

COUNCIL OF STATE DEBATES

WEDNESDAY, 16th SEPTEMBER, 1931

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OFFICIAL REPORT



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COUNCIL OF STATE.

Wednesday, 16th September, 1931.

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

MEMBER SWORN :

The Honourable Mr. Ram Chandra, M.B.E. (Joint Secretary, Department of Education, Health and Lands).

RESOLUTION *RE* STABILISATION OF EXCHANGE AT 1s. 4d.

THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD (United Provinces Northern : Non-Muhammadan) : Sir, I beg to move the following Resolution :

“That this Council recommends to the Governor General in Council to revise his exchange policy so as to stabilise the rupee at 1s. 4d.”

I presume, Sir, it is well known to the Honourable Members of this House by now that I do not represent the mill interests of Bombay nor am I a professional exchange hobbyist, nor, of course, do I belong to that category of people who might be called the arm-chair economists who do a lot of theorising from their pulpit in the class-room. Not professing any one of those faiths, if still I have chosen to trespass into a domain where experts fear to tread, and advocate the reversal of the exchange policy that was adopted by the Government with the help of, if I may say so, commandeered votes 4½ years ago, I do so because as a result of a dispassionate study of this question from all authentic evidence, I have honestly come to the conclusion that the present exchange policy of the Government has meant red ruin all round ever since it was adopted, has been more and more impossible to maintain in recent times and has put a severe strain on the money market as well as on the financial resources of the Government of India.

Sir, I do not propose to bore the House by inflicting a long speech on a subject of such a highly technical character, and so I shall put my main arguments before you as briefly as I can. In answer to a question that was put in the other House at the time of the last Delhi session of the Indian Legislature, the Honourable the Finance Member laid a statement on the table, showing the highest and lowest quotations regarding the rate of exchange, month by month, from April, 1927 up to January last which shows that since the rupee was officially pegged at 1s. 6d. by Statute in 1927, only in ten months out of 46 has the highest rate reached the statutory ratio ; the minimum has reached that level only in six casual months out of 46 months. I hope the Finance Secretary in his reply to the debate would relate an account of the exchange position during the last eight months. I am positively sure the position has grown very much

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worse now than what it was early in the year, especially with regard to all forward transactions as bankers realising the inevitable force of economic circumstances do not want to commit themselves to any future payments at the statutory rate of exchange.

This untenable character of the exchange ratio and the demoralisation it causes in the money market, brings me to the desperate steps that the Government has, for some time past, been taking to cling doggedly to an impossible position. When the new ratio could not remain stable by the ordinary commercial dealings the Government fell upon other public resources to justify their position. I challenge the Finance Secretary to state if the borrowing policy of the Government during the last few years has not been dictated by the consideration of the maintenance of exchange. In 16 months, from February, 1930 to May, 1931, Government borrowed no less than £52 millions in London by entering into that market as often as five times ! A rupee loan of some 26 crores was raised last year at 6 per cent. when almost simultaneously the Mysore Government could put through two loans in the Indian money market at the rates of 5 and 5½ per cent. This year the rate of interest offered by the Government on its rupee loan has gone up to 6½ per cent. This is not all. There are outstanding Treasury Bills of some 85 crores of rupees in the market at the present moment, all issued at over 6 per cent. rate of interest. I ask the Government: What do they do with all this money ? Are these activities not intended to create artificial conditions in the money market with a view to prop up your favourite ratio ? What is the commercial undertaking of the Government that is yielding a net revenue of 6½ per cent. that these borrowings are being made at that high rate of interest ? It is due to the unceasing issues of the Treasury Bills at high rates of interest that money has remained dear throughout even the dull season. I refuse to believe that ordinary conditions of ways and means necessitate such heavy issues of Treasury Bills. I warn the Government against the dangers of inviting foreign money by the device of our Treasury Bill issues. The recent experiences of Germany should teach them a lesson as to how dangerous it is to be dependent upon short term foreign balances. Any moment foreigners choose to withdraw them, you are at their mercy and may be compelled to pay yet higher rates of interest. Sir, it appears to me that all borrowings of the Government, with the left hand or with the right hand, for short term or for long term, in India or in London, by the issue of Treasury Bills or by means of Ways and Means advances, are prompted by the requirements of their exchange policy.

