that the roll was prepared by a non-Government agency? If so, do Government propose now to employ responsible Government servants to prepare the next roll so that it may be accurate?

Mr. L. Graham: (a) The Government of India have no information to this effect.

(b) Sub-Regulation (1) of Regulation 1 of the Legislative Assembly (Ajmer-Merwara) Electoral Regulations requires the electoral roll to be prepared by such officer as the Local Government may appoint for the purpose. The Government of India do not know what officer was appointed in pursuance of this provision, but they will ask the Chief Commissioner to report with reference to the Honourable Member's question as a whole.

Mr. Harchandrai Vishindas: Is it a fact that the Local Governments of some other provinces also have had such defective electoral rolls and they complained that it was because of want of funds from the Central Government that they were not able to get them corrected?

Mr. L. Graham: Government have received no complaint to that effect.

Mr. Gaya Prasad Singh: Are Government aware that the electoral rolls of the Assembly constituencies in Bihar and Orissa also are full of mistakes like those pointed out in this question?

Mr. Harchandrai Vishindas: Everywhere.

Mr. L. Graham: I think Government are expected to have too much knowledge on this point, Sir.

Mr. K. Ahmed: Do Government propose to send a similar reminder to the province of Bengal in respect of the deplorable inaccuracies in the electoral rolls of the Legislative Assembly constituencies and the omission of the names of electors therein?

Mr. L. Graham: I have no notice of these omissions.

Mr. Harchandrai Vishindas: Do Government propose to take action that in future no such inaccuracies do take place by reminding Local Governments? I am referring to the electoral rolls of the Assembly, not of the Councils.

Mr. L. Graham: Government would like everything to be perfect, Sir.

Mr. Harchandrai Vishindas: But they will not do anything. (Laughter).

NUMBER AND GRADES OF SCHOOLS FOR EUROPEANS IN AJMER-MERWARA AND RAJPUTANA.

+880. ***Rai Sahib M. Harbilas Sarda:** (a) Will Government kindly lay on the table a statement showing the number and grades of schools for Europeans in:

- (i) Ajmer-Merwara, and
- (ii) in Rajputana in places situated on the Bombay, Baroda and Central India Railway line?

(b) Will Government be pleased to say who inspected these schools during the period when the European Principal of the Government College, Ajmer, who is also Inspector of European Schools, was absent on long leave last year?

(c) Why could not the work be entrusted to the officiating Principal who happened to be an Indian?

+For answer to this question, see answer to Question No. 878.

PAUCITY OF WAITING SHEDS AT RURAL STATIONS ON THE M. G. SECTION OF THE EAST INDIAN RAILWAY.

881. ***Mr. Siddheswar Sinha:** With reference to unstarred questions Nos. 75 and 76 replied to on 7th February, 1927:

- (i) Will Government be pleased to state the number and name of stations on the M. G. section of the East Indian Railway where waiting sheds have been constructed during the last 3 years?
- (ii) Are the Government aware that there are comparatively fewer waiting sheds at rural stations of this section of the East Indian Railway than on other sections of the same Railway?

Mr. A. A. L. Parsons: (i) Government have no information beyond that contained in the Administration Reports.

(ii) No.

ENTRAINING OF PASSENGERS AT THE TEMPORARY STATIONS ON THE POONPON RIVER, EAST INDIAN RAILWAY.

882. ***Mr. Siddheswar Sinha:** (a) Is it a fact that during the Pitripaksh Mela passengers are allowed to get down at the temporary stations on the Poonpon River between Sone East Bank and Palmerganj on the M. G. section and between Patna and Poonpon on the P. G. section, but are not allowed to get into the train at those temporary stations and have therefore to walk a long distance in order to get into the train?

(b) Do Government propose to instruct the authorities of the East Indian Railway to make necessary arrangements so that passengers can get into the train at those temporary stations?

Mr. A. A. L. Parsons: (a) and (b). Government have no information on the subject. The matter is one within the competence of the Agent of the Railway to whom a copy of the question and the answer has been sent.

GAYA SHERGHATTY RAILWAY.

883. ***Mr. Siddheswar Sinha:** Will Government be pleased to state at what stage the project of constructing the Gaya Sherghatty Railway is?

Mr. A. A. L. Parsons: The Traffic and Engineering Reports have been received and the project is under consideration.

MINIMUM AND MAXIMUM PAY OF RURAL POSTAL PEONS IN THE DIFFERENT PROVINCES.

884. ***Mr. Siddheswar Sinha:** Will Government be pleased to state the minimum and maximum pay of postal peons of rural areas in the different Provinces?

Sir Ganen Roy: The minimum and maximum pay of village postmen and postmen serving rural areas in the different Postal Circles are as follows:

	Minimum.	Maximum.
	Rs.	Rs.
Bombay . . . }	18	24
Burma . . . }		
Bengal and Assam . . . }	16	22
Bihar and Orissa . . . }		
Central Circle . . . }		
Madras . . . }		
Punjab and N. W. F. . . }		
United Provinces . . . }	20	32 (Sind.
Sind and Baluchis- tan. }		

ACTION TAKEN ON THE RESOLUTION RELATING TO THE BACKWARD TRACTS IN BIHAR AND ORISSA.

885. ***Mr. Siddheswar Sinha:** Will Government be pleased to state what action they have taken or intend to take on the Resolution of this Assembly passed on 10th February 1927 regarding the backward tracts in the province of Bihar and Orissa?

The Honourable Sir Alexander Muddiman: A copy of the Resolution, together with the debates, was forwarded to the Secretary of State on the 3rd March 1927. For the reasons which I gave at the conclusion of the debate on the 10th February, the Government of India intend to leave the extent of the restriction to be agitated with the Local Government.

Mr. Ram Narayan Singh: Are Government aware that the local Council has passed a Resolution requesting the Government to authorise the people to elect their own non-official chairmen?

The Honourable Sir Alexander Muddiman: Yes, Sir, I believe that is correct.

Mr. Ram Narayan Singh: Are the Government prepared to ask the Local Government to accept at least this?

The Honourable Sir Alexander Muddiman: The Government of India in a matter of that kind could not interfere with the discretion of the Local Government, but at least my Honourable friend's question will be reported and will receive the careful consideration that such reports do from Local Governments.

Mr. Ram Narayan Singh: Are the Government aware that along with certain other chairmen the people's immediate one is that local bodies are not allowed to elect their own non-official chairmen as in other districts of Bihar?

The Honourable Sir Alexander Muddiman: I am quite aware of it, and I have given in the answer a method of raising it, namely, to approach the Local Government.

SELECTION OF INDIAN DELEGATES TO THE INTERNATIONAL ECONOMIC CONFERENCE.

886. *Mr. Sarabhai Nemchand Haji: 1. Will Government be pleased to state the terms of the treaty, agreement or other document under which the meetings of the International Economic Conference are held in Geneva?

2. What are the criteria to be observed in the selection of a delegation to the International Economic Conference?

3. In making their selection of the Indian delegation for the next session of the International Economic Conference, do the Government of India propose to send the full quota of delegates allowed to them? If not, why not?

4. Will such a delegation be selected from Indians only? If not, why not?

5. Do Government propose to consult the Legislative Assembly in the selection of the delegates to the International Economic Conference?

The Honourable Sir Charles Innes: 1. The International Economic Conference to be held at Geneva in May next is being convened in pursuance of a Resolution of the Assembly of the League of Nations, passed at its sixth ordinary session in September 1925. The Resolution is reproduced in paragraph 23 of the Final Report of the Delegates of India to that session, which was published in Part I of the Gazette of India of 16th January 1926.

2. The members of the Conference are to be appointed by their Governments on the strength of their qualifications and personal capacity. They will not in any way bind their Governments and will not be qualified to act as spokesmen of any official policy.

3. No. The full quota is five, and it is proposed to send three. In view of the agenda of the Conference, it is considered that three will be sufficient.

4. No. Two of the three delegates will be Indians.

5. No, Sir.

Mr. Sarabhai Nemchand Haji: May I inquire the reason why the full quota of five is not to be accepted for the next session and the reason why all of them are not to be Indians?

The Honourable Sir Charles Innes: The first supplementary question of the Honourable Member has already been answered in my main answer, namely, that in view of the agenda of the Conference, it is considered that three will be sufficient. As regards the second question, it is considered that two out of three delegates will give sufficient Indian representation and one delegate will represent the European interests in this country.

Mr. Duraiswamy Aiyangar: May I know whether those Indians will be officials or non-officials?

The Honourable Sir Charles Innes: All non-official.

Mr. Sarabhai Nemchand Haji: Are we to understand that this country can be represented at the Economic Conferences by Europeans and Indians in the proportion of one to two?

The Honourable Sir Charles Innes: No, Sir.

NUMBER OF STEAMERS CHARTERED FOR THE DESPATCH OF TROOPS TO
CHINA.

887. ***Mr. Sarabhai Nemchand Haji:** Will Government be pleased to state the number of steamers chartered by Government for the purpose of sending troops to China? Will Government further name the shipping companies whose boats have been chartered and the rates paid to them?

Mr. G. M. Young: It would not be in the public interest to give the full particulars on the floor of this House. But I may say that the vessels chartered were the first suitable ships available, and that normal rates were paid.

Mr. Vidya Sagar Pandya: Have any ships run by Indian companies been chartered?

Mr. G. M. Young: As I said, it would not be in the public interest to give particulars on the floor of this House.

Mr. Sarabhai Nemchand Haji: Will the Honourable Member give us that information after the Chinese trouble is over?

Mr. G. M. Young: I can see no objection to that, and if the Honourable Member will put down a question, I will consider it.

Mr. A. Rangaswami Iyengar: Is it not in the public interest to know what steamer is chartered from Bombay?

Mr. G. M. Young: I said, Sir, that it would not be in the public interest to give particulars on the floor of this House.

Mr. K. Ahmed: Will the Government of India be pleased to consider whether they can charter any boat for the purpose of carrying troops to China if it is managed and run by an Indian company like the Scindia Steam Navigation Company or any other Indian Company, fully equipped and manœuvred by experts on the steamer

Mr. G. M. Young: I am afraid I have not followed that question.

STATEMENT LAID ON THE TABLE.

The Honourable Sir Charles Innes (Member for Commerce and Railways): Sir, I lay on the table the Agreement† between the United Kingdom and Greece respecting the measurement of Tonnage of Merchant Ships, and Notes exchanged, which affect India.

WITHDRAWAL OF INSTRUCTIONS TO SELECT COMMITTEES
TO REPORT ON CERTAIN BILLS WITHIN GIVEN DATES.

The Honourable Sir Basil Blackett (Finance Member): Sir, I move that the instructions given to the Select Committee on the Bill further to amend the Negotiable Instruments Act, 1881, for a certain purpose, to present its report not later than the 15th February, 1927, be withdrawn.

†Not printed.

Mr. A. Rangaswami Iyengar (Tanjore *cum* Trichinopoly: Non-Muhammadan Rural): On a point of order, Sir. May I know if the withdrawal of these instructions will leave the Select Committee to report on this matter one year hence?

The Honourable Sir Basil Blackett: I think it has to report within three months, not before three months.

Sir Purshotamdas Thakurdas (Indian Merchants' Chamber: Indian Commerce): I am afraid, Sir, I do not exactly understand the reply of the Finance Member. When the Assembly appointed the Select Committee, it fixed a date by which the Report was to be submitted, and if that date is now to be cancelled or withdrawn, do I understand that under Standing Orders it may report within three months? Is that the position? I want to know the exact position, because I happen to be a member of the Select Committee.

Mr. L. Graham (Secretary, Legislative Department): Sir, the position is that a Select Committee appointed by this House cannot report on a Bill before the expiry of three months after the publication of the Bill unless it is specially instructed to do so by a motion in the House. There was a motion in the House, and we have not complied with that motion. We have merely asked for the formal cancellation of that motion lest we should appear to be acting in contempt of a motion of the House. The ordinary Standing Order will now apply, and the Report cannot be presented until the expiry of three months after publication of the Bill.

Sir Purshotamdas Thakurdas: Do I then take it that the Report may be submitted at any time after the expiry of three months, say after six months?

Mr. L. Graham: Yes.

Mr. A. Rangaswami Iyengar: There is no outside limit then?

Mr. L. Graham: No.

The motion was adopted.

The Honourable Sir Basil Blackett: Sir, I move that the instructions given to the Select Committee on the Bill to amend the Indian Securities Act, 1920, for certain purposes, to present its Report not later than the 1st March, 1927, be withdrawn.

The motion was adopted.

PETITIONS RELATING TO THE CURRENCY BILL.

Sir Purshotamdas Thakurdas (Indian Merchants' Chamber: Indian Commerce): Sir, under Standing Order No. 78, I beg to present 296 petitions with 3,720 signatures in connection with the Bill entitled "a 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 exchange," Bill No. I of 1927.

THE CURRENCY BILL.

Mr. President: The House will now resume further consideration of the Bill further to amend the Indian Coinage Act, 1906, and the Indian

[Mr. President.]

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 exchange, clause by clause.

Before we proceed further I should like to explain to the House the procedure I propose to follow. When the question of the ratio was disposed of by the amendment of Mr. Jamnadas Mehta, it was my intention to revert to clause 2 of the Bill and leave clause 4 as it was and come back to it after clauses 2 and 3 were disposed of. The difficulty I found on further consideration was that, if I were to take up clauses 2 and 3, I would have to ask Honourable Members to alter their amendments in order to fit in with the decision of the Assembly. That decision is that the Assembly has rejected 1s. 4d., but the Assembly has not yet decided to accept 1s. 6d. Unless clause 4 is passed by the House, it cannot be said to have accepted 1s. 6d. So the Assembly is not yet out of the woods. The rejection of 1s. 4d. does not mean the acceptance of 1s. 6d. by the House, and, therefore, it is not possible for me to ask the Honourable Members to introduce alterations in the amendments of which they have given notices in clauses 2 and 3. In the circumstances it is necessary that the House should proceed with clause 4 and finally pass it or reject it. The consequence of passing clause 4 would be that Honourable Members who move amendments to other clauses would have to incorporate the decision of the Assembly regarding 1s. 6d. in them, and the Chair would permit those alterations. It is not necessary to say now what would be the effect of the rejection of 1s. 6d. That question will be decided when such a contingency occurs. We will now proceed with clause 4. There are some minor amendments and I do not know whether the Honourable Members who have given notice of them desire to move them. If they do not, I will put the question.

Mr. T. Prakasam (East Godavari and West Godavari *cum* Kistna: Non-Muhammadan Rural): Sir, may I have your permission to say a few words on a point of order with regard to clause 4. If the rest of the clause 4 excluding the ratio portion is taken into consideration now, the effect would be that the first part of the gold bullion standard which the Government wants to introduce in this Bill is taken into consideration. Clause 4 deals with the purchasing of gold that is offered to the Government and clause 5 deals with the selling of gold bullion exchange. These are the two clauses which constitute the gold bullion standard which the Government wishes to introduce through this Bill. In the Statement of Objects and Reasons it is said that the object of the Bill was to introduce the gold bullion standard. So my submission is that, if the rest of clause 4 is taken now, I am afraid it will be dealing with the question of the gold bullion standard itself.

The Honourable Sir Basil Blackett (Finance Member): May I say a word on that, Sir? This Bill does not introduce the gold bullion standard. It is a purely interim measure intended to cover a period between now and the time when the Gold Standard and Reserve Bank Bill comes into effect. It does not do anything more than provide for an interim period during which the standard will be a gold exchange standard. It does not touch the question of the gold bullion standard at all.

Mr. Jamnadas M. Mehta (Bombay City: Non-Muhammadan Urban): Sir, unless amendments Nos. 61 and 62 are moved, I propose to move my amendment No. 63.

Mr President: I do not know if other Honourable Members desire to move their amendments to clause 4. If not, I will call upon Mr. Jamnadas Mehta to move his amendment.

Mr. M. S. Sessa Ayyangar (Madura and Ramnad *cum* Tinnevely: Non-Muhammadian Rural): Sir, I wish to move the amendment standing in my name, No. 61. I move:

"That in clause 4 of the Bill for the figures '1065' the figures '40' be substituted."

In doing so, I will first invite the attention of the House to paragraph 31 of the Currency Commission's Report.

"31. The basic right of convertibility that supports an exchange standard is too abstract for the present conditions in India: the backing which it supplies for the token currency is too intangible and invisible. Without some backing more certain, simple, and solid, confidence in the stability of the currency will grow more slowly than it should, if it grows at all, and progress in the habits of banking and investment will be delayed. A backing more certain, simple, and solid must be provided, nor can there be any doubt as to the best means of providing it. In the present state of its development Indian public opinion will have confidence in one thing only as solid enough for a backing for its currency, and that is gold. It requires some link that is real, and not only real but conspicuously visible, between the currency of the country and gold."

The commission sought to provide such a link. Now, they made the further recommendation to restrict the quantity of purchase to 1065 tolas of gold. I do not know, Sir, if really the object which in paragraph 31 the Currency Commission had in view is served by this recommendation. I will next refer to paragraph 151.

"151. The Bank shall be obliged to buy from any person who makes a demand in that behalf at its offices in Bombay, Calcutta, and Madras, during the office hours of the Bank, in exchange for any legal tender money, gold bullion for delivery at its Bombay office at the price of Rs. 21 as. 3 ps. 10 per tola of fine gold, but only in the form of bars containing approximately 400 ozs. (1,065 tolas) of fine gold."

Now, my first submission to the House is this. The quantity put down there is too heavy, regard being had to the circumstances and conditions obtaining in India. There is mentioned absolutely no reason whatsoever throughout the Report as to why this particular quantity, 1065 tolas of gold were introduced, except it be perhaps that the similar quantity devoted by the figure of 400 ounces obtains for a similar purpose in England under the English Act. Now, the conditions in England and in India are very different: in fact the average income per head in India does not compare at all favourably with the average income per head in Great Britain. Therefore if the minimum quantity prescribed in England for sale and purchase of gold be 400 ounces, certainly it must be put down at 1/30th if not 1/40th of that amount when we have to make a similar provision in India in the Indian Bill. But in the present Bill, it is so placed, that if at all, the middleman will have some profit, only the few rich will be able to offer this amount of gold; but the bulk of the people would miss "the link". Suppose I have a moderate quantity of gold to part with. I cannot go to the Currency Authority unless I accumulate sufficient gold—1065 tolas—the value of which will be something like Rs. 22,000. In fact, it is not every ordinary man who can control that quantity of gold, to tender it to the Currency Authority. So the intermediaries or the few rich people who are buying the bullion for retail sale will be the only class of people likely to profit from this transaction. It is very hard, Sir, that the average Indian should be put to these inconveniences, and in this connection I

[Mr. M. S. Sessa Ayyangar.]

would also refer the House to an opinion of Mr. S. B. Mehta printed on page 34 of the opinions that were circulated to the House :

" Even supposing the gold bullion standard is finally established, the restriction of the quantity of gold bullions saleable and purchaseable to not less than 400 oz. seems a bit iniquitous inasmuch as it will debar petty merchants in the mofussil and poor people from availing themselves of the system and it will leave them to the tender mercy of the richer classes, unless, of course, they combine and make their purchases from the Currency Authority. Besides, there is another aspect of the question worth consideration. During the past 26 years alone the net import of gold into India has been estimated to be worth about Rs. 465 crores, of which some Rs. 270 crores are in the form of bullion and the rest in coins. According to figures given by experts the gold coins and gold ornaments at present in India are worth about Rs. 700 crores and if these could not be converted, especially in times of distress, into legal tender money unless they are first converted into bars of at least 400 oz. each, it would entail great hardship on the people. It is an incontrovertible fact that all the vast hoard is poured forth in times of famines and other natural calamities and if then instead of finding this store of value being readily accepted by the Currency Authority in exchange for legal tender currency, the public is faced with the prospect of being victimised by the richer classes, the result may well be imagined."

I submit, therefore, Sir, in the first place that the proposal in the Bill entails great hardship, and secondly, though the Currency Commission recommended this statutory obligation for a free inflow and outflow of gold in the country, the right given to us by this means is practically taken away by fixing in the Bill this heavy quantity of gold, on which alone exchange can be had. And I would also in this connection refer to an opinion which is printed on page 50, the opinion of Mr. Harilal D. Jasani :

" The number of people in India who can command Rs. 22,000 at a time will not come to more than a few thousands out of a population of 33 crores and even the few thousands who can afford it will have no use for it as it cannot be used for currency purposes; the overwhelming majority of the people of this country will therefore never have any opportunity of converting their local currency into gold or their petty stock of gold into local currency; the limit placed on the quantity of gold to be sold or bought will practically nullify the statutory obligation which the Bill imposes on the Currency Authority."

So that these provisions, if taken into consideration, will show that the proposals embodied in the Bill do not secure the object with which the Currency Commission made this recommendation. Thus both the form and the quantity are such as to reduce the practical utility or usefulness of the right to nothing practically. And in this connection I might also mention that, as a result of the circulation of the Bill, many and also a few of the Government Servants do favour the reduction of the quantity of gold from 1,065 to something that is reasonable and just. I would particularly refer to the opinion of the Income-tax Commissioner in the Punjab on page 57 :

" The Commission wisely remark that India ' requires some link that is real, and not only real but conspicuously visible, between the currency of the country and gold ' (para. 31). I am doubtful whether this will be secured by their proposals. Only the rich will be able to purchase 400 ozs. of gold."

Therefore the limit that is put in the Bill is certainly beyond the average Indian who may wish to sell a limited or smaller quantity of gold. I submit, therefore for the reasons I have stated, that this limit is arbitrary and too extravagant to make it reasonable from the Indian viewpoint. If it is 40 tolas or 15 ounces of gold, that would certainly be within the easy reach of the average individual.

Mr. Vidya Sagar Pandya (Madras: Indian Commerce): Sir, I think my amendment should have been taken up first before Mr. Sesha Ayyangar's.

Mr. President: The Honourable Member should have risen from his seat at the proper time.

Mr. Vidya Sagar Pandya: I did not catch your eye, Sir.

Mr. President: What is the Honourable Member's amendment?

Mr. Vidya Sagar Pandya: My object is to reduce from 40 to 10.

Mr. President: That is lumped up with so many other things that it is very difficult to separate it. However, if the Honourable Member separates it and moves it in the following form, namely, "that in clause 4, for the figures '1065' the figures '10' be substituted" the Chair will allow it.

Mr. Vidya Sagar Pandya: Yes, Sir.

The Honourable Sir Basil Blackett: I think there is some misunderstanding as to the position in regard to this proposal in clause 4. The proposal is that an obligation should be laid on the Currency Authority to purchase gold.

Mr. President: Would it not be more convenient if the amendments of Mr. Kelkar and Mr. Vidya Sagar Pandya were also before the House before the Finance Member speaks?

The Honourable Sir Basil Blackett: I think I might shorten the discussion. The object of this clause is to lay an obligation on the Currency Authority to purchase gold from the public. Obviously there must be some lower limit to the obligation. The fact that there is a lower limit will not prevent the Currency Authority in practice from buying gold in very much smaller quantities if he feels so inclined, and provided that he can conveniently do so. In the matter of purchase of gold from the public the Currency Authority will, in practice, have no objection to taking smaller quantities, but does not want to be under an obligation in all circumstances to take gold in any small quantities, for instance, half a grain, that might be brought to it. There must be some lower limit which will be a convenient one. It is also undesirable that the Currency Authority should simply and entirely take the place of the bullion market in this matter. The figure of 1065 tolas corresponds to the limit of 400 ounces in the English currency system at the present moment. But that limit is for the purpose of the sale of gold by the Currency Authority to the public. This is merely the parallel with the sale. If without prejudice to the question of the lower limit for the amount that the Currency Authority shall sell to the public—that is a question which will come up not on this Bill but on the Gold Standard and Reserve Bank Bill—a smaller limit than 1065 tolas can be introduced here, the Government are not wedded to an exact figure. I would suggest that a reasonable compromise in the matter would be to accept Mr. Kelkar's figure of 300 tolas. Government would be prepared to add to that an undertaking that it is their intention to instruct the Currency Authority to accept gold in smaller quantities whenever it is convenient to it to do so. It is merely a question of the obligation that is to be imposed upon it. In practice, it will accept gold in small quantities when it can conveniently do so. I think that if the

[Sir Basil Blackett.]

Honourable Member who has moved this motion and Mr. Vidya Sagar Pandya would agree to the figure of 300 proposed by Mr. Kelkar, we might come to a compromise on that point without spending further time in discussion.

Mr. R. K. Shanmukham Chetty (Salem and Coimbatore *cum* North Arcot: Non-Muhammadan Rural): Sir, may I just ask a question of the Honourable the Finance Member on a point of information? The English analogy has been brought out and it has been pointed out that the system that has been introduced in England in 1925 provides also for a minimum of a 400 ounces bar of gold. But reading the Gold Standard Act of 1925 which established this system in England, I find that the obligation imposed upon the Bank of England is only to sell gold at a minimum of 400-ounce bars and so far as the obligation to purchase gold is concerned, there is no limit fixed at all. So, if I understand the Gold Standard Act of 1925 correctly, a person in England can take even the smallest quantity of gold to the Bank of England and exchange it for currency. And may I ask, Sir, what is the reason that has induced Government to introduce this departure from the practice which is now prevailing in England?

The Honourable Sir Basil Blackett: I think I explained to the House that we require some lower limit for convenience so that we may not entirely take the place of the bullion market in this matter. The analogy, as I said, of the 1,065 tolas is taken from the sale of gold, not the purchase of gold. The Currency Authority will, in practice, be willing to purchase gold in quite small quantities, but I think for its protection and for the protection of the bullion market we want to have a lower limit, and a convenient lower limit would, I suggest, be the figure proposed by Mr. Kelkar.

Mr. President: Does the Honourable Member from Madras wish to move his amendment?

Mr. Vidya Sagar Pandya: No, Sir, I do not.

Mr. N. C. Kelkar (Bombay Central Division: Non-Muhammadan Rural): Sir, I propose the amendment that stands in my name, namely:

“That in clause 4 of the Bill for the figures ‘1065’ the figures ‘300’ be substituted.”

My reason briefly is this. Of course the Finance Member has accepted it. I will just briefly explain why I have put in that figure. Whatever may be the future intentions about this purchase of gold, 1,065 is at present the statutory figure. We cannot get over that point. Therefore, there must be some statutory figure in this Bill regulating the purchase of gold. Then, it should be a reasonable figure. I do not know how the Government look at this matter from the point of view of building up their gold reserves. If I were in their place I should certainly go for the least little minimum in this matter.

The Honourable Sir Basil Blackett: I agree.

Mr. N. C. Kelkar: I want to build up my reserves. Any gold that anybody brings to me, I purchase. That should be the policy if you want to build up your reserves. There is this consideration, on the other hand,

that I do not want Government to compete with the market. It is a very bad policy that Government should go into the market like that and take away the business of the private dealer in this matter. Therefore, as the Finance Member said rightly, some reasonable figure should be fixed. I think that as 300 tolas means about 6½ thousand rupees, we may naturally expect that a man who has got so much gold to dispose of will think it beneficial to go to the Government because, as a matter of right, he can sell it. In the market it would be very inconvenient for him to offer gold for sale for immediate need of the value of 6½ thousand rupees. Therefore, I think that 300 tolas is a reasonable figure, and I think the House will accept it.

Mr. T. Prakasam: Sir, I rise to support the amendment of Mr. Sessa Ayyangar to substitute the figure '40' for '1,065'. I gave notice of an amendment, Sir, that there should be no limit to the quantity of gold that might be offered for sale to the Government on the basis of the English Act itself. But inasmuch as the Honourable the Finance Member said that there must be some limit, it might be fixed at 40, if not at 10. 300 tolas will certainly be too much and it will not help the Government if they really want to receive gold and stock it so that it might ultimately help them. They must be prepared to receive even smaller quantities when people bring these to them. Therefore I would submit that 40 tolas might be accepted by the House.

Mr. President: The question is:

"That in clause 4 of the Bill for the figures '1,065' the figures '40' be substituted."

The Assembly divided:

AYES—62.

Abdul Latif Saheb Farookhi, Mr.
Abdullah Haji Kasim, Khan Bahadur
Haji.
Acharya, Mr. M. K.
Aiyangar, Mr. C. Duraiswamy.
Aney, Mr. M. S.
Ariff, Mr. Yacoob C.
Ayyangar, Mr. K. V. Rangaswami.
Ayyangar, Mr. M. S. Sessa.
Bhargava, Pandit Thakur Das.
Birla, Mr. Ghanshyam Das.
Chetty, Mr. R. K. Shanmukham.
Das, Mr. B.
Das, Pandit Nilakantha.
Dutt, Mr. Amar Nath.
Dutta, Mr. Srish Chandra.
Ghazanfar Ali Khan, Raja.
Goswami, Mr. T. C.
Gour, Sir Hari Singh.
Gulab Singh, Sardar.
Haji, Mr. Sarabhai N.
Ismail Khan, Mr.
Iyengar, Mr. A. Rangaswami.
Iyengar, Mr. S. Srinivasa.
Jayakar, Mr. M. R.
Jogiah, Mr. Varahagiri Venkata.
Joshi, Mr. N. M.
Kartar Singh, Sardar.
Kelkar, Mr. N. C.
Khin Maung, U.
Kidwai, Mr. Rafi Ahmad.
Kunzru, Pandit Hirday Nath.

Lajpat Rai, Lala.
Malaviya, Pandit Madan Mohan.
Mehta, Mr. Jamnadas M.
Misra, Mr. Dwarka Prasad.
Moonje, Dr. B. S.
Mukhtar Singh, Mr.
Murtuza Saheb Bahadur, Maulvi.
Sayyid.
Naidu, Mr. B. P.
Nehru, Pandit Motilal.
Neogy, Mr. K. C.
Pandya, Mr. Vidya Sagar.
Phookun, Srijut Tarun Ram.
Prakasam, Mr. T.
Rahimtulla, Mr. Fazal Ibrahim.
Ranga Iyer, Mr. C. S.
Rao, Mr. G. Sarvotham.
Roy, Rai Bahadur Tarit Bhusan.
Sarda, Rai Sahib Harbilas.
Shafee, Maulvi Muhammad.
Shervani, Mr. T. A. K.
Singh, Mr. Gaya Prasad.
Singh, Mr. Narayan Prasad.
Singh, Mr. Ram Narayan.
Singh, Raja Raghunandan Prasad.
Sinha, Mr. Ambika Prasad.
Sinha, Mr. Siddheswar.
Tok Kyi, U.
Vishindas, Mr. Harchandrai.
Yakub, Maulvi Muhammad.
Yusuf Imam, Mr.
Zulfiqar Ali Khan, Nawab Sir.

NOES—57.

Abdul Aziz, Khan Bahadur Mian.
 Abdul Matin Chaudhury, Maulvi.
 Abdul Qaiyum, Nawab Sir Sahibzada.
 Ahmed, Mr. K.
 Akram Hussain Bahadur, Prince
 A. M. M.
 Allison, Mr. F. W.
 Anwar-ul-Azim, Mr.
 Ashrafuddin Ahmad, Khan Bahadur
 Nawabzada Sayid.
 Ayyangar, Mr. V. K. A. Aravamudha.
 Ayyangar, Rao Bahadur Narasimha
 Gopalaswami.
 Bhoze, The Honourable Mr. J. W.
 Blackett, The Honourable Sir Basil.
 Chalmers, Mr. T. A.
 Coatman, Mr. J.
 Cocke, Mr. H. G.
 Crawford, Colonel J. D.
 Dalal, Sir Bomanji.
 Donovan, Mr. J. T.
 Dunnett, Mr. J. M.
 Ghulam Kadir Khan Dakhan, Mr.
 W. M. P.
 Ghuznavi, Mr. A. H.
 Gidney, Lieut.-Colonel H. A. J.
 Graham, Mr. L.
 Greenfield, Mr. H. C.
 Haigh, Mr. P. B.
 Hezlett, Mr. J.
 Howell, Mr. E. B.
 Hussain Shah, Sayyed.
 Hyder, Dr. L. K.

Innes, The Honourable Sir Charles.
 Jowahir Singh, Sardar Bahadur
 Sardar.
 Kabul Singh Bahadur, Risaldar-Major
 and Honorary Captain.
 Keane, Mr. M.
 Kikabhai Premchand, Mr.
 Lamb, Mr. W. S.
 Lindsay, Sir Darcy.
 Macphail, The Revd. Dr. E. M.
 Mitra, The Honourable Sir Bhupendra
 Nath.
 Mohammad Ismail Khan, Haji
 Chaudhury.
 Moore, Mr. Arthur.
 Muddiman, The Honourable Sir
 Alexander.
 Nasir-ud-din Ahmad, Khan Bahadur.
 Paddison, Sir George.
 Parsons, Mr. A. A. L.
 Rajah, Rao Bahadur M. C.
 Rajan Bakhsh Shah, Khan Bahadur
 Makhdum Syed.
 Rau, Mr. H. Shankar.
 Roy, Mr. K. C.
 Roy, Sir Ganen.
 Ruthnaswamy, Mr. M.
 Shah Nawaz, Mian Mohammad.
 Singh, Rai Bahadur S. N.
 Suhrawardy, Dr. A.
 Sykes, Mr. E. F.
 Tonkinson, Mr. H.
 Willson, Sir Walter.
 Young, Mr. G. M.

The motion was adopted.

Mr. President: Do any other Honourable Members wish to move any amendment to clause 4?

Mr. Jamnadas M. Mehta: Yes, Sir, I beg to move:

"That in clause 4 after the words 'subject to such conditions' the words 'as to assay, quality and fineness' be inserted."

Now, Sir, this presupposes that although the House has rejected the 1s. 4d. it will accept the 1s. 6d. ratio. I sincerely hope it will not, but in the contingency of the House accepting it I propose that these words be added after the words "subject to such conditions". This question, as the House will notice, is with reference to the purchase of gold by the Currency Authority and the condition at present imposed is "subject to such conditions as the Governor General in Council may, by notification in the Gazette of India, prescribe". Now, Sir, we want to know definitely what these conditions are going to be. It is true that we have now agreed to the fact that the Currency Authority shall purchase gold in bars containing not less than 40 tolas, but there is this qualification "subject to such conditions", and we want to be quite clear as to what those conditions are going to be. There should not be any arbitrary discretion vested in the Currency Authority on the strength of which it would reject bars except on conditions known in advance. And in order that the rights of the people who tender gold for sale to Government should be clearly safeguarded and defined, I want to propose that the conditions which the Governor General in Council may make shall refer only to assay, quality and fineness and no

other, and it should not be arbitrarily possible for the Governor General in Council to lay down such conditions as are outside these three matters, namely, assay, quality and fineness. For instance, the bar may be rectangular or not: it may be somewhat round or not; but if any definite dimension or size or shape of bar is insisted upon, then the ignorance and illiteracy of the people will prevent them from taking their gold to the Currency Authority. And if you compel them to bring the bars in a definite shape and size, then again they will not be able to come to the Currency Authority direct for the purpose of converting their petty stock of gold into currency. For that reason, Sir, it is necessary that so far as the Currency Authority is concerned, it should notify conditions only as regards its assay, quality and fineness, and no other condition should be imposed on those who bring gold bars for sale. Then only will the raiyat have an unrestricted right to turn his petty stock of gold into currency; otherwise the conditions imposed may be so hedged round this right that in practice it will be nullified and the raiyat will be deprived of his right to sell his gold. I do not think the Government themselves should have any objection, because, as my friend Mr. Kelkar has rightly said, they should themselves be anxious to increase their reserves of gold in order to hasten the day when a gold currency can be established. For that reason I think Government themselves should agree to the specification of the conditions in advance and limit the conditions which the Governor General in Council may notify. I hope, Sir, for these reasons the House will agree that the conditions which the Governor General in Council shall notify shall relate only to "assay, quality and fineness" of gold and to no other.

The Honourable Sir Basil Blackett: Sir, there is no difference of opinion between the two sides of the House in this matter. The object of the Government as the Currency Authority is that it shall be in a position to receive gold as freely and in as large quantities as it may be tendered, and the more gold there is tendered, the better the Currency Authority will be pleased. We are all in entire agreement on this point. I was interested to see that Mr. Jamnadas Mehta is now a supporter of the 2s. ratio. But even at the 2s. ratio we should want to receive gold if it is tendered. One of our objects in preferring 1s. 6d. is that we think it will be tendered. We wish therefore to get gold in as large quantities as we can. But we must be in a position to carry out our obligation. The reason why the Government preferred the figure of 300 tolas instead of the figure of 40 tolas which has just been agreed to was that it may be sure of being in a position to fulfil its obligation thoroughly and that it may not interfere too much in the retail business of buying gold. As regards these words, our intention is exactly what Mr. Jamnadas Mehta desires, namely, that the conditions should relate to assay, quality and fineness. But those words would not cover everything in the draft notification. I have actually a copy here. It deals with various matters, such as the order in which gold will be received and paid for. That is something other than assay, quality and fineness which the notification deals with. Then there is the difference between unrefined and refined gold, the charges to be levied for assay in the case of refined gold and for refining in the case of unrefined gold, the issue of provisional and final certificates of payment, the conditions under which gold brought in for sale to the Government can be withdrawn. All that would not be covered by the words "assay, quality and fineness". But I should like to assure the House that while the Government cannot accept this amendment, they are in full agreement with Mr. Jamnadas

[Sir Basil Blackett.]

Mehta that no kind of restrictions that can be avoided should be placed in the way of those who wish to tender gold to the Government, and I can assure the House that the Currency Authority will receive gold in as large quantities and as freely and with the least possible restrictions as it can. I would however ask Mr. Jamnadas Mehta in these circumstances not to press this amendment because those words will not cover all the conditions which it would be necessary to include in the notification.

Mr. Jamnadas M. Mehta: Very well, Sir, I would ask permission to withdraw my amendment.

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

Mr. President: I do not think there is any other Honourable Member who wishes to move his amendment to clause 4.

Mr. B. K. Shanmukham Chetty: Sir, is it not open to us to discuss clause 4?

Mr. President: Yes, it is open to Honourable Members to discuss clause 4 at any length they like provided they are relevant.

The question is:

“That clause 4, as amended, do stand part of the Bill.”