If we now leave for a moment the questions of the untenability of exchange, its prejudicial influence on the borrowing policy and its resulting high rate of interest and pause for a moment to consider its effect on our manufacturing or export industries, we have yet a sadder tale to tell. Applications after applications are pouring in for the grant of protection and yet more protection, now from one industry, again from another, yet again from the third, and then a second time from the first. Thus the unending round goes on. You have introduced or attempted to introduce some adjustments necessitated by the position of those industries on account of the new exchange ratio, because those industries are owned by the vocal sections of the monied classes, because

they represent foreign capital interest in this country, because they have greater access to the Government of India at Simla and Delhi, because they are very clamorous and control powerful organs of public opinion in India. But have you ever sat down to consider the position of the dumb millions of our agriculturists, how they have been affected by your pet ratio, how they are being ruined by your obstinacy? I ask a very simple question: Have you introduced any similar adjustments with regard to agricultural products as you have done with a view to assist the clamouring manufacturing industries? Sir, I make bold to say that, we, the agricultural classes, have been ruined and ruined more than any of my other friends representing special constituencies. Our produce has ceased to move, our cattle are being sold, our belongings are being put to auction and our lands are fast going out of our hands. All this is due to the fact that in addition to the superimposition of an unnatural ratio, the Government here takes shelter behind the plea that agricultural matters are primarily the concern of Provincial Governments, as if you do not govern exports and imports, as if you do not regulate tariffs, as if the control of credit, currency and exchange is not in your hands. Sir, it is not my purpose to prolong this tale of woes, but I would certainly refer to one or two instances as to how we, the agriculturists, have been hard hit by the new ratio. Look at the plight of sugar producers. The war average of the annual imports of this article came to 472,000 tons; the post-war average was even smaller than that. Now I find that in recent years the imports of this necessary article of consumption have gradually risen to over a million tons. Even beet sugar imported from Britain, whose total imports never came to more than a few thousand tons before, has reached the respectable figure of over a hundred thousand tons annually. You will realise the true import and significance of these figures when you visit the countryside round about my locality where cultivators who used to get Rs. 17 and Rs. 18 per maund for their *gur* do not even get Rs. 3 or Rs. 4 per maund over a full season's crop, and mind you, this is one of our money crops in that part of the country. Sugar manufacture has ceased to be profitable in view of the cheaper imports from abroad made possible by the inflation in the value of the rupee. The position of wheat is no better. In the pre-war year the exports of this article amounted to 13 lakhs of tons; in the year 1929-30, they amounted to no more than as many thousand tons. This phenomenal fall is all ultimately attributable to the antics of the present exchange ratio. In the August issue of his Magazine my friend the Honourable Mr. Natesan has published a brilliant article from the pen of a budding and prolific writer belonging to my part of the country, in which the writer has critically examined our wheat position and drawn a gloomy picture of the situation. It would repay perusal to know how the sins of omission and commission of the Government are responsible for the present state of affairs. I could multiply such instances but I think these two staples are enough to convince the Honourable Members of this House what havoc has been wrought by the bungling of the Government in connection with the ratio question. It is an ineradicable belief of the cultivators that for goods given worth fifteen rupees they are now getting a problematical thirteen rupees and a few annas.

Sir, I do not in this connection want to raise the cases of other countries, how many countries on the Continent devalued their currency in the post-war period, how England stuck to her guns, how India, in the latter's wake, went one

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step further and overvalued her currency and how England's position on that account has been condemned by the recently issued Macmillan Committee Report. Nor do I want to raise the question as to how wide loopholes are given by this fluctuating exchange to foreign exchange banks working in India to rob the commercial community. I do not see any use asking the Finance Secretary why much lower rates are fixed for the dispatch of sterling money orders sent through post offices when the legal rate is 1s. 6d. But one thing I can assert, and assert with some confidence, that public opinion, if it at all acquiesced in the new ratio on any occasion in the past—personally I believe that it never did—has been veering round to a reversion to the old rate of 1s. 4d. Is it not a moderate and reasonable request of the President of the Federation of the Indian Chambers of Commerce and Industry that the Government should let the ratio alone and allow it to take its natural course according to the economic forces? Why should you manipulate it? Sir, no less an authority than Sir Montagu Webb who has got a long record of commercial experience behind him has condemned your present ratio and advocated a reversion to the rate of 1s. 4d. The *Statist* of London, a financial paper of no mean standing, has urged a review regarding the working of the present unpopular ratio. I do not know how far the rumours were correct but we used to hear that the present Finance Member himself was opposed, in his non-official days, to the exchange and ratio policy of Sir Basil Blackett. I do not understand why he has now chosen to be overridden by the decisions of others.

Sir, the present exchange policy has injured both internal and external trade, has brought Provincial administrations to the verge of bankruptcy and well nigh exhausted the resources of the Government of India. It has, besides, aggravated the situation created by the world-wide economic depression, with the result that the tax-paying and purchasing capacity of the people has been more seriously affected than it would have been if an artificial exchange rate had not been imposed upon the country. The unprecedented fall in prices has virtually destroyed the purchasing capacity of the bulk of the people. It is obvious that the Government cannot improve its financial position so long as the economic condition of the people remains so depressed as it is at present. The ruinous effect of this exchange policy has produced such alarming politico-economic reactions as have added to the administrative difficulties of the Provincial administrations and furnished a golden opportunity for the spread of extreme socialistic doctrines. Landlords, tenants and businessmen have all been grievously hit by it. And the longer it is maintained the more involved will become the financial position of the Government and the greater will be the economic distress among the people.