Mr. B. K. Shanmukham Chetty (Salem and Coimbatore *cum* North Arcot: Non-Muhammadan Rural): Sir, as you have very rightly pointed out, though the House has rejected the amendment moved by my Honourable friend to fix the rupee at 16*d.*, it does not necessarily follow that the House would be a party to fixing the ratio at 18*d.* as proposed by the Government. To the outside world it would appear that the Indian Legislative Assembly has rejected the proposal to go back to the pre-war ratio of the rupee, but it is only those who know the actual constitution of the Indian Legislative Assembly that can appraise the true value of the decision that the House has arrived at in this matter. It is a tragic sight indeed to witness that though 65 elected representatives in the House thought in one particular manner, their opinion has been overruled by 28 other elected representatives. In my calculation I do not take into account those 40 Honourable Members who voted against this amendment. I am sure some of them have voted according to their conviction and honestly thought that a 16*d.* rupee was not for the good of the country. But I cannot help thinking that at least a few of those who voted against that amendment are in the position of the famous hero of Goethe's play, 12 NOON. Dr. Faustus, who had sold his soul to Mephistopheles. They had no other option but to vote against the amendment.

Sir, it is unnecessary for me in opposing the motion that clause 4 do stand part of the Bill to repeat those arguments which have been so ably put forward by various Honourable Members on this side of the House—arguments which to my mind have not been convincingly answered by the Honourable the Finance Member. When the future historian reads the history of this debate in the proceedings of the Legislative Assembly, he cannot fail to be struck with the remarkable fact that on such an important issue, the chief spokesman of the Government did not even think it worth while to reply to the debate. He thought perhaps that arguments were of no avail (Laughter); he thought that the psychological moment had come

when heads ought to be counted, and straightaway he got up in his place and said that he did not want to exercise his right of reply. To my mind, therefore, the arguments which have been advanced in favour of a sixteen pence rupee have not been answered at all, at any rate they have not been answered in any convincing manner by the spokesmen of the Government. I would like to say a few words why the House ought not to be a party to placing the 18-pence rupee on the Statute-book. Having listened to the two speeches of the Honourable the Finance Member on the floor of this House, and having read the great many speeches that he delivered outside the House, I am led to think that the fundamental argument upon which the whole case of the Honourable Member is based, and the main justification for the step that he is taking is the first of his eleven commandments, that the rupee has no natural value beyond its actual silver content, and that any other value attached to the rupee must be of a purely artificial nature; and from this premise he proceeds to infer that there is no sanctity attaching to the sixteen pence rupee, and that he would not be violating the sanctity of any contract by changing the ratio now to 18d. Sir, I am not sure whether all of us have realized the full significance of, and the implications underlying, this statement of the Honourable the Finance Member. The statement of the Honourable Member would no doubt be true if we are beginning on a clean slate. But in the light of the currency history of India from 1899 we cannot subscribe to the dictum of the Honourable the Finance Member. The Finance Member has said that there is no natural value for the rupee. If that statement is to be accepted as correct, then we have been standing on a financial precipice all these years. If the rupee has no natural value, may I ask what has been the standard of value upon which our monetary system was based all these years? The rupee must have been linked to some standard and we have all along thought that a rupee represented 7.5 grains of gold. But the Honourable the Finance Member would have us believe that the rupee has no natural value, that there is no sanctity attaching to any particular value of the rupee. That is a proposition that we cannot subscribe to.

Our main argument against fixing the ratio at 18d. at the present moment is that by taking this step, we would be violating the sanctity of all the past contracts, that we would be bringing about a change in our standard of value—a step which cannot be justified except under very extraordinary circumstances. If you look to the history of other countries which changed their standard of value, you will find that they were forced to take that step by their financial bankruptcy. In changing their standards they always depreciated their currency. But in changing our standard of value, we are not depreciating our currency but actually appreciating it. (*The Honourable Sir Basil Blackett*: "Two shillings?"). Well, Sir, if the Honourable the Finance Member wants this House to believe that two shillings is the present value of the rupee, I may tell him that he is not serious in what he says. (*The Honourable Sir Basil Blackett*: "Statutory value".) There has been no country that has appreciated its currency under any circumstances, and India will be the first instance of a country deliberately appreciating its currency. In this connection my Honourable friend and professor, the Reverend Dr. Macphail, said that when my Lords of the Treasury opposed a similar proposal in 1879, they were actuated by the mid-Victorian theories of *laissez faire*. He further proceeded to say that there was no sanctity attaching to any standard of value, and based his argument on the quantitative theory of money. With due apologies

[Mr. R. K. Shanmukham Chetty.]

to my professor, I have to say that his teachings on economics have made me learn quite the opposite of what he himself has perhaps been teaching (Laughter). I cannot understand how a step in the direction of appreciating the currency can be justified on the quantitative theory of money. Broadly speaking, the advocates of the quantitative theory of money say that the commodity value of currency varies with the actual quantity of currency that exists for the time being. But I cannot understand how those who believe in this theory can justify a deliberate change in the standard of value which the present measure is attempting to do. I submit, Sir, that this House ought not under any circumstances to be a party to this very drastic and unwarranted step.

In the attempt to fix the rupee at 18*d.* I am afraid one very essential factor has not been sufficiently taken into consideration, and that is, the probable future course of gold prices in the world. Even when the Babington-Smith Committee made their recommendation to fix the rupee at two shillings, they thought that they were justified in recommending that step on the ground that gold prices had gone up very nearly 100 per cent. They were careful to say that if there was a considerable fall in the gold prices in the world, then their recommendation to fix the ratio at 2 shillings would have to be reconsidered. This aspect of the future course of the gold prices in the world has not been sufficiently considered in the attempt that the Honourable the Finance Member is at present making. The other day speaking on the Reserve Bank Bill, I said that during the last one year and more there has been a steady fall in the gold prices, and my Honourable friend the Finance Member challenged that statement. I quoted for his edification the index numbers of the United States Bureau of Labour and proved that there has been a steady fall in the gold prices in the world. Since giving those figures to him I got a few other figures given in the Indian Trade Journal for 1927. It gives certain index numbers of wholesale prices in Calcutta:

The index number of cereals for January 1925 was 135, in December 1926, 133.

Oil-seeds in January 1925, 153, and in December 1926, 137.

Raw jute in January 1925, 118, and in December 1926, 89.

Raw cotton in January 1925, 212, and in December 1926, 119.

Hides and skins in January 1925, 127, and in December 1926, 118.

From these index figures, Honourable Members will realise what a fall there has been in the gold prices in the world from January 1925 to December 1926. I have also got with me the wholesale prices of certain staple articles in the Calcutta market. I do not propose to give all these figures. If you take the example of raw jute it was Rs. 16-4-0 per maund in January 1925 and in November 1926 it was Rs. 11-12-0 per maund. The tendency has been, as exhibited by these figures, in the direction of a steady fall in the gold prices in the world, and experts who are expected to know the course of gold prices have prophesied that there will be a still further fall. If that were to happen, then woe unto the Finance Member, who would have to keep the rupee at 1*s.* 6*d.* Professor Keynes speaking about the appreciation of the sterling that was brought about in England in 1925 makes the following remarks.

The Honourable Sir Basil Blackett: May I inquire, Sir, whether all this is entirely relevant. It seems to me that these are still arguments for 1s. 4d. which the House has rejected.

Mr. R. K. Shanmukham Chetty: I am giving the Honourable Member very relevant and very sensible arguments as to why he should not keep the rupee at 1s. 6d. I am trying to prove to him that if the course of the gold prices in the world is any guidance for us then it will be very difficult indeed to maintain the rupee at 18d.

An Honourable Member: What is your proposal?

Mr. R. K. Shanmukham Chetty: My proposal is to go back to 16d.

The Honourable Sir Basil Blackett: The alternative to it is to leave 2 shillings on the Statute-book now. Therefore, arguments in favour of 1s. 4d. are, I submit, after Tuesday's decision, repetitions.

Mr. R. K. Shanmukham Chetty: I do not object at all to the Honourable Member keeping 2 shillings or even 4 shillings on the Statute-book.

Mr. T. Prakasam: The two shillings rate was a dead letter on the Statute-book.

Mr. R. K. Shanmukham Chetty: Mr. Keynes says:

"If, therefore, you fix the exchange at this gold parity, you must either gamble on a rise in gold prices abroad, which will induce foreigners to pay a higher gold price for our exports, or you are committing yourself to a policy of forcing down money wages and the cost of living to the necessary extent."

Any attempt to appreciate your currency is therefore a gamble in the gold prices in the world. If gold prices rise no doubt the Honourable the Finance Member is safe. But even then, the people of India, though they may not feel the loss, will yet be deprived of the legitimate gain to which they are entitled. This House cannot be a party to such a gamble in the future gold prices, and I submit that it would not be possible to maintain the 18d. ratio for long. It will have to break down sooner or later as the 2 shillings ratio. Even the Hilton Young Commission realised the possibility of a future fall in the gold prices and they took satisfaction in the thought that, if there was a further fall in gold prices, India would have to suffer with the rest of the world and nothing more would happen. But then they failed to realise that if there be a further fall in the gold prices India will not merely be suffering with the rest of the world but be suffering 12½ per cent. more than the rest of the world as a result of the appreciation of her currency. If the 18d. is to be maintained, it will have to be done either by exporting gold from India or by borrowing in the London money market. I am sure, Sir, that this House will not be a party to either of these steps. We believe that it would not be possible to maintain the exchange at 18d. without resorting to one of these two methods. The history of currency and exchange in this country has been alternately an experiment by amateur and expert Finance Members. It has been a history of blundering and plundering—to use the words of a famous English statesman. This country suffered greatly as a result of the policy of blundering during the regime of the predecessor of the present Finance Member, and I put it to the House whether they are going to be a party to the policy of plunder that is to be inaugurated. To those who out of conviction voted against 1s. 4d. I make this appeal. I concede that they honestly thought that 16d. ratio was not for the good of the country. They took a great responsibility on their shoulders in voting against that amendment. Should they

[Mr. R. K. Shanmukham Chetty.]

take upon themselves also the responsibility of putting the 18d. on the Statute-book? If 18d. is to be maintained, let that responsibility be on the Finance Member and let not the House be a party to it. I therefore appeal to the House to reject clause 4 of the Bill.

Nawab Sir Sahibzada Abdul Qaiyum (North-West Frontier Province: Nominated Non-official): Sir, I do not want to enter into a debate of this technical nature. It is only in the way of a personal explanation that I am going to say a few words. I have noticed, Sir, that in this House every now and then remarks are made by Honourable Members on the opposite side questioning the honesty of people on this side about voting, and though I do not hold any brief for the whole lot of Members sitting on this side, still I think I owe my friends on the opposite side a little explanation at least about myself. Sir, experts have crossed swords on the floor of this House, and very highly qualified people like Mr. Jinnah have also spoken on this complicated subject of currency and ratio but the points which puzzle a layman like myself are not yet cleared, and I should like to put those points before the House in very simple language and not in classics or in technical language that is being used in this debate.

Questions were put by Sir Purshotamdas Thakurdas and the Honourable Sir Basil Blackett, but they were too difficult for me to understand, and so were the answers that followed. I will therefore use my own language in putting those questions. The first point which has not yet been made clear for men like myself is that while every country is trying to appreciate its currency, why should we be trying to depreciate it? To my mind it is the depreciation of our currency that the members opposite are trying to secure. The second point which puzzles me, Sir, is, that if it is a barter between silver and gold, or the purchase of gold by the silver rupee then why should we pay a larger quantity of silver for the gold that we are buying, and it really comes to this since Government has offered to sell gold bullion for rupee currency? If we can get the 7 or 8 grains of that gold for Rs. 13, why should we be forced to pay Rs. 15 for it? These are the simple questions that puzzle me. I may be wrong—(to Sir Purshotamdas Thakurdas). You are laughing, Sir, but these are doubts which I really entertain.

Sir Purshotamdas Thakurdas: I assure my Honourable colleague that I am not laughing.

Nawab Sir Sahibzada Abdul Qaiyum: Then why should we pay more for that quantity of gold that we want to get? We are told, and it seems to me the main point at issue in this debate, that exports are greater than imports and so we shall lose—God knows in what way: I cannot follow all the reasonings, but supposing that we shall be losers, which is not quite clear to me—I do not want to touch the technical part of it, and will simply confine myself to the main principle—why should we depend always on income from our exports? Foreign markets may be closed to us at any time. My experience of the past three or four years in this House is that the Honourable Members on the opposite side are ever anxious to restrict the export of raw materials as far as possible, and this is the only occasion of a matter of general application on which they want exports to increase. I can see that perhaps by demanding Rs. 15 for a certain quantity of a commodity we shall be discouraging foreign traders in ordering our products and the

exports will decrease, but I would not be unhappy if exports are discouraged and we are allowed to use those products in our own country. It is just possible that our manufacturers may not be able to compete with goods coming from across the seas, but why should our Swarajist friends object to it when it will only encourage home and indigenous industries and possibly the "charkha"? This is an opportunity for them to keep the products of the country for the use of the country. It may possibly put my friend on the right, Sir Victor Sassoon, and other millowners or middlemen to some losses, but it will surely keep down the prices and keeping down the prices in the country will encourage indigenous industries and home manufactures. Of course we may not be able to put on very fine clothes but there will be a chance for my dear friends the Swarajists if they want to use "Khaddar". But please do not inflate the currency. What will be the result of more money coming from abroad? There will be the so-called increase of wealth in the country but the products of the country will be the same and you will only be inflating your currency and instead of getting Rs. 13 for a pound you will be getting Rs. 15 and thus raising the cost of living. You may possibly later on, as in the case of the German marks, the French francs and the Russian roubles, be dealing in larger figures of rupees and will perhaps have to cut down the figures by dealing in thousands only instead of units and this will be the wealth you will be accumulating for your country. These are my doubts and that is how a layman thinks of the eventual effect of the lower ratio in the country.

One word more and I am done. I hope you will give us a little credit, if not for honesty, at least for our ignorance, as compared with some of the Honourable Members on the opposite benches.

Mr. Fasal Ibrahim Rahimtulla (Bombay Central Division: Muhammadan Rural): Sir, I rise to oppose clause 4 of the Bill, and before I go into the subject I wish to say on the floor of this House to my friend, Sir Abdul Qaiyum, that there is no desire on the part of this side of the House to doubt the honesty of the nominated Members of this House; but we feel that by virtue of their being nominated Members they are debarred from giving that consideration which is due to such an important subject by not taking part, or not being able to vote as is expected of them, or the country would like them to exercise their vote, in the best interests of the country.

Sir, the Honourable the Finance Member wants this House to consider this question on its own merits, and in the best interests of the country. If that is so, may I ask him why he has taken such a leading part in the debate and shown persistence in the 1s. 6d. ratio? If he were to say, "Let the representatives of the country in the Assembly decide the question, while the Government Members will be neutral on the subject, I assure you that I would appeal to my Swarajist friends not to make this a party question but leave it to the discretion of the people to vote in the best interests of the country, and I would like Mr. Cocke to realise that I do not debar European elected Members of the House in that. But having regard to the fact that personality has played so prominent a part in the discussion of such great importance, the whole point to my mind is that I shall appeal to my friends here that if they think, which I think they do, honestly, that 1s. 4d. is not the proper ratio for this country, that they will not be a party to an exchange or ratio of 1s. 6d. which will make India lose 50 crores of rupees every year. It is a matter of regret, Sir, that the Moslem Members of

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this House have been made a target in this country and that they have been accused of blindly following the Government Benches (*An Honourable Member*: "Not all of them"). I shall tell them that the Muhammadan Members must think that this is not a racial question, that this is a question which one has to consider for the best interests of one's country and that in that country there are Muhammadans as well as Hindus.

Mr. K. Ahmed (Rajshahi Division: Muhammadan Rural): Because Muhammadans are almost all agriculturists.

Mr. Fazal Ibrahim Rahimtulla: Muhammadans are agriculturists, and Hindus are not agriculturists? Mr. Kabeer-ud-din Ahmed should try and give serious consideration to this debate instead of talking in this ridiculous manner.

Mr. K. Ahmed: There are many Muhammadan agriculturists in proportion to their numerical strength. The attack on me is unjustified as my friend is suffering from hydrophobia it seems.

Mr. Fazal Ibrahim Rahimtulla: I did not expect this language from a barrister friend in this House. He must realise that this is a question where the country's welfare is concerned and not trot out these ridiculous expressions from time to time

The Honourable Sir Basil Blackett: Is the Honourable Member in order in calling a Member ridiculous?

Mr. President: The word "ridiculous" is not applied to the Honourable Member but to the word "expressions" and is not unparliamentary.

Mr. Fazal Ibrahim Rahimtulla: Now, I should like to tell the Honourable Member why I am opposed to 1s. 6d. and I shall show, according to his own theory, that it is not advisable to have 1s. 6d. at the present juncture. He has presented a Budget in which he tells us that if you accept the 1s. 6d. rate there will be a surplus of 5 crores, and if you have a ratio of 1s. 4d., you have a loss of 5 crores. Well, Sir, according to his own theory, if we have 1s. 8d., there will be a surplus of 10 crores

The Honourable Sir Basil Blackett: No, entirely wrong.

Mr. Fazal Ibrahim Rahimtulla: If we have 1s. 10d., we shall have a surplus of 15 crores and with 2s. 3d. we shall have a surplus of 20 crores.

The Honourable Sir Basil Blackett: The Honourable Member is entirely wrong, the loss is mainly due to disturbing stability. The Honourable Member used the right adjective to describe this argument of his when he applied it to Mr. K. Ahmed.

Mr. Fazal Ibrahim Rahimtulla: It is for the Honourable Member to say what he likes, but it is for the House to judge which is the better argument of the two. There is a great deal of suspicion, as pointed out by my friend the Honourable Mr. Jinnah, that though the Honourable the Finance Member would like to put down a natural ratio for this country, he is debarred from doing so by other considerations, and I shall, Sir, take the opportunity of reading to you a small paragraph from clause 88 of the extract from the Report of the Joint Select Committee of the House of Lords and the House of Commons, which was appointed to consider the Government of India Bill, 1919. It says:

"Nothing is more likely to endanger the good relations between India and Great Britain than the belief that India's fiscal policy is dictated from Whitehall in the interests of the trade of Great Britain."

I say, Sir, unless you are willing to work in a spirit of good-will for the best interests of this country, the motives and intentions of Government will always be suspected. Here I say to the Honourable the Finance Member that, if he wants, as he has said outside this House and inside it, this question to be considered in calm deliberation without any consideration of personal feelings, without the prestige of Government being involved, he must say that the Government on this question will remain neutral and let the representatives of this House, the representatives of the nation, decide which is the best ratio for their country. It is after all they who are concerned and not the Government of India. I would say, Sir, that the Government of India's name is a misnomer. It should be called the Government of England in India. This is the exact name for the present Government attitude towards the country, and I hope, Sir, this House will not be a party to it. If they are not willing to agree to the 1s. 4d. rate, because they think, with which I do not agree, that it is not in the interests of the agriculturists in the country they must not agree to the present clause 4 of the Bill. But I warn them that, before they think that 1s. 6d. should remain on the Statute-book, they should give that consideration to the subject which is due to this House and to the country and that they will not squander away Rs. 50 crores annually without even giving a thought to

to

Mr. K. Ahmed: Capitalists are not of this country.

Mr. T. Prakasam: Sir, clause 4 of this Bill deals with two points, one about the ratio, and the other the obligation on the part of the Government to purchase gold when offered in a particular quantity. For purchasing of gold, the limit fixed by the Government is 1,065 tolas in bars. The amendment that has been accepted by this House has limited it to 40 tolas. It is that clause as well as the clause relating to the ratio that is now before this House for final consideration. You have to consider what the effect of this would be when it is passed. There is another clause which the Government will insist upon, for demonetizing the sovereign. This clause fixes on Government the liability to purchase silver in quantities of 40 tolas whenever required. My feeling is that if this is passed there might be a conflict at a later stage when the clause relating to the demonetization of the sovereign comes before you. This clause might conflict with gold standard and gold currency when that is placed before the House. Therefore I submit that this clause, so far as it relates to the purchase of gold in 40 tolas, should be rejected altogether in the first place. If that is not possible, if we have to accept it, it must be limited to 40 tolas

Mr. President: Did the Honourable Member vote for 40 tolas?

Mr. T. Prakasam: I did vote. Sir; I did vote for 40 tolas when it was thrust upon me and I will stand by it and I will adjust my position later on, but I hope it will not be necessary.

Then, Sir, as regards the question of ratio this House has not given its final decision. This is the stage at which you have to consider it. My Honourable friend Mr. Rahimtulla has addressed you at length as to the consequences that would ensue if you should accept the 1s. 6d. ratio. I am not here to speak for the Bombay millowners or for the capitalists. I have been giving my best consideration to this question from the standpoint of the poorer classes, agriculturists as well as labourers, for whom so much solicitude has been evinced latterly by the Government

Mr. K. Ahmed: But that is a fact.

Mr. T. Prakasam: It is stated in the Budget that there would be a deficit of over 5 crores if the 1s. 6d. ratio is not accepted by this House. The consideration of this Bill has been adjourned to the middle of the Budget and sanction has been demanded at the point of the bayonet. If by accepting 1s. 4d. the deficit, as pointed out by the Honourable Member, would be over 5 crores in this Budget, what would be the total losses sustained by this country, not only for this year, but for future years? How many crores and crores of rupees will it be, you will have to consider? I shall try at this final stage, without wandering into irrelevant matters, succinctly to place certain new positions before you

Mr. President: Order, order, address the Chair please.

Mr. T. Prakasam: The ratio question, Sir, deals with two aspects. The first is whether a higher ratio is beneficial to a country like India, situated as it is, or a lower ratio on general principles. I would submit to the Honourable Members of this House that, so long as this country is subject to the British Parliament in England, so long as the trade of this country, the finances of this country are controlled from London, India stands quite in a peculiar situation. Sir Abdul Qaiyum was asking why, when all countries are asking for appreciation, should India be for depreciation? If it is Sir Purshotamdas Thakurdas, Mr. Ghanshyam Das Birla, and Sir Victor Sassoon that are pressing for this ratio of 1s. 4d. on this country with a view to get some benefit for themselves, without any regard to the country's interests and to the interests of the poor people, I should be the last man to get up here to speak in support of this proposition. I shall be showing to you some disinterested evidence. A portion of it has already been read to you. That related to the year 1879 and it was referred to by Pandit Madan Mohan Malaviya

Mr. President: On this side please.

Mr. T. Prakasam: I will now place before you, Sir, the evidence of quite disinterested witnesses to show that this country would suffer by the adoption of a higher ratio, and in this particular case by the adoption of a ratio of 1s. 6d. I place before you the opinion of disinterested Englishmen who stated that by the adoption of a higher ratio the Government would be following a fatal course so far as the interests of this country are concerned. In 1898, there was a Currency Commission called the Fowler Committee; that Committee made certain recommendations; and I may say here, in passing, that if there are any beneficial recommendations by any committee they are always ignored by the Government; but if there are any reactionary recommendations they are immediately introduced in the form of a Bill and thrust upon this House and upon the country through this House. The Fowler Committee considered and submitted its Report in 1898. On that Committee there were two English gentlemen as members who recorded their opinion as follows—and I would request the attention of the Honourable Members of the House to this valuable opinion given by disinterested Englishmen who had no idea other than the interests of the poor people of this country.

Mr. Campbell and Mr. John Moore, members of the said Committee, did not agree to the 1s. 4d. ratio; they wanted to reduce it to 1s. 3d. Their objection to 1s. 4d. was on the ground of, firstly,

“its effect as an unfair tax on native production, while conferring a bounty on imported goods. It is not a sufficient reply to this to say that as imports are paid for

by exports the gain and loss to the community are equal. This is evident when we consider that the native producer is the class which loses while the class which gains is the consumer of imported goods. It can never be sound policy to handicap native industry while giving a bounty to foreign imports; and in the case of India with large foreign obligations which can only be met by surplus exports of produce it would be a fatal course to pursue."

Now, Sir, I request you to consider whether it is not a fatal policy for you, who have been returned by your constituents to this House, to vote for the 1s. 6d. ratio which would cause so much loss to this country. It is not because any of these Honourable Members from Bombay, against whom so much of storm has been kicked up in this country, backed up this particular ratio that I am appealing to you to throw out this 1s. 6d. ratio, but it is because the increased ratio is detrimental to our interests, so long as it is the fate of India to meet annually her foreign obligations by sending so many millions of pounds from here and so long as these obligations can largely be met only from our surplus export proceeds. And if the exports are smothered, and if you sustain losses, wherefrom will you send your monies?

Nawab Sir Sahibzada Abdul Qaiyum: Will you like to be dependent for ever on your export income? If that is so, then you will never be self-contained and self-supporting, and we shall always be looking forward to getting more and more money from abroad.

Mr. T. Prakasam: I am submitting exactly the same thing. If we can understand each other, we meet at the same point. Now, Sir, by this 1s. 6d. ratio, who are the gentlemen who will be immediately benefited, I would request you to consider? (*An Honourable Member from the Official Benches:* "The labourer.") There is a cry saying that labour will be benefited. Certainly the interests of labour must be looked to by all of us. Labour can live in this world only so long as there is work available for them. If there is no capital, if there is no work, if there are no industries to employ labour, if there is no business, if there is no cultivation, my friend Sir George Paddison cannot give money to the labourers; he cannot find the money to pay them. The labour must have work in the first place. So it is in the interests of labour itself that we should consider this question and adopt the ratio of 1s. 4d. and see that work is not taken away from them. There are boats waiting at Calcutta; there are boats waiting at Coconada; there are boats waiting in several other ports to take away all the labour that has been left on the streets by all these patrons of labour. When there is no employment here the labourers will have simply to get into the boats and cross the sea, get into Burma and then drift into the streets without any work and suffer there. Similarly, our labour is taken to several other places. Therefore, it is in the interests of labour itself that we should see that there is work given to them in this country. If we accept that proposition, then the 1s. 4d. ratio is the only ratio that will be beneficial to this country. If you destroy the work itself, the labour will go out of the country altogether. Now, I want the House to consider who are the persons who would be immediately benefited by this 1s. 6d. ratio? First of all, it will be His Excellency the Viceroy and Governor General who draws a salary of Rs. 20,000. Next to him comes my friend, the Honourable Member in charge of this Bill, who draws over Rs. 6,000; then there is our distinguished friend and Leader of the House, Sir Alexander Muddiman, who also draws over Rs. 6,000 a month. When they send money from here to their country, they will be benefited immediately you pass the 1s. 6d. ratio. Their salaries are fixed here, and all their savings are sent to

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England. For every Rs. 13-5-4 remitted from here they will get one sovereign from our own reserves at the 1s. 6d. ratio. But if the ratio is 1s. 4d. they will have to pay Rs. 15 in order to get one sovereign. Therefore, the House will see that when Rs. 20,000 is sent, there will be a difference of 1/8 per cent. Therefore, it is these highly paid officials who will be benefited by the 1s. 6d. ratio. We can very well understand why they have come almost to death-grips on this question of the higher ratio. That is the real position. In 1886, Sir, there was a communication from the India Government to the Secretary of State for India. This is the substance of that communication:

“ Serious inconveniences were suffered by the Financial Department of the Government and by the Anglo-Indian official community owing to the fall in the gold price of the rupee.”

I request the attention of my friend Sir Abdul Qaiyum who has honest difficulty in understanding the position in the country now. Here is a communication from the Indian Government to the Secretary of State for India. It says that “serious inconveniences were suffered by the Financial Department of the Government and by the Anglo-Indian official community owing to the fall in the gold price of the rupee”. It is the Anglo-Indian official that suffers if you accept 1s. 4d. the lower ratio.

1 P.M. That is the reason of this anxiety to thrust it at any cost upon us. Now, Sir, as regards the voting on the last occasion there was a difference of 3 votes. My Honourable friend Mr. Jinnah in his splendid address to the House before first voting referred to the lobbying and to the canvassing that was going on in the lobbies. Just now during the division that was called in this House on clause 4 I was passing along there at that door, and I found an Honourable Member who went to vote on our side standing mute between two sentinels at the threshold; and he did not know whether to go in to vote on our side or proceed back to the other side. Just then I happened to be there and said “Why do you hesitate?” and I was about to touch him with a view to hearten him. At once I was warned by sentinels beforehand that I should not put my hand upon him. I knew the British etiquette. I had been in their country, so I did not lay my hand on him. But I said “Be strong, Don't be weak! Do not be carried away against your will”. Then he crossed over and voted on our side. So, Sir, when such is the nature of canvassing with three votes to their credit is it up to the Honourable the Finance Member to tell this House to-day that the question has been decided—“Why do you argue again; it must be taken as a settled fact?” Now I appeal to every one of you. I do not say anything about what induced you to take the view you did last time.

Mr. President: Order, order. The Honourable Member must address the Chair.

Mr. T. Prakasam: I beg your pardon, Sir. I do not mind what happened last time. I would therefore ask you this time to consider the facts which I am placing before you. If the loss was shown to be over 5 crores of rupees if the 1s. 6d. ratio was not accepted, what should be the general loss to the country for now and for the future if the 1s. 4d. ratio is not accepted? What has been the loss sustained already by the country on account of the painful process of deflation resorted to by the Honourable the Finance Member to maintain the artificial ratio, at 1s. 6d. for over 1 year? (*The Honourable Sir Basil Blackett*: “2 years”) I beg

your pardon, for over 2 years. I have got here a note from the *Times of India*, dated the 25th December 1926. This is what is written in it:

"The total deflation since 1st April is now in the vicinity of 30 crores of rupees."

Within nine months the Honourable the Finance Member had to waste 30 crores of rupees to sustain this artificial ratio of 1s. 6d. at that level. The Government deposits at the Bank have owing to this deflation run down to the very low figure of 3.8 crores. No one contends that the Finance Member has not got the power to resort to deflation. The Government took good care in time to create such power for themselves though wrongfully but it was never intended that such power should be abused. The charge against the Finance Member is that he has been guilty of gross abuse of the power vested in him. It is contended that the silver rupee has no other natural value than that of the silver bullion it contains. Granting it, is it wrong to say when that value of the rupee was maintained so long—from 1899 to 1917—for nearly a period of 18 years at 1s. 4d., is it wrong to say that it has acquired the character of the standard unit of value for measurement of goods in our country? In any case there is more warrant for regarding 1s. 4d., which has held the field for over 19 years, as the natural value of the rupee than 1s. 6d., which was painfully reached in the face of continued and strenuous protest and agitation and which has been maintained for some time by the Honourable Sir Basil Blackett, almost with an obstinacy the like of which you cannot imagine to prevail in any other country? Can 1s. 6d. by any stretch of imagination be regarded as a natural ratio? Do you regard the ratio that has been artificially sustained at the cost of 30 crores in the short space of 9 months, the ratio that has had to be kept up with such a large deflation of currency in a year of good monsoons, and that coming after six successive favourable monsoons and which in its train has reduced Indian industry and agriculture to such straits—do you regard this ratio of 1s. 6d. as a natural *de facto* ratio? Has not England put forth tremendous efforts to go back to her pre-war standard value at 113 grains of fine gold, which has been the established standard of monetary payments in England since Lord Liverpool's Act of 1826? When from 1826 they were having a gold standard and gold currency and an established ratio in England why should they not have introduced the same in India in 1870, in 1893, in 1899, in 1906 and in other years in every one of which they had attempted to introduce some measure or other for amending the existing law particularly, when people have been demanding it? Why should India have been made the victim of the caprice of the bureaucracy? I leave it to you to decide. It was urged that one ratio cannot be more beneficial than another. If one ratio cannot be more advantageous than another, still there is what is known as stabilisation of the currency system. The Currency Commission advised immediate stabilisation. Stabilisation means a stable relation of the local standard of value to gold or international currency. That stable relation from 1899 has been 1s. 4d. or one-fifteenth of 113 fine grains of gold. This was disturbed only during the abnormal and perturbed conditions of the War and the events that were as a consequence forced upon this country, partly by the Babington-Smith Committee and partly by this Assembly when it altered the ratio by passing the Indian Coinage Act XXXVI of 1920. The gravest mistake in passing this amending Act was committed in linking the rupee in 1920 to 2s. gold. The only memory that is now left with us of this unfortunate development is the ruin of many Indian merchants, the loss of several crores of rupees to the Indian tax-payer, and finally

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the desperate abandonment by Government of that ill-fated ratio of 2s. which has been a dead letter on the Statute-book. When that is the fate of that 2s. ratio, the Honourable Sir Basil Blackett gets up to-day believing that we are all so many ignorant children here and says to my Honourable friend Mr. Shanmukham Chetty "If you interrupt this 1s. 6d. ratio there will be the 2s. ratio still remaining on the Statute-book." (*The Honourable Sir Basil Blackett*: "Hear, hear!") "The 2s. ratio in the Statute-book, Sir, is a deadweight which you have not been able to move this side or that. (*The Honourable Sir Basil Blackett*: "Not necessarily"). I shall tell you the story of the 2s. ratio in the Statute-book. The Government wanted to kill the sovereign before inducing this House to accept it as equivalent to Rs. 10 at 2 shillings. I shall give you just in a minute the history of this.

Mr. President: Is there any chance of the Honourable Member finishing before the recess?

Mr. T. Prakasam: Sorry, Sir. I will not be more than 10 or 15 minutes. You must bear with me; I must request your patience for a minute. The Babington Smith Committee said in paragraph 79 of their Report.

"The revaluation of the sterling investments in gold reserve at 2 shillings to the rupee will lead to a deficiency amounting to Rs. 38.4 crores in the result."

I submit, Sir, after the 2s. ratio was introduced and after the Rs. 15 rate was reduced to Rs. 10, in the Act, what was valued at the Rs. 15 rate before that had to be revalued at Rs. 10. When it was revalued, the deficiency in revaluation on account of a reduction of Rs. 5 for every Rs. 15 was over 38 crores. If that was the loss on that single item, what must have been the losses sustained by the merchants, agriculturists, traders and all other classes? I leave it to the House to imagine. The Rs. 15 rate was in the Act before 1920. So long as Rs. 15 was in the Statute-book, there was a legal obligation on the part of the Government to accept and maintain that rate. They wanted a way to get out of it. In virtue of the powers vested in the Governor General in Council under section 72 of the Government of India Act, an Ordinance was passed in June 1920. From Simla a notification was issued, called the Gold Ordinance, declaring that gold coin shall cease to be legal tender after three weeks from that date and that those who desire to convert sovereigns into paper currency should present the same at the Government Currency Office within three weeks or 21 days. If they were not presented within 21 days, they would cease to be legal tender. If they were presented within 21 days, they offered to give currency paper in return at Rs. 15 per sovereign. After reducing the sovereign from Rs. 15 to Rs. 10 value, after demonetising it, after killing it, taking the life out of it, and after reducing it to a dead-weight, the Government introduced a Bill in this House to amend the Act by reducing the fifteen rupees rate to ten rupees within three months from the date of the Gold Ordinance, and this House had to pass it into law. The fate of the 2s. ratio thus introduced in the Statute has been already stated and the fate of the 1s. 6d. ratio will be something worse than that if forced into the Statute. I would appeal to all, for Heaven's sake, not to accept the

1s. 6d. ratio. I would appeal to those of you who were not convinced on the last occasion to revise your opinion and support the 1s. 4d. ratio, which is the most beneficial for the country.

Rai Bahadur Tarit Bhusan Roy (Bengal Mahajan Sabha: Indian Commerce): Sir, I feel that I shall not be justified in recording my silent vote in a matter of such importance to the country. The question of fixing the ratio at 18d. has been the theme of animated controversy in this House. An intensive propaganda has been carried on throughout India with regard to this matter. There are some who seem to think that having now settled down after passing through a perilous period of uncertainty and instability, it would be injurious to the interests of India to launch into another period of uncertainty now. Do the masses and the capitalists, the investors, merchants and the teeming and toiling tillers of the soil in India stand on a common ground in this matter? Can they look at it from the same angle of vision? That is the plain issue before us. I think and honestly believe that the only answer that can be given to this question is a plain "No".

Sir, I do not stand before you to-day as a party man. I regret, however, that in spite of my best endeavours it has not been possible for me to agree with the view which has been put forward by my esteemed friends on the other side. I do not for one moment doubt the sincerity and honesty of my friends. It may be that I am mistaken in my view, but I believe that the depreciation of the rupee from 8.4751 to 7.5334 grains of gold by reducing its gold value from 18d. to 16d. will be calculated to injure the interests of the suffering millions of this impoverished country.—(An Honourable Member: "Question?")—where the average annual income per head ranges between Rs. 20 and Rs. 27 a year and where no less than 40 millions of our people live on one meal a day. Sir, I myself am a business man, but I say this openly and in perfect honesty that in a matter of this kind I should subordinate my own private interests to the higher interests of the poor. It will be cruel if I do not do so. I believe that the reduction of the rate of exchange to 16d. will lead to the immediate rise all round in the prices of the necessaries of life to the consumers, namely, the agriculturists, who are credulous and voiceless.—(An Honourable Member: "How?")—the middleclass men, the wage-earners all of whom will at once realise and find to their misery and disappointment how the depreciation of the rupee has affected them adversely. Sir, it is known to us with what patience and with what composure our countrymen are enduring in silence the remorseless pinch of high prices. We know, Sir, how painful it was for them to struggle for existence when the prices of necessaries of life went up in India during and sometimes after the last great War. (An Honourable Member: "Crocodile tears.") It was my painful duty to point out to the Fiscal Commission how the Bombay and Ahmedabad quotations of the 29th July 1921 showed that the average rise in the value of cotton mill shares had been so fabulous as 600 per cent. in Bombay and 850 per cent. in Ahmedabad. Knowing that we have to depend so largely upon imports, is it desirable that we should do anything which would increase the prices of the necessaries of life? (An Honourable Member: "What about exports?") I am coming to that. I think I shall not be wide of the mark if I say that we shall stand to lose several crores of rupees on our present scale of imports. I wish there could be a chance of making Rs. 40 crores

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cut of our exports. It is my honest belief that a policy of inflation leading to the raising of the price level may be welcomed by the business man as it would increase his profits. But will the agriculturists who are as much consumers as middle class men and who are already groaning under the weight of all-round high prices like it? I do not believe it. I have always advocated low prices of the necessities of life in India. It is not true that the agriculturists would lose heavily if the exchange is fixed at 18d. I do not think that the agriculturists have any concern with the foreign market. So far as rice or jute is concerned I know it as a fact that the producers, the cultivators, have nothing to do with the ratio. - It is obvious that when the purchasing power of the rupee is reduced prices are bound to rise all round. Will this benefit the masses? It will certainly benefit those like us who revel in high prices and high profits. We cannot disguise the fact that the prices of other foodstuffs which are not exportable, for instance, vegetables, fish, etc., will correspondingly increase as a matter of course. This is a stern fact. It has been said with great warmth and vehemence that the agriculturists would be ruined unless the exchange is reduced. The prices of the produce of the land are regulated not by the ratio of exchange, but by the law of demand and supply. That this is so will be abundantly clear from the fact that although the ratio stood at 18d. for the last two years the prices of jute went up to Rs. 30 a maund last year and came down to Rs. 12 a maund this year. Sir Sivaswamy Aiyer is also of opinion that the fixing of the exchange at 18d. would benefit the agriculturist. He has to buy more things than he can produce. It is a fact that out of a total export of Rs. 140 crores worth of jute, rice, tea, ropes, cereals, oils, cakes, goats skins, myrabolams, opium, etc., Bengal is practically free from outside competition for her commodities worth about Rs. 121 crores, and considering that the price of rice is also determined by the internal price, it may be rightly said that she is not affected by the exchange ratio for her exports. I think the advantage which is likely to be gained by the depreciation of the rupee is in respect of about 15 crores of rupees worth of commodities, which would come to something like 2 to 3 crores. Let us now turn to her position regarding imports. Bengal imports about 90 crores worth of merchandise and about 2 crores worth of silver and bullion. Of these goods the cultivators directly consume about 24 crores of rupees worth of goods. Thus the extra cost to the cultivators will be about 3 crores of rupees. As the principal source of wealth of the province is agriculture, the balance of the extra cost for depreciation of the rupee, namely, about 8 crores, will also fall indirectly on the agriculturists. Besides these imports of merchandise Bengal has invisible imports of about 45 crores of rupees, on which also there will be a further loss of 5½ crores of rupees. Thus there would be a sure loss of about 17 crores on the imports against which a possible loss of about 2 crores or a little more on her exports due to the depreciation of the rupee has to be set off. As a matter of fact Bihar and Orissa and Assam stand on the same footing as Bengal. (*Several Honourable Members*: "No, no. Do not speak for Bihar and Orissa.") That is my honest opinion and I have said it. One word more and I have done. I want to make my position clear on the floor of this House. I owe no allegiance to anybody except my conscience in all matters. (Applause.) And I can assure you, Sir, that in exercising my vote I shall do so undaunted by

the frowns and unsmiled by the smiles of the official or the other blocks.
(Applause.)