Sir, the Honourable the Finance Member, referring to the suggestion of a reversion of the ratio to 16d. is reported to have stated in the Legislative Assembly the other day that even if the ratio had been fixed at 1s. 4d. the present position would have surely arisen; and in reply to a question he is further reported to have stated that the fall in the prices was not due to the maintenance of the present ratio but to world causes. I do not contend that with a 16d. rupee our agriculturist could have avoided a fall in commodity prices, which must of course be recognised as a world factor, but at the same time it is

incontrovertible that the 18*d.* ratio has accentuated the fall in prices carrying them in some cases to below cost of production. And it is the view of economists that the reversion to the pre-war level of exchange will stimulate exports and thus raise internal prices, which should increase the purchasing power of the agriculturists. An appreciable vitality will thereby be imparted to the economic life of the country which will produce favourable reactions on trade and business and ease the financial problems of the Central and Provincial Governments. It will be welcomed by the producers of primaries as well as manufacturers. It has to be remembered, Sir, that the producers of the primaries are the backbone of industrial and manufacturing activities. On their prosperity and well-being depends the growth of trade and business. To my mind, the chief conditions of a sound foundation will be unattainable if prompt steps are not taken to remove one of the principal causes of economic depression, namely, the exchange and currency policy of Government. The general prosperity of the people is the real sound foundation of Government credit, and a policy which adversely affects this prosperity must be described as unsound and should be abandoned.

Sir, the Honourable Sir George Schuster in answer to a question in the other House the other day is also reported to have stated that the only direct effect on the Government budgetary position of maintaining the ratio at 18*d.* instead of 16*d.* was to reduce the amount of the rupees which have to be raised to meet the Government's annual Sterling obligations by one-ninth, and that if the Government reverted to the 16*d.* ratio they would have to raise over 5 crores more of revenues. I have not the least doubt that in order to bolster up Government Budgets and in order to make up for increasing expenditure of all kinds we have been driven into a higher appreciation of the rupee. But, Sir, by this policy the masses are being ground down and that is a thing which no Indian, who has taken the slightest trouble to understand the problem, could even think of with equanimity. So far as the loss of Rs. 5 crores resulting to Indian revenues is concerned, I am definitely of opinion that those very departments which benefited from it a quinquennium ago, should be made to bear it by squeezing their expanding activities.

These, briefly stated, Sir, are the reasons why in spite of an inkling of knowledge as to what position will be taken up to-day by the Government on this matter—an inkling of knowledge derived from the statements made by the Honourable the Finance Member on the ratio question in the Legislative Assembly the other day, from a reference made to the exchange problem by His Excellency the Governor General in his address to the Members of both the Houses the day before yesterday, and from the answers given by the Finance Secretary to interpellations on this subject in this House yesterday—why in spite of some knowledge derived from all these sources as regards the attitude of Government on this subject, I have been prompted by the considerations of duty to bring forward this Resolution on the floor of this House.

Sir, I move.

THE HONOURABLE MR. BIJAY KUMAR BASU (Bengal: Nominated Non-Official): Sir, I do not, like the Honourable Mover, make any excuse for intervening in this debate. The ratio has become almost like King Charles' head both in business and in politics. It is like the poor relation ever present

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with us. We simply cannot shake it off. It will shoot up its head here, there and everywhere. Assurances have been given by the Honourable the Finance Member, and assurances have been given even by His Excellency the Viceroy himself, but those had not had the effect of exorcising the spirit. It is argued, on the one hand, that all the ills that India is now heir to are due to the ratio and that once the ratio is changed from 18 pence to 16 pence this country will flow with milk and honey. It is argued, on the other hand, that the ratio is a settled fact ; that it is unalterable ; and that its unalterability is a measure of the stability of Indian finance. Now, Sir, when the two sides are adamant and when the two sides are convinced about their respective infallibility, it becomes necessary for us to approach the matter with more care and better judgment than is usual when controversies run high.

Now, let me first deal with the proposition that the extreme dislocation of trade and finance in India takes its root and source from the 18 pence ratio. It is a fact, and there is no gainsaying it, that India is passing through one of the acutest phases of economic depression. But before the advocates of 16 pence could establish their case, they must make a study of facts and figures with a view to ascertaining how much of the present-day depression is due to India, having, perforce, to share in the world-wide depression ; how much is due to India being obliged to experience acute distress in common with the other agricultural countries of the world ; how much, again, is due to the political troubles ; yet again, how much is to be laid at the door of the nervousness of the Ruling Chiefs and monied men of the like class ; and, lastly, how much of the residue could be accounted for by the ratio. Until and unless a statistical and technical analysis from these several points of view is furnished by the opponents of the 18 pence ratio, we should, I am afraid, maintain that instead of proving their case by facts, figures, statistics and arguments, they are merely having recourse to facile dogmatism. I do not at all, Sir, seek to establish that the ratio had not had its share in our present-day troubles. But before we are asked to change the ratio, it is up to the changers to establish their case on a sounder basis, on more reliable data, on more telling figures and on more convincing arguments. As it is, we are asked to believe that if the ratio is not the one and the only cause of all our troubles, it is, at any rate, the arch-mischief-maker. I submit, that to say this is only downright dogmatism. Produce your analysis ; show that you have made a careful and impartial study of the position ; and then ask for our support. My complaint is that this slogan about an unnatural ratio has been repeated by all and sundry, from a hundred platforms, and by a score of newspapers, without any attempt being made to argue their case on a detailed and scientific scrutiny of the relevant facts and figures.