(Several Honourable Members moved that the question be put.)

(Other Honourable Members stood up to speak.)

Mr. President: I see so many Members getting up, I cannot put the question. If Honourable Members desire to continue the debate it must be after the recess.

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

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

Pandit Motilal Nehru (Cities of the United Provinces: Non-Muhamadan Urban): Sir, I had made up my mind to take no part in the debate on this Bill as the views I entertain are not in perfect consonance with either of the two views which have been expressed in this House; and if I rise to speak now, it is because I think we have arrived at a stage where the two opposing views may be reconciled without doing much violence to each other. But before I proceed, I should like to make my position clear. I have been credited in the Press with being an advocate of the 1s. 6d. ratio, and I have been supposed in certain quarters to be just the reverse. Now, Sir, I am free to confess on the floor of this House that neither statement is true. I have considered as carefully as I could the Report of the Currency Commission and the very able speeches that have been made on the floor of this House, but I have invariably risen from a study of both with the one conviction in my mind, that there has been no necessity made out for any legislation on this point. Sir, I have listened with great respect to the 18-penny knight, and I have also listened with great respect to the 16-penny knights: and I must say that there is much in what both of them have said which is entitled to our very careful consideration. But after hearing both, and after listening to the other speakers, I still retain the belief that there is absolutely no necessity for us now to pin ourselves down either to 1s. 4d. or to 1s. 6d. It has been remarked by various speakers in the House that all this is for the transition period, that things are bound to settle themselves after, some say four years, others say seven years, and yet others say a longer time. All the dispute therefore is as to what is to happen during this interim period? Now, we have survived without any fresh legislation the intended effect of the lost piece of legislation on the subject which remained a dead letter, namely, the Act fixing the 2 shilling ratio. We have been used in practice to other ratios than the 2 shilling ratio in spite of that ratio remaining on the Statute-book. And why? Because the circumstances of trade and the course of events in the world which regulate exchange cannot be guided by any legislation on the point. They must be allowed to develop themselves. It is contended by

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the advocates of the 1s. 6d. ratio that prices have adjusted themselves to it. It is, on the contrary, contended by those who favour the 1s. 4d. ratio that there has been no such adjustment. Well, whether you take the first opinion or the second, what is it that reason dictates in the matter? If the prices have adjusted themselves, well, it is an accomplished fact. Let them remain adjusted. Why need we say by a Statute that they have adjusted? If they have not adjusted, let them take their own time to adjust themselves. I read the Report of the Currency Commission from that point of view and I do not find anything in it which makes out a case for the urgency of any legislation on the subject at this juncture. Now, I take the opposition to clause 4 to mean simply this, that the 1s. 4d. ratio having been defeated, it goes and the Bill should be dropped. Now, the question is, are we to sanction the 1s. 6d. ratio by a Statute? I say no such case has been made out for it. If this clause is voted down, the result would be that while everything supposed to have been achieved by the 1s. 6d. ratio will still continue to exist, it will have full scope for the further adjustment that is required. If, on the contrary, the other view is correct, that prices have not and things generally have not adjusted themselves to that ratio, within the next few years we shall see what they adjust themselves to. That, being the case, I would appeal to the advocates of the 1s. 6d. ratio to seriously consider the position with which we are now confronted. So far as the fear of 1s. 4d. being made the legal ratio and the authorised ratio is concerned, they have won the day. That has been voted down. Let them take their victory in a true sportsmanlike spirit and rest contented. What do they lose by the other ratio not being given the sanction of the law? They lose nothing if their claim is at all justified that this is the natural or the proper ratio.

Now, Sir, so far as that goes, I do not believe in any ratio being the natural ratio or even a scientific ratio or an honest ratio. We have heard a great deal on the floor of this House about there being a natural ratio, and some experts on both sides have enlightened us with their views on the scientific side of it. Again, Members have vied with each other in protesting that their views are honestly felt and that they obey nothing but their own consciences. Now, Sir, so far as the experts go, I am in the same position as my friend, Mr. Jinnah. Like him, I am neither an expert nor an exporter nor an importer nor an agriculturist, not even a labourer for wages. It may be that I am a labourer but can claim no wages, so I am not concerned with any scale of wages. Now although my friend, Mr. Jinnah and I may not be experts, I think he will agree with me that both he and I know how to deal with experts, and indeed he has cited the very highest authority as to how they should be dealt with. I would ask the House not to be led away by any expert opinion. I would ask the House to depend upon common sense only, and depending upon their common sense I would say, let those who honestly believe in 1s. 6d. being the proper ratio by all means hold to their belief that that is so, and, on the other hand, let those who honestly believe in the 1s. 4d. ratio also adhere to that belief; but let us see what can be done now without doing violence to either view. While on the one hand we have rejected the 1s. 4d. ratio, we have not excluded all possibility of our resorting to it if a strong case is made out for it in the near future. On the other hand we are now discussing the 1s. 6d. ratio. If we do not adopt it we shall similarly not exclude the

possibility or the probability of resorting to it after the atmosphere has cleared up a bit, and after the passions which the controversy has given rise to have subsided. I submit, and I appeal to those friends of mine who are in favour of 1s. 6d. to consider this position from this point of view without in the least altering their opinion upon the merits. As for the one rate or the other being the honest rate or dictated by conscience, all I can say is, Sir, that I should be very sorry to make the long lists of index figures and the like a matter of conscience. They are all unreliable in my opinion. I do not for one moment believe that any Honourable Member in this House has given or would give his vote other than from conviction and I do not share the opinion of those who think otherwise.

The Honourable Sir Basil Blackett: Why did the Honourable Member then vote for 1s. 4d.?

Pandit Motilal Nehru: I am very thankful to Dr. Moonje for having shown us the way to reply to such a question and I say, I am very glad at the interruption. I was about to say when I was interrupted that while I was not in favour of 1s. 6d. I was not against 1s. 4d. That is how I put it, and the reason is that to my mind the considerations in favour of 1s. 4d. far outweigh the considerations in favour of 1s. 6d., but I take it upon myself to say that neither side can be infallible. After all much has to be left to time and to future developments. It may be that one party may be wrong and the other party may be right. It is much too wide a proposition to assert, and too great a responsibility for anybody to take upon himself that what he is now asserting in this House is God's own truth. It is a matter after all upon which opinions may be divided and as we know are sharply divided; and that being the case the only right thing that the House can do is to wait and see. That is why a certain opinion of mine, which has been very much discussed in the Press and very much misunderstood by the Press and the public, was given. I advised that the Svaraj Party, or rather the Congress Party, should be left free to vote as they liked. It was not because I was not then aware of all the considerations in favour of 1s. 4d., but because I felt that there was that division of opinion, and Members who had thought over the matter and who had come definitely and positively to the opinion that either 1s. 6d. or 1s. 4d. was the proper ratio should not be compelled by a party mandate to vote contrary to their opinion. That was my advice, but I may tell you for your further edification, that even if it had not been made a party question the result would not have been very different because we knew what the general feeling in the Party was.

Mr. K. Ahmed: Why did you go to Simla after you had walked out?

Pandit Motilal Nehru: Why did I not go to Simla? What has that to do with the question? Well then, as I was saying, there is no question here of honesty. There is no question that the Members who voted against 1s. 4d. are now precluded from voting against 1s. 6d. on grounds of consistency or on grounds of policy. I think the two positions are perfectly reconcilable. A Member may very reasonably and may rightly be against 1s. 4d. and yet he may equally reasonably and rightly be also against stabilising the Rupee at 1s. 6d. even though he may have reasons in favour of 1s. 6d.

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which outweigh any reasons which can be adduced in favour of 1s. 4d.; because, as I have submitted, we are not committing ourselves by throwing out this clause either to the one ratio or the other. We are keeping our hands free. The Government can bring in a measure as soon as they like after this when they are more confident of convincing the House that there is occasion for fixing the ratio at a particular rate. I therefore appeal, Sir, to Members who have voted for 1s. 6d. to consider this aspect of the question and not simply to be guided by the vote that they have already given.

Now a great deal has been said about the canvassing activities of both the parties. I do not mean to contend that canvassing is not perfectly permissible or is not desirable; but there is canvassing and canvassing. There are fair methods of canvassing and unfair methods of canvassing. I have here one instance of canvassing which I should like to bring to the notice of the House. It refers to no less a person than the Assistant Whip of the Congress Party. All of a sudden one fine morning he receives this telegram purporting to come from a relation of his. It comes from Bara Banki addressed to Mr. Rafi Ahmed Kidwai and runs thus: "Wire received. Your father seriously ill am going Lakhimpur. Come first train. Sardar Husain". Well, when the son got this wire his first impulse was naturally to wire direct to Lakhimpur to his father and to ask him how he was doing and this is the reply he got. "Quite well; why telegram?" (Laughter). Now, Sir, I am authorised to state that Mr. Sardar Husain, the gentleman from whom this telegram purported to come to Mr. Rafi Ahmed Kidwai and who certainly is a relation of his, knows nothing about it. Of course it is not easy or possible for me to fix on the sender of the telegram, but the interest in which the telegram was sent speaks for itself, and I hope that any victory gained by such methods will not be looked upon as a thing to be boasted of.

Pandit Madan Mohan Malaviya (Allahabad and Jhansi Divisions: Non-Muhammadian Rural): Sir, I will not take up much of the time of the House at this stage, but I think it my duty to draw attention to a few points and to join with my friend in making an appeal to both sides of the House on the voting that is to take place shortly. The Government of India desired in 1892 to fix the rupee at 1s. 6d. The Fowler Committee says: "The Government of India proposed in 1892 to close the Indian mints to silver and to pass an Act authorising them to declare gold a legal tender at a rate not exceeding 18d. for the rupee." In 1893 the rate was fixed provisionally at 16d. The Fowler Committee said in 1898:

"The maximum limit of 18d. for the rupee originally suggested by the Government of India was not imposed, and the question of the permanent legal ratio can now be considered in the light of what is expedient in the present day and unfettered by any promises made or conditions imposed in the past."

Now, having considered that proposal of the Government of India of raising the rupee to 18d. made in 1892, and their subsequent proposals, the Fowler Committee still recommended that the rupee should be fixed at 16d. That was the time when 16d. was fixed "as a permanent rate,"

and we know that the rupee stood for twenty years at 16d. After that time there was the Babington-Smith Committee appointed in 1919, and that Committee recommended that the rupee should be fixed at two shillings. Mr. Dadiba Dalal pointed out the evils that were likely to result from fixing the rupee at 2s., and he recommended that it should be fixed at 16d. That advice was not accepted. The Government passed the Act of 1920 by which the rupee was fixed at 2s. Notwithstanding that enactment, however, the rupee refused to go up to 2s. and to stay there. It came down to 16d. in January 1923. And in 1924 the Honourable Sir Purshotamdas Thakurdas sought to bring in a Bill to fix the rupee at 16d. We know that at that time the Honourable the Finance Member did not accept the proposal. Now, Sir, attention has already been drawn to the telegraphic correspondence which passed between the Government and the Secretary of State in that connection. I wish to remind Members of this House of that correspondence because it is of such great importance to remember it. In the telegram from the Viceroy, dated the 8th October, 1924, it was said:

“ The general policy which we have tentatively in mind would be :

- (a) to retain as our primary purpose the maintenance of comparatively stable rupee prices,
- (b) to fix in our own mind on 1s. 6d. sterling as the figure at which we desire to stabilise the rupee so long as this primary purpose is not endangered.”

And the Viceroy went on to say :

“ But we realise that questions of such fundamental importance should not be decided without a formal inquiry by some kind of Committee.”

Now, I ask the House to note the situation. The Government of India acting in consultation with the Secretary of State proposed in 1892 that the rupee should be raised to 1s. 6d. In 1893 on the Herschell Committee's recommendation it was fixed provisionally at 1s. 4d. The Fowler Committee which was appointed in 1898-99 recommended that it should be fixed at 1s. 4d. as a permanent rate. It was so fixed. The rupee stayed there, i.e., at 1s. 4d., for 20 years. The Government of India were asked in 1924 to stabilise the rupee at 1s. 4d. The Government of India told the Secretary of State that they were not prepared to do that, but that they wanted to stabilise it at 1s. 6d. They said in their cable :

“ The general policy which we have tentatively in mind would be to fix in our own mind at 1s. 6d. as the sterling figure at which we desire to stabilise the rupee, but we realise that questions of such fundamental importance should not be decided without a formal inquiry by some kind of Committee.”

We know, that a Commission was then appointed, and we know also that protests were lodged against the composition of that Commission. Now, Sir, the recommendation of that Commission comes before this House, and I ask the House and Members of Government to consider the circumstances in which it is brought up before it. Happily there was on the Commission one Member who wrote a minute of dissent, and we have discussed that minute. The Government now want to legislate on the lines of the recommendations of the Commission.

[Pandit Madan Mohan Malaviya.]

This is the first time that the Government find themselves bound by law to secure to this proposal the stamp of its acceptance by this Assembly. I submit, Sir, this is a very special situation and the Government should fully realise the implications of it. The other day 65 votes were recorded in favour of 1s. 4d. and 68 against it. Now, I entirely agree with my Honourable friend Pandit Motilal Nehru,—I do not wish to impute any motive to any of my friends sitting on the other Benches. I take it they voted accordingly to the best light within them. But I should like both the Government Members and other Honourable Members to consider one point. This is legislation permanently to raise the value of the coin. For such legislation it is not enough that the majority of three should decide which is the right course to adopt. I put it to Honourable Members on the other side whether I am right in any presentation of the case or not. On a matter which affects the currency of the country, on a matter which affects the happiness of the vast millions of the people, legislation should not be passed by the majority of two or three against the 65 votes of Members who have come here, according to the rules laid down by the Government, to represent the people of the various parts of the country. If, Sir, there is any question on which practical unanimity should be sought, this is one and I ask every Member, official and non-official, whether I am wrong in submitting that we should lay down the rule, that the currency of the country should not be tampered with by the snatch vote of three in such a House as this. I do not say that the Government were not entitled to nominate as many Members as they have done. The constitution, as it stands, is a faulty constitution; it is a vicious constitution which allows such a large number of permanent civil servants to sit in this Assembly and to vote. It is also vicious because it gives the power to the Government to nominate

such a large number of Members and even those Members who
 3 P.M. have been nominated will agree with me that this system places people's elected representatives at a disadvantage, and that it places the nominated Members themselves in an awkward position. It is much to be desired that every one of those Members came by the free suffrages of the people. Lastly, Sir, as the Honourable Pandit Motilal Nehru has already pointed out, we have to remember the manner in which canvassing has been done. That is also a factor which has to be taken into account. I therefore submit that, remembering the importance of the question, that it is a question which affects the happiness of vast millions of the people, the Government should not seek to establish the law on it by the majority of one or two votes. And if my appeal might yet be heard, I would ask the Government to issue instructions that every Member on the Government side, official and nominated, is free to vote according to his own conscience. I am willing, Sir, that the matter should stand at that, for I feel certain that, if Members are left free to vote according to their conscience, they would not vote that the 1s. 6d. rate should be established by law. I hope the voting will show that my appeal has not been in vain.

The Honourable Sir Basil Blackett: Sir, I should like to say a word, first, in regard to the canvassing telegram which my Honourable friend, Pandit Motilal Nehru, has read out. That telegram was brought to our attention a day or two ago and I desire to say on behalf of Government

and on behalf of everybody on this side that we entirely repudiate any kind of connection with it. We do not know anything about where it came from, but we entirely repudiate any connection with it and I am sorry that anybody should have adopted such a method of trying to canvas, which is obviously a thing which we unanimously in this House should object to.

Now I come to the question that is immediately before us. My Honourable friend, Pandit Motilal Nehru, has suggested that, as the House has voted against 1s. 4d., the question really remaining to be decided is whether the time has come to stabilise the exchange at 1s. 6d., or not. Now, I submit that that decision was definitely and unanimously taken by the House when they accepted the motion that the Bill be taken into consideration. The point of principle that arose on the question whether the Bill be taken into consideration or not was: has the time come for stabilisation or not? The House unanimously voted that the time had come for stabilisation when it accepted the motion that the Bill be taken into consideration.

Pandit Madan Mohan Malaviya: At any rate, at any figure? Certainly not.

The Honourable Sir Basil Blackett: I submitted, when I was moving that the Bill be taken into consideration, that, if you wanted to stabilise, there was only one possible rate at which you could stabilise, namely, 1s. 6d., but, so far as the principle of the Bill was concerned, the simple point was: has the time come for stabilisation? The Currency Commission were unanimous that the time had come nine months ago for stabilisation. The House have voted unanimously that the time has come for stabilisation. The House have also voted that they do not want the ratio at 1s. 4d. Now, there is a difference, I think, between the technical position and the practical position. The technical position is that the two shillings ratio is on the Statute-book. The Government propose to alter it to 1s. 6d. The House has voted that it does not want it fixed below 1s. 6d. If it now votes that it does not want the ratio fixed at 1s. 6d., the technical position, if there is any meaning in the House's votes at all, will be that the House desire to see the exchange stabilised at the statutory ratio. (*Cries of "No, no."*) I say that will be the technical position. I freely admit that it will not be the practical position but technically that will be the position that the House will vote that we should proceed to stabilise the ratio at two shillings. That is a task which I should be sorry to have to undertake myself. Indeed, I should decline it. But I suppose it would theoretically be possible to try and do it by maintaining the lower limit of 1s. 5½d. in accordance with the vote of the House on Tuesday, not allowing exchange to fall, but removing the upper limit and seeing what happens.

I cannot think that the House really wants that and I submit that for practical purposes what the House discussed on Tuesday was whether or not the ratio should be immediately stabilised at 1s. 4d. or 1s. 6d., and it did for all practical purposes decide that the ratio should be immediately stabilised at 1s. 6d. I can quite understand Honourable Members who voted against that trying to find a means of escape, but that is the practical position, and I submit that if this House is not to make

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itself—to use an expression which was used this morning—ridiculous—I understand it is Parliamentary—if the House does not desire to make itself ridiculous, it must accept this clause and pass it. I submit that on this clause at any rate the opportunity does not arise for rejecting the decision to stabilise the rupee. That was raised on the second reading debate and the House decided at that time unanimously in the affirmative, and I cannot see that the fact that the ratio in the Bill has been practically accepted by this House is a reason why we should now turn round and say that the time has not come for stabilisation. Pandit Motilal Nehru says, “Very well, stabilise, but do not do it by Act. Do it by executive action.” He said, “What harm would there be in going on as we have gone on before?” I do not know whether he means to say that if this Bill were not passed, he would regard the Government as fully justified in going on maintaining the stability at 1s. 6d. by the same methods as they have been adopting since last August.

Pandit Motilal Nehru: What I meant to say was that the responsibility should be of the Government and not of this House.

The Honourable Sir Basil Blackett: That is the usual position of a great many Honourable Members of this House. When they are put up against a responsibility, they say, “For God’s sake, do not make us responsible.”

Pandit Motilal Nehru: We are not responsible.

The Honourable Sir Basil Blackett: The opportunity has been given to this House to decide a very important issue. It has decided it and it is nonsense for this House to pretend that it can shirk its responsibility by now saying, “Let the Government take the responsibility.” The House has come to a decision and I submit that it is absolutely contrary to the interests of this House that it should now pretend that it is not responsible. It is also, I think, time that we took into consideration the interests of India. This uncertainty which has been hanging over the market ever since, at any rate, the Currency Commission’s Report was published was decided in the view of the market by Tuesday’s vote. It is, I submit, entirely contrary to the interests of the market, to the interests of India and the interests of stability that we should now, having reached this stage, suddenly plunge the whole country back into the threat of instability which would be involved by any action other than the passage of this clause by this House. The suggestion, therefore, that we should now turn round and maintain 1s. 6d. by executive action is, I submit, one which absolutely ignores a very important interest in this matter, namely, the interest of the millions of this country who are interested in stability of exchange. Sir, I do hope that the House will recognise that it cannot run away from its responsibility in the manner suggested by my Honourable friend Pandit Motilal Nehru and that the time has come when we must come to a decision.

Mr. Arthur Moore (Bengal: European): I move that the question be now put.

(Several other Honourable Members also moved that the question be put.)

Mr. President: The question is that the question be now put.

The motion was adopted.

Mr. President: The question is:

“That clause 4, as amended, do stand part of the Bill.”

The Assembly divided:

AYES—67.

- | | |
|---|--|
| Abdul Aziz, Khan Bahadur Mian. | Kabul Singh Bahadur, Risaldar-Major
and Honorary Captain. |
| Abdul Matin Chaudhury, Maulvi. | Keane, Mr. M. |
| Abdul Qaiyum, Nawab Sir Sahibzada. | Khin Maung, U. |
| Ahmed, Mr. K. | Kikabhai Premchand, Mr. |
| Akram Hussain Bahadur, Prince
A. M. M. | Lamb, Mr. W. S. |
| Allison, Mr. F. W. | Lindsay, Sir Darcy. |
| Anwar-ul-Azim, Mr. | Macphail, The Rev. Dr. E. M. |
| Ariff, Mr. Yacoob C. | Mitra, The Honourable Sir Bhupendra
Nath. |
| Ashrafuddin Ahmad, Khan Bahadur
Nawabzada Sayid. | Mohammad Ismail Khan, Haji
Chaudhury. |
| Ayengar, Mr. V. K. A. Aravamudha. | Moore, Mr. Arthur. |
| Ayyangar, Rao Bahadur Narasimha
Gopalaswami. | Muddiman, The Honourable Sir
Alexander. |
| Bhore, Mr. J. W. | Muhammad Nawaz Khan, Lieut.-
Sardar. |
| Blackett, The Honourable Sir Basil. | Nasir-ud-din Ahmad, Khan Bahadur. |
| Chalmers, Mr. T. A. | Paddison, Sir George. |
| Coatman, Mr. J. | Parsons, Mr. A. A. L. |
| Cocke, Mr. H. G. | Rajah, Rao Bahadur M. C. |
| Crawford, Colonel J. D. | Rajan Bakhsh Shah, Khan Bahadur
Makhdum Syed. |
| Dalal, Sir Bomanji. | Rau, Mr. H. Shankar. |
| Donovan, Mr. J. T. | Roy, Mr. K. C. |
| Dunnett, Mr. J. M. | Roy, Rai Bahadur Tarit Bhusan. |
| E'jaz Rasul Khan, Raja Muhammad. | Roy, Sir Ganen. |
| Ghazanfar Ali Khan, Raja. | Ruthnaswamy, Mr. M. |
| Ghulam Kadir Khan Dakhan, Mr.
W. M. P. | Shah Nawaz, Mian Mohammad. |
| Ghuznavi, Mr. A. H. | Singh, Rai Bahadur S. N. |
| Gidney, Lieut.-Colonel H. A. J. | Singh, Raja Raghunandan Prasad. |
| Graham, Mr. L. | Suhrawardy, Dr. A. |
| Greenfield, Mr. H. C. | Sykes, Mr. E. F. |
| Haigh, Mr. P. B. | Tonkinson, Mr. H. |
| Hezlett, Mr. J. | Willson, Sir Walter. |
| Howell, Mr. E. B. | Yakub, Maulvi Muhammad. |
| Hussain Shah, Sayyed. | Young, Mr. G. M. |
| Hyder, Dr. L. K. | Zulfiqar Ali Khan, Nawab Sir. |
| Innes, The Honourable Sir Charles. | |
| Ismail Khan, Mr. | |
| Jowahir Singh, Sardar Bahadur
Sardar. | |

NOES—62.

Acharya, Mr. M. K.
 Aiyangar, Mr. C. Duraiswamy.
 Aney, Mr. M. S.
 Ayyangar, Mr. K. V. Rangaswami.
 Ayyangar, Mr. M. S. Sesha.
 Bhargava, Pandit Thakur Das.
 Belvi, Mr. D. V.
 Birla, Mr. Ghanshyam Das.
 Chetty, Mr. R. K. Shanmukham.
 Chunder, Mr. Nirmal Chunder.
 Das, Mr. B.
 Das, Pandit Nilakantha.
 Dutt, Mr. Amar Nath.
 Dutta, Mr. Srish Chandra.
 Gavin-Jones, Mr. T.
 Goswami, Mr. T. C.
 Gour, Sir Hari Singh.
 Gulab Singh, Sardar.
 Haji, Mr. Sarabhai Nemchand.
 Iyengar, Mr. A. Rangaswami.
 Iyengar, Mr. S. Srinivasa.
 Jayakar, Mr. M. R.
 Jinnah, Mr. M. A.
 Jogish, Mr. Varahagiri Venkata.
 Kartar Singh, Sardar.
 Kelkar, Mr. N. C.
 Kidwai, Mr. Rafi Ahmed.
 Kunzru, Pandit Hriday Nath.
 Lahiri Chaudhury, Mr. Dharendra
 Kanta.
 Laipat Rai, Lala.
 Malaviya, Pandit Madan Mohan.
 Mehta, Mr. Jannadas M.

The motion was adopted.

Misra, Mr. Dwarka Prasad.
 Moonje, Dr. B. S.
 Mukhtar Singh, Mr.
 Murtuza Saheb Bahadur, Maulvi
 Sayyid
 Nayudu, Mr. B. P.
 Nehru, Pandit Motilal.
 Neogy, Mr. K. C.
 Pandya, Mr. Vidya Sagar.
 Phookun, Srijiit Tarun Ram.
 Prakasam, Mr. T.
 Purshotamdas Thakurdas, Sir.
 Rahimtulla, Mr. Fazal Ibrahim.
 Rananjaya Singh, Kumar.
 Rang Behari Lal, Lala.
 Ranga Iyer, Mr. C. S.
 Roy, Mr. Bhabendra Chandra.
 Sarda, Rai Sahib Harbilas.
 Sarfaraz Hussain Khan, Khan
 Bahadur.
 Sassoon, Sir Victor.
 Shafee, Maulvi Muhammad.
 Shervani, Mr. T. A. K.
 Singh, Mr. Gaya Prasad.
 Singh, Mr. Narayan Prasad.
 Singh, Mr. Ram Narayan.
 Sinha, Kumar Ganganand.
 Sinha, Mr. Ambika Prasad.
 Sinha, Mr. Siddheswar.
 Tok Kyi, U.
 Vishindas, Mr. Harchandrai.
 Yusuf Imam, Mr.

Mr. President: Order, order. The House will now proceed to consider clause 2 of the Bill. The question is:

“That clause 2 do stand part of the Bill.”

With regard to this question, I may point out to the House that there are two amendments which seek to insert clause 2 after clause 1 and to re-number clause 2 and the subsequent clauses accordingly. They are in the name of Mr. N. C. Kelkar and Mr. Vidya Sagar Pandya, and I propose to take both these amendments together, and after discussion to put them to the vote one by one. Mr. Kelkar.

Mr. N. C. Kelkar: Sir, I move the amendment that stands in my name:

“That after clause 1 of the Bill the following new clause be inserted and the subsequent clauses be re-numbered accordingly:

‘2. In the Indian Coinage Act, 1906, after section 3 the following new section shall be inserted and the subsequent sections shall be re-numbered accordingly:

Gold Coinage.

- (1) The mint shall coin a gold Mohur containing 123·27447 grains troy of gold 11·12ths fine.
- (2) Any person who tenders at any time to the Governor General in Council, at the Office of the Master of the Mint or at any Government Treasury or the Imperial Bank or any of its branches or at any other place notified in this behalf by the Governor General in Council in the Gazette of India, fine gold and pays seigniorage to cover minting charges, according to a

scale to be notified in the Government Gazette, shall be entitled to receive gold Mohurs proportionate to the amount of gold tendered, at the rate of $13.22 \times 8.47512 = 113.0016$ grains of fine gold per Mohur.

- (3) The gold Mohur shall be a full legal tender in payment or on account, provided that the coin (a) has not lost in weight so as to be more than .05 per cent. below the standard weight and has not been defaced.
- (4) In the making of the gold Mohur, a remedy shall be allowed of an amount not exceeding 5,000ths in weight and 2,000ths in fineness.

Provided that the above provisions shall not come into operation until such date as the Governor General in Council may direct in this behalf.

Provided also that such date shall not be later than 1st March, 1928."

Sir, I wish to make it clear absolutely in the first place that this amendment is meant, only to bear on the merits of the whole question, and it is not in any sense a dilatory amendment. I do not wish to prolong the debate for one minute more than is absolutely necessary. But one cannot avoid bringing forward such an amendment, especially when one sees that during the last two or three days during which we debated this Bill, not a single point was taken about the real issue which in my opinion dominates the whole situation, namely, that of a gold standard and a gold currency. Of course the ratio was the first point to be taken up, and we have now decided that; but I mean this amendment to be the earliest protest against the other parts of the Report and of the Bill. We all know that the Commission's Report, apart from recommending a ratio of 1s. 6d., harms this country in its currency position in a number of ways. In the first place, it strikes at convertibility of currency notes; then it demonetises gold, the existing gold coin, that is, the sovereign; and thirdly, it strikes at the root of the future hope of gold coinage.

The Honourable Sir Basil Blackett: I do not know whether the Honourable Member would excuse me, but would like to point out to him that this Bill does not have any of the consequences that he suggests. This is an entirely interim Bill and all the points he is raising come up on the Gold Standard Bill. In the intention of the Government, there is nothing in this Bill whatsoever to prejudice the later discussion of the whole alternative of the gold currency which he is desiring to move on this Bill.

Mr. N. C. Kelkar: I am quite aware, Sir, that we are going to have another Bill dealing with the Bank, and that we may take up these questions along with the Bank Bill. But I really do not know whether we can rely upon anything like that, and we must therefore take the earliest opportunity to put forward the public view on this whole question immediately. Now, the Honourable the Finance Member refers me to the future occasion, but I am not quite sure what position he himself would take when that time arrives. And for this reason. We are told in the Statement of Objects and Reasons that this Bill is intended to carry out the recommendations of the Report of the Currency Commission. Now, the Currency Commission's Report gives this Government two options in dealing with gold, gold exchange or gold. May I ask the Honourable Member why he has dropped that recommendation about giving gold and accepted only the recommendation to give gold exchange? That is obviously a departure from the Currency Commission's Report, and therefore I cannot trust him, if I may say so, to carry out the other recommendations also of the Currency Commission's Report when that other Bill comes up.

The Honourable Sir Basil Blackett: The other Bill is there, Sir, and contains the Currency Commission's recommendations.

Mr. N. C. Kelkar: I think the Honourable Member at any rate admits that he has made one departure. Whereas two options were given to him, he has chosen to exercise only one option.

The Honourable Sir Basil Blackett: Only during the temporary period.

Mr. N. C. Kelkar: Never mind; it may be temporary, but he need not have done it. What was to be lost if he had postponed that proposal up to the time of the disposal of the Bank Bill? Why does he anticipate things like that? Where was the need for hurry of that kind? If that other Bill was coming, the whole contents of the Currency Commission's Report should have awaited the coming of that Bill. There was absolutely no hurry, not even including the ratio position. We could have disposed of the Ratio Bill and the other contents of the Commission's Report along with that other Bill. They are "twin Bills" of three, I suppose.

Now, this Bill, for the reason that I have pointed out, does not better the position in any way. It has not acted as a shock absorber. It has provoked a shock in the sense that the Finance Member has made a deliberate departure and given up gold and, kept only kept exchange. Now, we, the unsophisticated Indian minds, had large expectations, that as a Commission was appointed with very large terms of reference, the whole position was to be examined and investigated into. The whole world was taking to gold standard, and we naturally expected that as India was legitimately entitled to a lot of gold—and it was alleged that it had already a lot of gold in the country—we should be also led along the proper path immediately to the stabilisation of the rupee in relation to gold, in other words, that we should have a true, honest gold standard and gold currency. I am expressing the sentiments of the public so far as I can judge them when I use the words "legitimate expectation of the Indian people." The Honourable Member will realise the truth of what I say if he refers to the evidence that was laid before the Commission, and the evidence will bear out my statement that the Indian public did expect that we should be immediately led to a gold standard and gold currency. Far from doing so, the Honourable the Finance Member now actually proposes to demonetise the gold coin. I really wonder what harm this innocent gold coin was doing to him. I have read the reasons which have been adduced for demonetisation, but I am not satisfied with those reasons. If the ratio was to be changed, the new coin would have remained current at that new ratio. He therefore should have simply put in a clause in this Bill making the sovereign current not at the rate of Rs. 10 but at the ratio which he proposed as the exchange ratio. Therefore I call this unnecessary, if not indecent, hurry to demonetise the only gold coin that was current in the country.

My amendment and the other amendments bearing on this question, I take it, are intended to lay before this House the whole scheme that we have in our mind. *i.e.*, the popular side has in its mind, with regard to the gold coin and currency. First of all, therefore, I will just give a brief explanation and justification of the amendment I am moving. As you will see Sir, the amendment though it is a long amendment, proposes, in brief, to introduce a gold coin called the Mohur which should be minted in Bombay, have a certain weight, a certain fineness of metal, and be legal tender. The gold Mohur is a coin with which India was not unfamiliar. If you refer to the economic history of India you will find

that gold Mohurs have existed from time immemorial, and we know of the gold Mohur at least from the time of Akbar. India was therefore familiar with gold Mohurs, coins of this denomination and character, over two or three hundred years, if not more. India has been described in books of exploring travellers as the land of gold, "land in which there was smoke of gold." I do not know really whether there was any smoke of gold, but I think the description to mean that gold coin was current in India, and the principal thing that attracted the attention of foreigners in India was the gold coin. That is the tradition, the heredity of practice and psychology of the Indian people in this matter of coinage.

Then the next thing I may point out in regard to this Mohur is that in order to avoid all sorts of complications I have endeavoured to fix up the conditions of this Mohur on a par with the sovereign. Personally I would have liked to have had the sovereign itself minted in India. There are a number of opinions about this, whether the Mohur alone should be minted or the sovereign should be minted. Personally I would have had a coin which would be current practically in England and in India. In the Colonies we know for instance that they have their own mint which is a branch of the Royal Mint in England, and sovereigns are coined there. I do not see why India should not have a mint of its own and coin sovereigns which would be current. But I know from official papers that the Home Government has always been making trouble about this. Here again we see preferential treatment. The Colonies are allowed to have branches of the Royal Mint. India is obstructed in the possession of a branch of the Royal Mint, and in order that the same complication may not arise, and in order that it may not be said that this provision is useless because the Home Government are not going to allow a branch of the Royal Mint to be opened in India, I have made this provision. In order to avoid all complications, I have made the provision that, whereas the Mohur should not be exactly the sovereign, it should be something just like a sovereign. Therefore I have provided that it should have the same fineness, the same weight, etc., that it should not be a counterfeit of the sovereign but it certainly should become a counterpart of the sovereign, so that if people take the two coins in their hands they may see, that here in India is a current coin on the same level as the sovereign. And why not the sovereign itself? Simply because the Royal Mint in England is jealous of India, and the people of England are jealous of India and do not want India to handle a gold coin. I want to make that out, and in order to make that out, I have followed the conditions exactly as they appertain to the sovereign. And when is this to be brought into practice? I know that in 1918 Government passed an emergency measure and they did actually coin lakhs and lakhs of gold coins at the Bombay Mint. It cannot therefore be said that India does not possess the necessary equipment for gold coinage. In fact in 1918 the Bombay Mint coined, I read in the *Times of India*, about 36 lakhs of gold coins. From that I presume the Bombay Mint is sufficiently well equipped, if we simply decide now to go on minting a gold coin at the Bombay Mint. I read the other day a report of the Master of the Mint. I see there is a full establishment there at present. Silver coinage is stopped; not one rupee was coined last year in this mint, not one gold coin was minted at this mint last year, and what are they minting there? Two-anna pieces and four-anna pieces. that is all, and striking some medals, etc. I really wanted to inquire of the Finance Member, by putting a question and asking what this big establishment was doing in the mint, if it was not to coin rupees, or if it

[Mr. N. C. Kelkar.]

is not to coin gold mohurs. Was this establishment there only for striking medals and rendering service to outsiders? What is the mint intended for? That is a point of curiosity, and some day I suppose it will be satisfied. In the meanwhile I only assert that this Bombay Mint has all the equipment that is necessary, and the dies and punches which were used in 1918 must also be there; the whole establishment is there, the building is there; absolutely nothing is required, only the permission of Government to allow gold to be minted. Then comes the question of the material of which the Mohur is to be minted.

[At this point Mr. President vacated the Chair, which was occupied by Mr. K. C. Neogy, one of the Panel of Chairmen.]