Let me now deal with the case of those who maintain that 18 pence is a settled fact. What are the outstanding features of the financial position from this point of view ?

(1) The floating debt of the country has reached the staggering total of 85 crores.

(2) The Government have to provide for the repayment of no less than 40 crores of rupees of Treasury Bills maturing before the end of October.

(3) Such portion of these maturities as represents London funds is bound to be withdrawn owing to the complications in the London money market.

(4) Already signs are visible that the renewal of Treasury Bills will fall far short of maturities.

(5) In this situation the Government have announced a 6½ per cent. loan in the form of 4-year Treasury Bonds—parenthetically, Sir, I might add that it is rather ominous that the opening day of the loan, which was yesterday, was a Bank Holiday in Bombay. Why did not the Deputy Controller of the Currency in Bombay draw the attention of the Government of India to this fact in time and thus avoid an unseemly and unpropitious opening?

(6) This new loan list is to open when the bank rate is at 7 per cent., when Treasury Bills continue to be on offer; when Government have been obliged to sell Reverse Councils; when, therefore, there has been a persistent contraction of currency; when, in fact, the money market is in a state of stringency. From all points of view, is this the congenial atmosphere, I ask, for the success of the loan?

(7) It will thus be seen that so far as the Ways and Means position of the Government is concerned, the Government while having to be prepared for the withdrawal of London funds from the Treasury Bills which, it is estimated on very good authority, would be 30 crores and while having to provide for the growing deficits of the several Budgets month by month have by no means any fair prospects of getting money either by renewal of Treasury Bills or by subscriptions to the new loan.

(8) Sir, a financial journal of authority and probity, *Indian Finance* of Calcutta, has dealt with these matters and it estimates that the new money which would be required to fill up these gaps is anything like 50 to 60 crores of rupees. Unless this is found, it is difficult to see how the Government are going to keep their commitments in regard to the payment of salaries, etc., and the redemption of the short term debt.

(9) The Ways and Means position in London is no less precarious. If I remember aright, the Honourable the Finance Member estimated the remittance programme for the current financial year at 33½ million sterling. Of this amount, 9 million sterling has been handed over to the Secretary of State by transfer through the Currency Reserve, another 10 million sterling has been found for him in the shape of the last sterling loan. Thus there is 14½ million sterling still to be found. In addition we have to provide 15 million sterling for the redemption of India sterling bonds maturing in January, 1932. Thus, we have still to find funds to the extent of 30 million sterling for the Secretary of State.

(10) There can be no hope whatsoever that there could be any remittance through purchases in the market; there can be no hope either of a sterling loan in the London market, as the British Government themselves have had to arrange colossal foreign credits and have considerable conversion operations before them.

(11) It is true that the British Premier made an important statement the other day promising Britain's financial support to us, if necessary. The developments in Britain since that announcement are of so grave and upsetting a

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character that we have now seriously to consider whether we should, under the circumstances, hold Britain to her promise. Great as is our own difficulty we could not show callousness to Britain's difficulties also.

(12) In this predicament, how are the sterling resources to be found? The only source left is the 40 million sterling of gold and gold securities in the Gold Standard Reserve equalling about 53 crores of rupees *plus* 10 crores of rupees of gold left in the Paper Currency Reserve. The total is thus 63 crores and this is the reservoir which is to feed the heavy sales of Reverse Councils and which may come to be drained for even the Secretary of State's requirements. If the Gold Standard Reserve and the Paper Currency Reserve are thus to be drained for sterling requirements, the residue in our reserves at the end of the year may be 10 to 20 crores.

(13) Thus the gold backing for currency notes for 150 crores and silver rupee coins of, say, 150 to 180 crores, or about 300 crores in all, is a bare 10 to 20 crores of rupees of gold.

(14) Such a slender backing will shake the confidence of the public in the currency of the country; such a slender backing will cause nervousness in the international financial circles in the integrity and stability of the Indian currency.

Now, let me gather the threads of the story. The Government will find themselves not only in serious embarrassments but almost certainly in a crisis with regard to their cash commitments in India and a similar crisis is in store for us in London. In the makeshifts and patch-ups that the Government might make in this situation, it may well happen that all our gold reserves will be almost exhausted, but in spite of this the cash position would not have been adjusted properly; that in the process, the confidence of the public in India and abroad in the solvency of the Government, in the integrity of the Indian currency and the stability of exchange will be shaken to its roots.