With regard to this, the argument is that if we at once begin to impose an obligation on Government to mint an Indian gold coin and take away the character of legal tender from rupees, then naturally all the rupees will go to the mint in course of time and Government will be called upon to provide themselves with large stocks and supplies of gold, and this would be impossible. Taking that difficulty into account and proceeding on the lines of least resistance and in order to avoid all complications, and in fact wanting to probe the *bona fides* of this Government to its fullest depths, I have laid down this, that the gold coin should be given in exchange for fine gold which a man takes to the mint. So there would be no difficulty for the Government about gold supplies and gold stocks. A man takes his own gold to the mint, and then again I have provided that he pays his own seigniorage which Government should not demand. After all seigniorage is a small trifle. In other countries seigniorage is not charged; in most countries it is not charged; it is considered derogatory to the mint to ask for the expenses of coining. But in order that it may not be said that my amendment is out of order because it lays a certain charge on the Government to the extent of the minting charges, therefore I have avoided that also. So I offer my own gold and I offer my own expenses of seigniorage, and in return I want a gold coin stamped with the Government stamp. That is the utmost that I ask. Now in this what is there that Government should resist unless they are actuated by a desire to demonetise all gold coins, the reason for which really I cannot understand?

Now, what will be the advantages of this coin of mine? I will place these advantages *seriatim* before the House. The proposal can be carried out almost immediately; yet I have added a proviso so that it cannot be said that Government has been hurried in this matter—I give one full year to Government. I have provided this of course in case it cannot be done immediately. It can be done only by a notification of the Governor General in Council and I give one full year, so that that notification may be delayed till March next year. I think one full year is absolutely sufficient time for the Government to begin minting if they really want to begin minting at all. The mint has got the equipment to coin, as I have already said, and can be fitted to do so again within a short space of time. The Mint Master's report shows that the mint has an enormous capacity for minting gold coins; and my proposal, if accepted, would not cause any difficulty in carrying it out. The proposal does not depend on the permission of the Royal Mint, because the coin I propose is not like the sovereign in shape or form. The gold Mohur will be a counterpart of the sovereign, and yet it will be so like the

sovereign that it will be treated with the same consideration as the sovereign for internal use. The gold coin will familiarise people with the use of gold coins if they are not already trained to them. The actual use of gold coins at least for some time is the only way to get over the habit of that use, because familiarity with gold coins will increase the confidence of the people in the country's currency system. As a matter of fact, the Indian people do not want any training in gold coins because India possessed gold coins for ages past. The proposed gold coin does not upset the Government scheme in the least degree or manner. It does not interfere with the building up of a gold reserve if Government want to build up one; and the minting of gold coins from bullion does not drive the Government to borrow for currency purposes. It will cost nothing to the Government because, according to the proposal itself, seigniorage will be paid. Of course Government should not, in this country, as in other countries, charge seigniorage because after all minting expenses are negligible. Government may charge seigniorage in the beginning but gradually dispense with it. Action in this matter is left to the Executive and not proposed to be taken by law. Minting facilities will induce the hoarded gold of India to come out and circulate. Gold coins are always likely to circulate more than chips or odds and ends of gold pieces. In the proposed coin people will have a full value and full-bodied coin in hand. The gold reserve will be a bulwark of strength to Government; and gold coins in the hands of the people will be a welcome provision for them against a rainy day and days of panic. The use of gold coins will help the progress of the banking habit better than currency notes. The prevalence of gold coins in the country will at least put to the test and verify the doubt whether people really do want a gold coin or not; because it is sometimes said people do not want a gold coin and it is bad policy to thrust it on them. If the Mohur is introduced an experiment will be made: if people themselves come to the mint with gold and ask for gold coins, then that will be a fair experiment to see whether people want or do not want gold coins. The use of gold coins will better help the progress of banking habits than currency notes or rupees. If there must be some people who cannot get over the habit of hoarding it will after all make no difference to Government whether they hoard gold bullion or gold coins minted for them at their expense. A gold coin may be a fetish in the eyes of advanced societies, but it certainly does the trick of inspiring confidence and it will do so in India under the present conditions, namely, in the atmosphere of suspicion about the currency policy of the Government. The new coin does not come in the way of rupees being as before unlimited legal tender; the two will be unlimited parallel legal tenders during the period; the people will get familiar with the gold coin and acquire greater confidence in the currency system. Government could go on feeling their way in the meanwhile in the first stage of their journey to the ideal of the gold standard. My Honourable friend recommends that gold certificates should be paid in gold at the date of maturity of the note; but if gold bullion is given instead of gold coin, it is always troublesome and difficult for private people to sell their gold for making payment in bazaar transactions. The coin can pass from hand to hand and not so bullion, because there is no guarantee about its fineness and its weight. The gold Mohur will necessarily be a better substitute for the present rupee or gold bullion or currency notes whether looked at as a medium or measure or standard or store.

These in brief are the advantages which I think will result necessarily from the adoption of the amendment I am proposing, namely, the minting

[Mr. N. C. Kelkar.]

of gold Mohurs in the Government mint; and after stating these advantages I will enter upon a discussion of the general reasons which led me to propose this course. Now, in this matter I must proceed with diffidence and hesitation because I am an ignorant layman and nobody in this House wishes to pit his knowledge of these matters against the great knowledge of the great expert who is the present Finance Member. But I got some consolation in my desire to criticise him from a pamphlet which I read the other day and in which I found Mr. Churchill and his advisers criticised by Professor Keynes. This is the direct language used by him about Mr. Churchill:

“Why did he do such a silly thing?”

That is the language used about the Chancellor of the Exchequer.

“Partly because he has no instinctive judgment to prevent him from making mistakes, partly because lacking this instinctive judgment, he was deafened by the clamorous voices of conventional finance, and most of all because he was gravely misled by his experts.”

Now, that brings me on to the recent experience we have gained about experts in Bombay. I am speaking of course of the Back Bay experts, and I think that if the experts who advised the Bombay Back Bay scheme, which so egregiously failed, had any sense of self-respect, they would wish themselves to be buried at the bottom of the sea which they wanted to reclaim. Now, what were the motives of the Honourable the Finance Member in appointing this Commission? It is now common knowledge that Government had already made up their mind between the Home Government and themselves to have the ratio fixed at 1s. 6d. Then where was the necessity for appointing this Commission? By an executive order you could have fixed the ratio at 1s. 6d., and there would have been no necessity of a Royal Commission. It appears, however, that experts sometimes regard themselves as fallible. Experts are not infallible, that is of course our contention. But it is some consolation to find that sometimes experts themselves pretend not to be infallible and therefore express their anxiety to appoint Commissions and Committees just to take advice and follow their instructions as far as possible. In this particular instance, however, I must say this, that I do not see any vestige of real modesty on the part of the Finance Member in appointing this Commission. Why I say that, is this. When I see sometimes in the street a healthy, able-bodied beggar with crutches under his arms, I ask myself why has this healthy and stout man crutches under his arms, and whether he really wants any support for walking? Certainly not; but then I feel that he wants to beat somebody with them. That is my explanation for the appointment of this Commission. I do not honestly think that the Finance Member really wanted to seek guidance from the report of this Commission, nor did he honestly think that these people were wiser than himself. Certainly at any rate the Indian section did not think so. Then why did he appoint this Commission and why did he appoint Indian Members? Perhaps as crutches to beat his opponents with, and not as support to himself? But after all these crutches are rickety; they are very weak, and if the Finance Member indulged in the hope that he would be able to beat us with those sticks, I may assure him that it was a forlorn hope. (*An Honourable Member*: “He has beaten us.”) (*Another Honourable Member*: “Time, time.”) I am going to take a full hour, mind

you. Don't say time. I say this seriously, because I treat this question as the most important topic in the whole Bill. The ratio of course had its own importance, but throughout the discussion, the House will remember that this topic was not touched upon at all. It remained untreated in the aggregate, and therefore I am taking this early opportunity to deal with the whole question in such manner as I like, and I hope (though of course there is no time limit), that the Chair will show me sympathy in this matter and that the House will also show me its indulgence. If I say one irrelevant word, of course the Chair can rule me out, but I am confident that throughout this debate, I shall not say one single word which will be irrelevant or irreverent. As I said, the Finance Member himself is a great expert, but we know that experts are also at times tyrants, especially when they happen to be official experts, and it becomes therefore necessary to temper their expert tyranny with the grace and mercy of common sense, and I think I stand here as a man representing the man in the street and giving to him what I think to be the popular opinion on the question as against the expert. My opinion may have no use, but I contend, Sir, that these currency matters are after all not a mere matter of expert knowledge. And I may remind the Finance Member himself of what he said in his evidence and elsewhere, that it is a matter of psychology, and psychology of course is not expert knowledge. Psychology and expert knowledge are two different things, and I am glad that he recognises that in questions like this there is such a thing as psychology. Now, when I speak of psychology, there can be two psychologies, the psychology of the Indian people and the psychology of the British people, and we have got to look at the question from both points of view. But one thing I am going to do in this debate, and that deliberately. I shall not cite on the floor of this House a single Indian witness in my favour; I am not going to rely upon Indian sentiment or Indian opinion, and I will try to build my case, if I can build it, exclusively by referring to the opinions of English, non-Indian experts and witnesses and official documents, and papers bearing on official transactions. Taking the evidence laid before this Commission, I have analysed it, and what do I find? I find that, whereas 93 witnesses were for gold currency, only 8 were against gold currency. In making my analysis, I used the printed material which is printed as an Appendix to this Commission's Report, and I am much obliged to the courtesy of the Finance Member who at my request gave me for perusal the unprinted evidence. That also I have used, and so taking the printed as well as the unprinted evidence together I have arrived at the conclusion that out of the total number of witnesses, 93 were for and only 8 were against the gold currency. Then again, Sir, I must refer to the lost representations. There was some question about some representations after the Commission's Report which were sent to the Finance Member being lost—I was not present then—but I gather this that the Finance Member said in reply that he treated all those representations as private communications and therefore did not care to keep them and could not present them before this House. I suppose that is his explanation. But I refer to this question of lost representations for this reason. My inference is that if those representations were also analysed, they would have given further strength to the testimony which I am going to lay before this House. Now, the usual objection against Indian opinion is this. It is said that Indians are unpractical people and when an Indian professor speaks in our favour, he is treated as a mere theorist. But I have been able to get at least one opinion expressed about this Commission

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which is a crushing reply to this. You may treat our Indian professors as mere theorists who do not know anything about this question. But I have read that when the Report of this Commission came for discussion before the Royal Society of Arts, then Sir Charles Addis gave it as his opinion in the open meeting that he could not get away from the impression that the whole report was merely theoretical. Now, Sir, if our professors are to be disregarded simply because they are theorists, then here is a great expert, Sir Addis, who condemns practically the whole Report of the Commission as a purely theoretical report. I go further and say this. I am prepared to have a game of forfeits with the Finance Member if he will sit down and play the game with me in the Indian fashion. He may put forward one authority; I will put forward another authority. He may put forward a theorist, I will meet him by putting forward a theorist; he may put forward a professor, I will also put forward a professor; he may put forward a banker, and I will also put forward a banker. In that way the game should proceed, and if I can cite a larger number of witnesses, then he should acknowledge that what I am saying has sufficient justification behind it. Of course, I do not think that the Finance Member will be ready to play that game with me. But in order to strengthen my case, as I have already said, I am not going to rely upon the testimony of Indian witnesses at all in this matter, because, according to the Finance Member, they are all ignorant people and do not know anything about these matters. I really do not see why he should make that sort of presumption, because among these 93 witnesses, there are professors, bankers, tradesmen, and merchants, who are all men of affairs. So why should it be assumed that all these people do not know anything and the Finance Member alone and the three Indian Members on the Commission, his supporters, know everything about currency matters? To illustrate what I say, I will quote the opinions of two English professors, two great professors, who may well be described as rivals even of Keynes if necessary.

4 P.M. First I will quote the testimony of Professor Gregory and Professor Cannan. I am referring to Professor Gregory only in so far as he allows this question to be decided ultimately strictly with reference to Indian sentiment. He says that if India wants it, she must have it. But the testimony of Professor Cannan goes much further. About Professor Cannan I may say this, that he is Professor of Economics in the London University—I think he is a Professor in the London University—and his testimony must carry great weight. This is what he says:

“Opinion in India cannot be disregarded. So far as I can judge, the opinion of those who take any interest in the subject in India is overwhelmingly in favour of a gold-currency standard.”

He does not mean only Indians but all those who take an interest in Indian affairs. These, he says, are in favour of a gold currency:

“Probably this is very largely a matter of national sentiment, the feeling being that Western nations adopted gold currencies in their own interests, and that India is prevented from following their example by the influence of London financial circles upon the British Government. To argue that India is too poor and backward to make good use of gold is very naturally regarded as adding insult to injury. It is extremely desirable in the general interests of India that a grievance of this kind should be removed at the earliest possible date, even if its removal costs an appreciable amount of money.”

And then, what he says further on is perhaps even more interesting, because he practically rationalises his proposal that India should have a

gold currency and he in a way answers the objection that there are insuperable difficulties in the way on account of the scarcity of gold supply. This is what he says :

“ The interest of Great Britain and the West generally is that India should be prosperous and well satisfied, and to secure this Great Britain might well be contented to incur some inconvenience, especially when the inconvenience would not be peculiar to herself, but would be shared by most of the Western countries. But it seems more likely that the gold-standard countries would be benefited than that they would be inconvenienced by the introduction of a gold-currency system in India. The production of gold is likely to remain high for a considerable period yet.”

These are his arguments for supposing that this gold supply is not a difficulty in the way :

“ The European and American demand for additional gold currency is not likely to be as great as before the war, since people who have once become accustomed to paper currency do not wish to return to gold coins; and the superstition that immense cellarfuls of eternally idle gold are necessary to “back” or “support” the value of paper currencies is, like other superstitions, losing strength. Consequently, if the East takes no more gold than before, there is great danger of a further depreciation of gold, and, which of course is the same thing, a further rise of prices in the gold-standard countries. It is true that rise of prices makes things temporarily easy for the business man who lives by profits, but all experience goes to show that it tends towards general unrest and the spread of revolutionary and destructive ideas, that it ruins government finance, and should be avoided like poison by every wise statesman.”

This means that the difficulty about the supply of gold for coinage in India is not a real difficulty. These Western countries have gold more than they really want for their purposes, and a time may come when they will begin to feel the necessity of relieving themselves of this gold. The possession of gold is not an unmixed blessing. We know that during the War Sweden and Norway did not allow gold to touch their shores. They put an embargo upon gold, because, the possession of gold would have been embarrassing to them. Similarly, also America possesses quite a large amount of gold, and the question is whether America will like eternally to keep that gold to herself and may not wish that some of her gold may be taken away by other people. Therefore, if as a matter of coincidence it happens, and it is also likely to happen, that America may wish to rid herself of her gold and India may wish to take that gold for gold currency, the convenience of both the parties will be at once met.

Sir, the battle of the ratio has been lost on the floor of this House. (*An Honourable Member*: “Temporarily.”)—temporarily, but I assure this House that the real currency war in India has begun. I tell the Honourable the Finance Member, I give him a distinct warning that the ratio battle may have been lost, but the real currency war has begun this day. But what I am doing, however, is only fighting a sort of skirmish, a small rearguard action to save the gold coinage, and I hope that my Honourable friend, Sir Purshotamdas Thakurdas, after he has taken breath after this valiant fight, will come to my rescue and support this gold coinage. Personally, however, I take this defeat on the ratio question in a philosophical way—(*An Honourable Member*: “Decision.”) I take this decision in a philosophical way, for I have an inward scepticism as to the permanent success of this decision. During the War we know that European nations and Western nations generally used some very crude methods of stabilising the ratio. But the ratio is such an obstinate mule that it will never stabilise itself, that it will never allow itself to be stabilised. And here I will read just a few lines from another professor,

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an eminent professor who was specially called from America to lecture in England. He says:

"Regulation of exchanges, then, if the principles enunciated in the present chapter are sound, can best be achieved by establishing conditions under which exchanges will be self-regulating in accordance with the principle which was expressed by the former Russian Minister of Finance—M. Witte. He is reported to have said: 'A regulation of exchanges is not something which is established; it establishes itself; otherwise it is incapable of establishment.' The rendering of the foreign phrase is by no means satisfactory, but it may serve. One might render it more freely perhaps by saying that what he intended to imply was that statesmen do not control exchanges—they are concerned with establishing conditions under which exchanges can control themselves."

Now, when I said that Western nations adopted crude methods of stabilising exchange, I may just mention these. For instance, they put a restraint upon the movement of exchanges. They tried to centralise foreign exchange businesses in the hands of certain institutions specially named for the purpose. Then they put restraints upon speculation in the country. A similar restraint was also put upon the publication of the current rates of exchange. They also visited with punishment, as in Italy, any person who dared to ignore the decree according to which an official exchange rate was announced, and anybody who deviated from that exchange ratio and did any transaction was to be punished. These are instances of the crude methods adopted by them. But what happens in India is this. Not any one of these crude methods are followed, but we know that Government have in their hands a number of other methods by which they have tried to stabilise and if left to themselves they will try to stabilise this exchange. They are in possession of Council Bills which they may use to any large extent. They have the power to issue Reverse Councils. Then they can inflate or deflate according to their convenience and will. They can also try to control prices and there is the statutory fixation of the ratio. Now the question really is whether Government are going to succeed in stabilising the ratio by these methods. In my opinion that ratio will not be stabilised. I partly agree with my friend Pandit Motilal Nehru when he said that after all there was such a thing as a natural ratio, and paradoxical as it may seem, a natural ratio is a fluctuating ratio and not a fixed ratio; for after all it must be the exact equation between the value of the national currency and the value of the international standard. Whenever these two meet then of course the exchange is stabilised. Now there are two parties to this exchange, those who benefit and those who lose by exchange operations. So far as Government are concerned, I have already said that they possess these various powers which they can use according to their own sweet will and pleasure. They remind me of the magic mushroom in Alice in Wonderland. If you eat one end you get so short that your chin nearly touches your feet, and if you eat the other end you become as tall as an American skyscraper. The Government use these methods like this magic mushroom; they can wield all these powers and inflate or deflate at will. But what have the poor people got in their hands to control these exchange operations in their own way? It has been established by a consensus of learned men in these matters that a gold currency is the one thing which in the hands of the people affords them a ready means of affecting the exchange to a certain extent. In regard to this I will just quote one authority, Mr. Webb, who gave evidence before the Currency Commission. He is asked:

"Taking the first point, I do not quite follow your meaning when you say that it would facilitate the automatic regulation of exchange"

—namely, keeping gold currency in the hands of the people—

“ In what way would it do that?”

The answer is:

“ It would enable the public at all times to present gold for conversion into sovereigns whenever they required them, and would therefore give them other means of putting themselves in funds in cash than at present exist.”

So the possession of gold currency is a means by which the people can affect the situation brought about by the whims of currency. For here they have coins in their hands which they can use and thus affect the currency position. I have just said that I would not quote any Indian authority, but I will make an exception here and quote the authority of Sir Bhupendra Nath Mitra, for I want the House to know what he himself has said before that Commission. Mr. Bhupendra Nath Mitra—I think it was the same gentleman—said in the course of his examination by the Chairman of the Commission:

“ I think myself that we ought to have a gold mint. The main reason is . . . ”

—and this is my point; he has given a reason—

“ The main reason is that we ought to have some mints coining a gold coin in India. It would help us in the maintenance of a gold exchange standard to have a larger circulation of gold in India. Though it is true that we get our requirements by the import of sovereigns into the country, a gold mint in India would indicate to the public at large that Government . . . ”

This is a means by which people can be made self-reliant in regard to exchange matters. As I have said, this currency business is not a mere matter of expert knowledge; it is a matter of psychology, and the Finance Member has himself admitted that it is greatly a matter of psychology. What the psychology of the Finance Member is we all know. He wants India to go away as far as possible from a gold currency; but against that view I can quote the names of a number of people who have supported the proposal of a gold currency in India, who consider that it is a matter entirely for the sentiment, the psychology, of the people, and that if they really want it, they should be given it; and in this connection, for this purpose only, I may give a reference to the Fowler Commission, the Babington-Smith Committee, Mr. Strong and Mr. Keynes himself holding that view of the importance of Indian sentiment—Mr. Gubbay, Mr. Norman, Mr. Hamilton, Mr. Grantham, Colonel Willis, Mr. Denning and Mr. Kisch.