This is the position; this is the position as the market sees it; this is the position, which worries even those who wish to strengthen the hands of the Government.

It is true that the Government, on many different occasions, expressed their firm determination on the ratio question; but even the friends of the Government have to ask themselves: In the face of these ominous factors, both in India and in Britain, how do the Government propose to meet the situation? Of the readiness of the Government to maintain the ratio there need be no doubt, but the analysis of the financial position which I have given would show that there is certainly room and cause for doubt in the ability of the Government to maintain the exchange. It is now for the Government not only to assert that they will stand by the 18*d.* but to explain and convince the public that they can continue to stand by the 18*d.* ratio. There is a genuine and universal apprehension on this question and I wish that the Honourable the Finance Member was present here and took this opportunity of telling us not only the what of the situation but the how and the wherefore. I hope, Sir, that Sir George Schuster will take note of the points that have arisen out of this speech and will give us some convincing arguments as even the friends of the Government are apprehensive as regards support of this 18*d.* exchange.

THE HONOURABLE MR. K. B. RANGASWAMI AIYANGAR (Madras : Non-Muhammadan) : Sir, it is good that a zamindar like Rai Bahadur Lala Jagdish Prasad, who gets from his tenants all his income in cash, should rise to move a Resolution of this sort, which goes to help the agriculturists who produce in kind from their lands. Sir, whether we go to the Indian Federation of Commerce and Industry or to the Legislative Assembly or to any other place where Indian politics and economics are discussed, we hear nothing but the injustice due to the ratio. They attribute all the evils to this policy of ratio in the same manner as some people on the opposite side attribute all the evils in India to the political agitation. Sir, the agriculturists and the producers in India are burning with indignation that they do not get the full value for their produce as due to this ratio question. The experts are unanimous, that this ratio should be revised and the original 1s. 4d. should be restored. The foreign wheat-growers and the foreign rice-growers are at an advantage of 25 per cent., that is 4 annas in the rupee, over the Indian producers of wheat and rice. By this change of ratio the Indian producers are losing 12½ per cent., while the foreign producers of wheat, etc., are in an advantageous position to the extent of 12½ per cent. Thus, we saw even in the Punjab, which is a wheat-producing province, wheat was actually imported through the port of Karachi. Through the initiative of our friend, the Honourable Rai Bahadur Lala Ram Saran Das and other big producers in the Punjab, a measure was enacted to impose a duty on all wheat imported into India. It was a piecemeal legislation. It helped the wheat-growers; but what about the rice-growers, the jute-growers, and the tea and coffee planters, and so many other people who are producers in India? India is an agricultural country and it is a pity that the Government have not seen the justice of helping the producers, and making the agriculturists to meet both ends. They cannot keep up to their status and last year they could not pay their taxes without borrowing.

If it is a question of a principle of income-tax, then the principle followed is to restrict the flow of capital from India, but while it is a question of ratio it seems to be the opposite of it. The principle followed in the measure that is before the Assembly is not exactly the principle followed in the matter of income-tax. There they want that the flow of capital from India should be restricted while here in this ratio question it is the contrary to what is followed there and capital is easily allowed to flow out. Here the only people who are benefited by this ratio are those who send away capital from India to foreign banks, and that principle which is proposed to be followed by the Honourable the Finance Member and the Government of India in restricting the flow of capital from India is not followed here in this ratio question. I only wanted to point out that the only people who are benefited by this ratio are those who send their rupees to England at an advantageous ratio.

The much advertised League of Nations would be well advised if they would at least have an international currency so that foreign bank notes may come to India and Indian bank notes may go to foreign banks so that we may get a fair price for the produce we sell in pounds. Even if there is no international currency, I have always held the view that English currency should prevail in India. If pounds, shillings and pence should be the current coins in India we could exchange the Bank of England notes in India and there would be only the question of delay in transit and these can go in insured covers, as is