The Honourable Sir Basil Blackett: Will the Honourable Member tell me where he can quote me as saying that India should go as far away as possible from a gold currency?

Mr. N. C. Kelkar: The Bill of the Honourable Member shows that. The Commission wants gold coin to be sold, but he prevents us from getting gold because with that gold we may put forward a further proposal that we may have gold coin. Now I do not propose to read much of his evidence; that would be very useful though; I may however just read a few sentences from his evidence:

“ Q. Do you therefore think that it will be a fair conclusion to make that, if gold was fairly easily available at the various Government treasuries, people may have hoarded less gold?”

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A. I think I have answered that really already in my broad statement that I am personally convinced that the easy availability of gold and the convertibility of the rupee into gold will after a certain interval have a very strong effect in reducing the tendency to hoard."

(*The Honourable Sir Basil Blackett*: "Hear, hear".)

"Q. I was trying to get at what is called the appetite of the people, of the masses, for hoarding gold as they get some surplus. I want to know whether in order to remedy that so-called tendency of the Indian people, the introduction of a gold currency would not directly show to the people that they can really get gold whenever they want and therefore they need not hoard it.

A. Yes. I think it might be theoretically possible so to educate the people of India as to make them realize that their rupee note under the sterling exchange standard was so absolutely convertible for practical purposes into gold, that their fears and attempts to hoard anything might disappear. I do believe that after a short time when the Indian people had discovered that they could get gold for currency without limit, there would be a considerable tendency, instead of hoarding, to invest."

(*The Honourable Sir Basil Blackett*: "Hear, hear".)

I would like, however, in this connection to refer to one point that appears in his evidence somewhere. He has stated his opinion that India should be given a gold coin if she wants to play with it. If she wants to play with it, she may have that gold coin. In this connection I would say two things. If he considers the Indian people as grown-up people able to think soundly for themselves, then he should have some regard for their judgment and opinion. If, on the other hand, he really takes the Indian people to be children, may I not ask that he should at least show affectionate indulgence for the Indian people and give them a gold coin.

The Honourable Sir Basil Blackett: The Honourable Member, I think, is entirely misquoting me, but I will answer later.

Mr. N. C. Kelkar: Whether we are treated as grown up men or children, I think we are entitled to have a gold currency and immediate proposals for gold currency at the hands of the Finance Member.

Sir Darcy Lindsay (Bengal: European): May I point out to the Honourable Member that the time limit he fixed for himself, one hour, has been exceeded.

Mr. N. C. Kelkar: I never promised that I would finish within that time. The House knows that I am not a great speaker. I never take the time of the House, but in this matter I am determined that I shall use to the fullest limit the privilege of no time limit and put the whole case before this House. If anybody does not wish to hear me, he had better go out. The Chair is good enough company for me in this matter. I want the whole view brought on record, whether I am listened to or not, because after all record will be the chief thing. Well, what is at the back of the psychology of the Indian people? I have said this, that Indian people are really anxious to have a gold currency, and what is the reason therefor? The reason in the first place is this, that people have lost faith in the present currency policy. They think that the Indian currency policy is neither fool-proof, much less villain-proof. I do say that in the opinion of the Indian people the official currency policy is neither fool-proof, much less villain-proof. The present Finance Member may be a very great expert, but in his predecessor we had a man who committed Himalayan blunders and mistakes. What guarantee is there that he will

not be succeeded by a man who will commit similar blunders and mistakes? Therefore, it is the privilege of India to ask that she should have something in her own hand which will enable her to regulate exchange and to get relief from currency muddles. Indian people have not much faith in the currency note. Of course that is quite fair. The currency note does not make any pretensions but says "I am a mere paper currency note; you may keep your trust in me or you may not, as you like." Then what about the rupee? Even the rupee is a debased coin and in that connection I will read to the House just a small paragraph, which will, I think, interest the House. I am referring to Professor Robertson's book on money. It is an imaginary conversation about a Bradbury note and the Indian rupee. The Bradbury note, after he has been rebuked for not being very useful and so on, says:

"And let me tell you this, it's not only we paper standard pieces of whom that's true. There is my friend the rupee, who is the standard coin of India: he looks very smart and solid, and takes a lot of people in; but if you took his lettering off him, his carcass would come tumbling down in value. For it isn't his flesh that gives him the value he has got, it is the writing on him."

That I suppose will give the right reason why even the Indian rupee is distrusted. These two are the factors in our currency system, the paper currency and the rupee; and both are distrusted because they have absolutely no international value. It is said, why should India hanker so much for this convertibility of the paper currency into this silver rupee and of the silver rupee into gold. Why are people hankering for this convertibility. About that I would just read two sentences from Professor Robertson, and these references I make because the House will find that these ideas are very happily and pithily put. He says:

"Nowadays it seems to be generally agreed that even if the Bradbury note became freely and indubitably convertible, there would be no frantic rush to convert it for the purpose of making ordinary payments within the country. The mere assurance of convertibility, it is thought, would have the same kind of soothing effect as church bells in the distance, and be equally unprovocative of action."

The point is that if you give gold currency to the people, still it is not impossible that the people should be taught to use gold economically and ultimately to resort to the system of paper currency and to the system of doing financial transactions by cheques. But that India can learn in course of time. The only issue between the Finance Member and ourselves on this side of the House is this. It is a good ideal to economise gold, but, can you really achieve that ideal fully without putting India's people through the regular paces for acquiring that habit in the course of time? Your Bank Act was passed in 1925. It means only two years ago, and what were you like before? I would just like to tell the House that this accusation against India of the habit of hoarding gold and wishing to possess gold is absolutely useless. India has been accused by many of an inordinate and unreasonable love of gold. In this matter, I may join issue at once. India is ridiculed for using gold in medicines. I wonder whether the people in England think India's people eat gold actually. But I can say this that far more gold is used for dental surgery and other purposes in England than we use here for medicines. Of that I am certain. I adopt the very familiar *tu quoque* argument and ask whether England and other European countries have themselves yet completely shed their own love of gold? Gold is still the ruling monarch of metals. It is not India alone that has fallen under its sway, for the simple reason that gold means and

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spells power, and in this respect let us not have short memories. It is certainly not a far off cry to the pre-war period, and what is it that we find about England and European countries before the War? The War has no doubt changed the outlook of some of those countries, and on the principle of once bit twice shy, some of them have been energetically endeavouring to eliminate gold from common currency. That does not mean, however, that they have permanently given up their love of gold. The latest mania is perhaps that of accumulation of gold in the bank reserves, and I can fancy that the world financiers are looking forward to the time when all the gold in the world would be concentrated in New York, London and perhaps one or two central reserve banks. That accomplished, the world will easily be at the mercy of these financiers, who may then play with the world in return as you do with a football. Woe betide the day when that happens, and I for one cannot contemplate with equanimity the prospect of another set of chains being tied round the feet of this country. The chains in this case will indeed be chains of gold, but they will be chains all the same.

Complacent advisers ask us to look at and profit by the example of those countries in which since the War credit has supplanted the yellow metal. We are shown the Bank Act of England of 1925 which gives the Bank alone the undivided right of dealing in gold and gold coin, and removing the metal from the path of the common man in England, as economic rubbish or nuisance. But I have read the opinions of some economists who believe that this benevolent embargo upon gold cannot last long. Professor Flux of America thinks that "time will come soon again when perfect convertibility will be established and specie payments will again be resumed," in some European countries. He also is of opinion that many of the European countries will rather choose, instead of facing a further considerable change in domestic price levels, to re-establish gold convertibility on some new parity. Who knows that the flood gates of gold reserve in the world may not again be opened, and England too may not like to reintroduce her gold currency? Professor Keynes said a plethora of gold is as embarrassing as a shortage of gold. The Right Honourable R. M'Kenna has made a speculation that America may soon find her gold an encumbrance after the War, as Sweden and Norway found it in the War, and actually prevented its import. Mr. M'Kenna estimated that in the Federal Reserve Bank of the United States there was already an excess of upwards of three millions of gold over legal requirements. India therefore need not despair of getting gold. But thanks to the Finance Member, India will be lagging behind other countries in point of gold currency. How long is India thus to be made the fool of the world, so that she should always be the hindmost in the race? And we know the saying that the devil takes the hindmost. Of course when the whole world will be reformed, when its economic psychology will change, and when it will begin to despise gold in the true Diogenese fashion, India may also join in the chorus. It is said that under the law of Lycurgus the police used diligently to inquire among the citizens whether they possessed gold, and the possessor, when caught, was punished according to law. And why should we not imagine that a day may dawn when the Assembly at Delhi will be called upon to pass a similar prohibitive law for the

whole of India against the possession of gold? But, until that time why not allow India to cherish and fulfil her desire to possess both gold reserves and gold currency, in the same human fashion as did England before the Act of 1925? Turning to England in particular, what do we find? We find that in the year before the War, England had in her treasuries and in circulation 830 millions of gold sovereigns for a population of 44½ millions, or over 18 gold coins *per capita* of its population. Up to the year 1915 the London Mint was coining, according to her needs, about 25 to 30 millions of gold coins every year, and the figure in 1912, that is to say, only two years before the War, was the highest on record, namely, 30½ million gold coins. Of the total coins minted by the world in 1915 the British Commonwealth and the United States of America were responsible for 75 per cent. We are to suppose that these countries were the foremost in point of development of banking habits and habits of economizing gold currency, and yet the figures just mentioned indicate the actual absorption of gold currency by them every year. It is only during the last 10 years that the use of gold coin has been at a discount, and only two years that it has been under a ban; and we are told by the Finance Member that India must immediately come up to the level of these countries in point of economy of gold coin. Also with regard to the habit of hoarding, I may say in passing that England and the United States were never free from this habit of hoarding *in toto*. Just before the War about 75 millions of gold coins were circulating in Great Britain and evidently much of this must have been kept in small or large hoards by private people. And just as a performing conjurer picks and collects coins from every part of the body of the operating medium, the War brought out an enormous amount of gold coin from the body of the British nation. The great banker Benjamin White observes:

“The amount of gold hoarded is enormous. There is a class of people, even in the most up-to-date countries, who cannot rid themselves of the hoarding habit.”

And he wittily says “this human custom of hoarding gold coins is directly akin to the habit of a dog who even on a smooth carpet makes a movement as if he were smoothing down the grass to make an easy resting place for his seat”. The story is well-known of Pepys, the famous English writer of diaries. He sent to his father's place for security a great stock of gold from London; and the poor old fellow, it is said, forgot the exact spot in the garden where he had deposited it. My point is that English critics of the Indian people should be rather sparing in their ridicule of the Indian people's habit of hoarding and love of gold coins. I find Indian members of the Currency Commission putting their signatures to such statements in the Currency Commission's Report; but about at least one of these members I can say something which the House will appreciate. The House is probably aware that in 1912 Sir Vithaldas Thackersey moved a Resolution on the subject of the establishment of gold currency in India. Sir Maneckji Dadabhoi, then simple Mr. Dadabhoi, was a Member of the Imperial Council; and he supported that Resolution. In doing so he said that a gold currency was a natural development from the gold standard. “The dangers of the habit of hoarding of the Indian people,” he said, “are exaggerated and their habits have now changed”. I draw the special attention of the House to these remarks. The remarks are categorical. He says first that the Indian people's habits of hoarding

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are exaggerated, and he also says that they have now changed. These were changed before 1912. Now I want to point out just one thing, and it is very amusing. After 1912 and for the last 12 or 14 years the period has been precisely one in which people had not much gold coin to handle. Relying on the Indian Currency Commission's Report, am I to believe that the Indian people have now learnt the habit of hoarding gold? Am I to believe that they have learnt the habit when they could not handle gold? Is it possible that people who could not handle gold will acquire the habit of hoarding it? That is the beauty of the whole situation. A member of the Commission makes a specific admission in 1912 that people have lost the habit of hoarding gold and therefore the time is ripe for the Indian Government to go ahead with gold currency. And now in this Commission's Report the same member puts his signature to this charge against the Indian people that they have acquired the habit of hoarding gold. Such is the value of the Commission's Report. That is the stick with which the Finance Member wants to beat us.

Then I will not go into other things here. I can quote Mr. Gillan who also gave his testimony in 1912; and even in Professor Keynes' book you have ample evidence to show that though the habit of hoarding still exists he is not against giving people a gold coin if they want it, because he says that habits are likely to change even by reason of their being given such gold coin to handle. Then there is Sir Samuel Montagu. It would be tedious to read all these passages but anyone can verify my references and find out whether I am right or wrong. Besides Sir Samuel Montagu—and the best testimony of course in this matter is that of a banker—there is Sir James Begbie, who was a member of the Commission in 1913. He has given very good evidence on this point and he has written I think a minute of dissent in which he says "Go ahead with the gold currency in India".

Now the next point I want to take up is this. The Government of India have adopted this gold currency policy as a deliberate policy from the year 1893. Now consider what the position was in 1893. There were several options open to Government when the mint was being closed. The options were: pure paper currency and the use of the printing press as a mint; that proposal of course this Government had no reason to accept as some Western countries did adopt. The second was bimetallism; but Government could not come to an agreement with the foreign nations and therefore they could not have bimetallism. Therefore the only course open to them in 1893 was a gold standard and gold currency. They deliberately accepted that proposal, that policy, and went ahead with it, and we can bring up the continuous tradition of the Government of India in this matter from the Fowler Commission up to the year 1922. Then in the year 1922 Sir Vithaldas Thackersey moved his second Resolution on gold currency; and the Finance Member's own predecessor, Sir Malcolm Hailey (I cannot quote his own words, but you can find it in the proceedings) said "You want a guarantee for establishing a mint in India. Here on the floor of this House I give a guarantee that you can have it—as soon as you want it". If that is to be the position, if India is to get a gold mint for minting gold coins, as soon as India wants it, then what is to become of the evidence that I have placed already before this House? If out of a total of 103 or 104 witnesses, 98 witnesses give testimony in favour of the adoption of gold currency immediately and if only

6 people are against, then what is the inference to be drawn? When I mentioned this analysis of witnesses, I found one thing on close scrutiny that the cleavage of opinion, the difference of opinion ran along racial lines. Every Indian almost as a rule was in favour of gold currency and every European almost as a rule was against gold currency in India. We know there are exceptions—one or two exceptions on this side and one or two exceptions on the other side; but these exceptions only go to prove the general rule that the cleavage of opinion even on this matter unfortunately goes along racial lines, the English people saying that India should not be given a gold coin and gold currency and Indian people claiming a gold coin and gold currency, even with the support of the Government of India. What else is the meaning of the scheme which was put before the Commission by Mr. Denning and by Sir Basil Blackett? I am prepared to take them at their word in regard to that scheme. I will just refer to the scheme. The scheme, as I said, brings up the tradition of the Government of India pursued for the last 30 or 35 years about establishing a gold mint in India and making gold coins current in India. If anybody thwarted their purpose it was the Home Government and even when in one case the Secretary of State and the Government of India agreed between themselves to have a gold coin in India, it was the British Treasury that came in the way. First of all, there were technical difficulties about qualifications and so on. Then there were legal difficulties; and between the two difficulties they prevented India from having a gold coin. In fairness to the Government of India I must say this: from a perusal of official papers I have been absolutely convinced that the Government of India did always intend to establish a gold mint and gold currency in India and they have kept up the tradition. That tradition has been continued even in the present scheme which has been submitted by the Finance Member and by Mr. Denning before the Commission; but there is of course one little thing—in ending the last paragraph; of course it is stated there and I can see there must be reason for that—that the question of gold supplies to India must be taken into consideration. I also admit that; but just some time back I put before this House the view that this difficulty is not an insuperable one if the Government of India really mean to give us a gold mint and a gold coin. There is a plethora of gold in America; and certainly we can come to some arrangement with America for obtaining our gold. I suppose the scheme also mentions that—these two officers have deliberately stated that—it is possible to come to some arrangement with America itself for our supplies of gold. Then what about the question of cost? They have said even on that point that we must take our courage in both our hands and go ahead, because they themselves regard that that is the real ultimate solution of this whole problem. It is no use tinkering with the currency problem to have a little thing here and a little thing there; only if you establish a gold standard and follow it up immediately by a gold currency and open a mint and keep gold free to come in and go out, then you do the right thing with regard to the currency policy, and, as I have previously stated, you give the people some means in their own self-reliant hands to set right the currency policy when it goes wrong. All the great names of Finance Members may be mentioned in this connection as having favoured gold currency, Meston, Fleetwood Wilson and so on. And I have just quoted Sir Malcolm Hailey. And unless I may presume that he was acting in a dishonest manner, Sir Malcolm Hailey could not have given that explicit assurance and that specific guarantee that as soon as India wanted a gold mint and gold currency, India should have it. Now, fortunately this

[Mr. N. C. Kelkar.]

Commission has been appointed, evidence has been recorded; and what further proof is required that India does want gold coin and gold currency?

So I would summarise the position thus. Indian sentiment is against the Finance Member. Indian theorists are against him. His own scheme is against him. His scheme is not as good as the tradition of the Government of India. His evidence is not as good as his scheme. His Bill is not as good as his evidence; and he himself is not as good as his Bill. That in a few words is the real summing up of the position of the present Finance Member. I have before my mind's eye a chart he has automatically drawn about his tendencies in this matter. In the scheme I find him an enthusiastic advocate of gold currency, saying explicitly that the problem cannot be solved unless you do this. At the end of the scheme he puts in a certain sentence raising a small difficulty, but that is not such a large difficulty as to obscure the benevolent purpose of the whole scheme. Then the Commission gives him two options, in the matter of sale and purchase of gold. The Commission recommends two methods, to sell gold or gold exchange, and in the Bill what do we find? He gives the go-by to gold bullion, yet calling that a gold bullion standard, and takes gold exchange. Now, what is the effect of this exchange? Can we see the face of gold under this arrangement? If you give your gold exchange, it necessarily amounts—I am open to correction—how will it operate? You will get perhaps—of course people may correct me—a draft say on London say or some foreign country. That will serve your purpose. But so far as India is concerned, you will not see the face of gold. The Commission did recommend that, absolutely without making any condition that it was either for internal or external purposes, gold must be given. But the Finance Member takes upon himself the responsibility of making a departure from that Commission's Report in this case. Now, I ask this House, if the Finance Member is to be permitted to make a departure from the Currency Commission's recommendation, why should not this House be allowed to make a departure also? The difference will be only this, that his departure would be reactionary, ours would be progressive and in the right direction. Therefore, I am calling upon this House to deliberately make this departure from the Currency Commission's report.

But I will not weary this House. The House, of course, has, I know, been wearied. But I think if the House applies its mind to this one question that this currency problem can be solved only by introducing an honest gold standard and gold currency into this country, then of course the House would not feel tired at the discussion of this question. I shall feel obliged if any Members of this House will point out the flaws in the line of argument I have followed. I will welcome contradictions, I will welcome corrections. But if in the aggregate what I have said is sound, then I think the House will unanimously support me.

The Assembly then adjourned till Eleven of the Clock on Monday, the 14th March, 1927.