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done here, from England to India and by that means this ugly question of ratio would be solved. Until it is solved, we want that the ratio should be fixed at the old rate of 1s. 4d. and not at the new rate, and we sincerely feel, every expert in India feels, that it is only the question of ratio that has caused so much economic distress both to the agriculturists and to the Government and that only when they have the purchasing power there will be prosperity all round.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab : Non-Muhammadan) : Sir, I rise to support the Resolution which my Honourable friend Rai Bahadur Lala Jagdish Prasad has moved in this Council to-day. Enough has been said on this question in past years, and so I will not take up much time of the Council in my speech to-day. It has been said by the advocates of the 18d. ratio that this ratio will soon adjust itself. I would like to ask the Finance Secretary how far these adjustments have been translated into practice. Have they actually come in? What I find, Sir, is that we pay about 70 crores of rupees in salaries of public servants employed either in the civil, military or railway administrations. In case matters have adjusted themselves, has there been any saving of say about 10 crores of rupees a year effected under this head? I find, Sir, that so far it is all a bogey and nothing practical has been done in this matter about adjustment. When, Sir, the price of the rupee was increased, we all naturally expected that the salaries, the land revenue and the taxes would be adjusted accordingly by corresponding reductions. No reduction, Sir, has been made. The world prices are ruled by gold, and the prices which the foreign producer pays us is calculated in gold, but we find, Sir, that, while in the olden days one pound brought us Rs. 15, now that pound brings us about Rs. 13. This means that, although the foreign purchaser pays the same price in gold, the Indian cultivator or the producer or the merchant gets about two rupees less per pound. It also means that the producers of the soil have all along been losing 12½ per cent. in the price of their produce. If I mistake not, Sir, the Currency Commission recommended that whenever the 18d. ratio was adopted, the land revenue should be reduced by 12½ per cent. forthwith. I find, Sir, that no reduction in land revenue has been made. A couple of years back, Sir, a deputation of the All-India Landholders' Association waited upon His Excellency the Viceroy, Lord Irwin. They represented this grievance as one of the points which affected the pockets of the landholders. I had the privilege of being one of its members and so I have first hand knowledge of what happened at that deputation and of the grievances which were put before His Excellency. In another way, too, we find that by the present financial jugglery of the Government of India the resources of the country have constantly gone down and the resources of the people, whether they be merchants or whether they be zemindars, have been very greatly crippled. I am only stating a fact when I say that when we examine their pockets, we find that they are practically empty. The time is fast approaching when we fear that there will be an unprecedented and colossal fall in the prices of produce. They have already touched a level which has not been known for half a century. We find that the price of cotton and other agricultural produce is exceedingly low. The price of *gur*, wheat and jute too is exceedingly low. And the result

is that the zemindars find it difficult even to pay their land revenue. At this time, Sir, when there is a great depression in the trade in agricultural produce, I think it will be wise for the Government to help the agriculturists whose cause the Government have been advocating in the past by restoring the exchange ratio to 16d. and so helping the poor zemindar by 12½ per cent. in his produce value.

It has been said that our Military Budget has now been reduced to 54.35 crores. But in case we convert rupees into gold, we find that instead of there being any decrease in the Military Budget, expenditure on all administration, whether military or civil, has increased enormously to the loss of India. What has this exchange ratio done, Sir. As far as my information goes, the profits made by the foreign investors in India amount to somewhere between 40 and 50 crores yearly and remitting this to England means a profit of 4 to 5 crores to those foreign investors, which means that so much more money is going out of India.

Now, Sir, I will come to the gold value of the rupee to the cultivator. The old rate of revenue, when the rupee was worth 7.53 grains of gold is now continuing. He has to pay now for every rupee of land revenue not 7.53 grains of gold but 8.47 grains of gold. That shows, Sir, that the poor zemindar is being hit in this way. He gets 12½ per cent. less on his produce. He has been given no remission in land revenue owing to the increase of the price of the rupee. On the other hand he has been indirectly taxed 12½ per cent. more. And over and above all that, his condition now is practically being reduced to that of a pauper. I do not want, Sir, to dwell long on this subject. I simply want to urge on the Government and to request them to consider this question in its serious light so as to save India from further economic disaster.

THE HONOURABLE MR. H. DENNING (Finance Secretary): Sir, I propose to make my remarks on this Resolution as brief as possible for two reasons. The first is a personal one. This is the first occasion on which I have been privileged to address this House and I am afraid that I have not the practised tongue which is the proud possession of most Honourable Members. The second is that the question of ratio has been discussed *ad nauseam* in the Legislature and on the platforms during the last few years. The Honourable the Finance Member has on many occasions stated the policy of the Government and has given fully the reasons for the adoption of that policy, and His Excellency the Viceroy, in his speech on Monday last, indicated clearly that this policy is unchanged. I will, however, state the position quite shortly. Under the Currency Act of 1927, Government have a definite obligation to maintain the exchange value of the rupee at 1s. 6d. and they intend to use all the resources at their command to implement this obligation. Not only this, but His Majesty's Government have also promised financial assistance, if necessary, and I should like to bring specifically to the notice of the House the statement made by the Prime Minister in this connection in the last week of June. He said :

“ It will not be possible to introduce the proposed constitutional changes if financial stability is not assured, and His Majesty's Government are determined not to allow a state of affairs to arise which might jeopardize financial stability and good Government of India for which the Secretary of State for India is at present responsible. They have therefore decided that should the need arise they will apply to Parliament for authority necessary

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to enable them to give financial support under suitable conditions to the Government of India for the purpose of maintaining the credit of the country pending settlement of the constitutional problems and formulation of provisions which will ensure the maintenance of India's credit in future."

THE HONOURABLE MR. BIJAY KUMAR BASU: What about the changed circumstances ?

THE HONOURABLE MR. H. DENNING: I will deal with that later. The significance of this statement is twofold. In the first place, His Majesty's Government have promised that if the necessity arises they will ask Parliamentary authority for giving financial support to India. The necessity has not yet arisen and we hope that it never will arise, for it would be far better for India to get over her present problems without outside assistance. But the promise of backing from His Majesty's Government, if properly appreciated, should be very valuable in establishing the confidence necessary for India to emerge successfully from the present depression. The second significant point in this statement is that it will not be possible to introduce the proposed constitutional changes if financial stability is not assured. The Resolution before the House proposes that we should depart deliberately from financial stability, and I doubt if the Honourable Mover realises fully the effects of his proposal. As the Honourable the Finance Member said in his Budget speech last February :

"There is no question now of choosing between 1s. 6d. and 1s. 4d. It is a choice between a stable currency and complete instability. If once the country having adopted stability and accepted its statutory obligation repudiated that obligation in order to meet the difficulties of the moment....."

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Has it done so ?

THE HONOURABLE MR. H. DENNING: I say "if". I am quoting from the Honourable the Finance Member's Budget speech. I will start the sentence again :

"If once the country having adopted stability, and accepted its statutory obligation repudiated that obligation (if it repudiated it) in order to meet the difficulties of the moment what confidence can one have in the future that such a step will not be taken again ? You could not thereafter maintain stability."

Is this House prepared to face deliberately all the difficulties and dangers involved in an unstable currency ? Honourable Members are well aware of what is happening in the rest of the world. But I would like to bring to their attention one or two facts which are very relevant to the proposal now before the House. Recently Germany was faced with the prospect of being unable to maintain the stability of her currency. What did she do ? She took the most drastic measures to restrict credit in every way. The bank rate was raised to 15 per cent. and special measures were introduced which made it practically impossible for any one in Germany to export capital. Not only this, but America, France and Great Britain came to her rescue with

credits and she was granted relief from the burden of foreign payments as a result of the Hoover moratorium. This is some indication of the importance

12 NOON. attached to stability by Germany and the countries which came to her assistance. With this example before us, it is almost inconceivable that India should deliberately abandon that stability of currency that other nations are making such an effort to maintain. And here I would like to say something about a remark which fell from the Honourable Mover. He suggested that the Macmillan Report condemned the British policy. I have read the Macmillan Report and I remember distinctly that they said that although some of the members of the Committee felt that a mistake might have been made in stabilising sterling in 1925, they were all unanimous that as sterling had been stabilised in 1925 it would be the greatest mistake in the world to devalue sterling now. That is exactly what the Macmillan Report said. I will now invite the attention of the House to one or two cases in which circumstances have made stability of the currency impossible. Take the case of Australia. The Australian pound is now at a discount of about 30 per cent. Has Australia gained in any way from the depreciation of her currency? Judging from the reports received, her troubles are far worse than they were before. Internally she has gained nothing, and externally she has lost considerably because her power of borrowing abroad has disappeared and the flow of capital into the country required for its adequate development has entirely ceased. Again, look at the Argentine, which, like India, is a country mainly dependent on agriculture for her exports. There is nothing in the reports regarding the situation in the Argentine which lends colour to the belief that she has gained by the depreciation of her currency. I could give numerous other examples to enforce my argument, but I think I have said enough to make it clear, not only that stability of the currency is very highly valued by the world in general, but that depreciation of currency is no solution of the difficulties with which the whole world is faced at present. The fact is that the world has been struck by an economic blizzard from which no country has escaped. Economists differ as to the causes underlying the present depression, but they are agreed that it is impossible for any single country to emerge from the depression by its own effort or by such expedients as tampering with the stability of the currency.

The Honourable Mover has put forward his proposal partly as a means of relieving the agricultural depression caused by the large fall in the price of India's staple crop. I recognise fully that the fall in prices has hit the agriculturist very hard. But it must be remembered that the agriculturist in India is suffering in common with the primary producer in every country in the world. Reports from America indicate clearly that the price which the agriculturist is receiving for his wheat and cotton is well below the cost of production. In Australia the agricultural distress is acute in spite of the fact that the currency has depreciated, and in Egypt the situation is said to be so bad that land is rapidly passing out of the hands of the agriculturist. I would like to turn for a moment to the Honourable Mover's argument that the fixation of the ratio at 1s. 6d. in 1927 has been one of the major factors in causing the agricultural depression in India. Although the rupee was fixed by law at 1s. 6d. in 1927, it has *de facto* been 1s. 6d. since April, 1925. Between April, 1925 and the end of 1929 was agriculture depressed in India? I do not remember any reports of serious agricultural depression. Is it not rather absurd to say that

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something which was done in 1925 caused the depression which really started at the end of 1929? I leave that to the consideration of the House. It seems to me that it is ridiculous to assign the present depression to internal causes. The depression in India is general throughout the world, and it does not depend on the value in gold of India's currency. You may say that is all very well; we admit that the fixation of the rupee at 1s. 6d. in April, 1925 had no adverse effect; but in spite of that we think that a good effect could be produced now by decreasing the value of the rupee. I admit that it is true that if the exchange value of the rupee be stabilised at 1s. 4d.—and I have indicated above that this is not a practical question—the prices of those agricultural commodities whose prices in India immediately reflect the international level would rise by about 12½ per cent. But on the other hand, the prices of everything which the agriculturist has to buy would rise by a corresponding amount.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Only by three per cent.

THE HONOURABLE MR. H. DENNING: Well, I am afraid I cannot agree with the Honourable Rai Bahadur. I do not see how he arrives at that figure of three per cent. If the price of one commodity is going up 12½ per cent. as a result of the change in the value of the currency, then all prices will go up by a corresponding amount.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: I took the figures from the Government statistics.

THE HONOURABLE MR. H. DENNING: Perhaps the Honourable Member will send me those statistics, because I do not know of them.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: I will do so gladly.

THE HONOURABLE MR. H. DENNING: Moreover, a rise in the price of 12½ per cent. in the primary products would not solve the present difficulties of the cultivators who are up against a drop of 40 per cent. or more in prices. A rise of 12½ per cent. would not meet the situation. On the other hand, if the expedient of raising internal prices by depreciating the value of the currency were adopted, India would have to face all the consequences of the loss of her credit, which indeed might prove disastrous to the country as a whole.

I do not propose to deal fully with all the points that have been raised during the debate. I am afraid the subject is such a wide one that I might occupy the attention of the House for a very long time, but I would like to say something on the remarks of the Honourable Mr. Basu on the general financial position. He has painted the situation as a very black one, a very unnecessarily black one indeed. I do not propose to indicate where he has put on the paint too thickly. I will merely put the point to him that even if the financial situation were as bad as he paints it, would it help us to depreciate the value of our currency? I am afraid it would make it worse.

THE HONOURABLE MR. BIJAY KUMAR BASU: I never said so.

THE HONOURABLE MR. H. DENNING: I thought that other Members of the House might misunderstand you on that point; that is why

I wanted to emphasise it. What I say is that however bad the financial position may be, you will make it infinitely worse by depreciating the value of your currency.

I should like to mention a statement made by the Honourable Mover. If I understood him correctly, he said that the Honourable the Finance Member was opposed to Sir Basil Blacket's exchange policy before he came out to India and when he came out to India he changed his mind as the result of contact with the officials here. Well, if that were so, I am afraid that I should be the chief villain of the piece, because I have been Sir George Schuster's main helper in exchange matters ever since he came out. I can assure the House that the statement is not correct and I think it is rather unfortunate that it has been made on the floor of this House. Another misstatement....

THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD: Sir, on a point of personal explanation. I made that statement on the basis of rumours and I made that quite clear in my speech.

THE HONOURABLE MR. H. DENNING: Another misstatement of fact which I should like to correct is that by Rai Bahadur Lala Ram Saran Das which I think was that it was one of the recommendations of the Hilton Young Currency Commission that land revenue should be reduced by 12½ per cent. I know the Report of the Hilton Young Currency Commission very well and I am perfectly certain that there is no recommendation of that sort. I cannot imagine that a Commission appointed to inquire into the currency policy of India would make any recommendation about the scale of land revenue assessments.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: When I made that statement, I said, "If I mistake not" that is the natural and logical inference which I drew from the recommendations of the Commission.

THE HONOURABLE MR. H. DENNING: I hope the Honourable Rai Bahadur will now admit his mistake.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: I do not admit my mistake, as I took the implied meaning, because I consider that as a matter of course, when the value of the rupee was appreciated, all the demands of Government should have accordingly gone down in accordance with the spirit of the Hilton Young recommendations.

THE HONOURABLE MR. H. DENNING: I think I have made my point clear; that was all I wished to do. I have a number of other points noted down, but if I deal with all of them, I shall exhaust the patience of the House, and I will only mention one small point on which an explanation was asked. The Honourable Mr. Basu said that we chose a very unpropitious day for opening the subscriptions to the 6½ per cent. Treasury Bonds, because it was a holiday in Bombay. That day was chosen for many reasons. One reason was it was the day on which payment of the maturing 1931 bonds was due; another was that it was a convenient day from the point of view of our arrangements. The arrangements for a loan issue of the type which is being made now are very complicated and after the decision as to the form of the loan has been taken it takes a considerable time to fix up the necessary preliminaries. The 15th September was the first possible date on which the sale of these Treasury Bonds

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could be started. I think the Honourable Member who brought up the point rather over-estimated the importance of the fact that the 15th was a holiday in Bombay. The Treasury Bonds are on tap and will be available until further notice. Is it of real importance that the day on which the sale started was a holiday in certain parts of India when anybody during the next month or two at any rate can go and buy them ?

THE HONOURABLE MR. BIJAY KUMAR BASU : All I wanted to find out was if the Government of India were cognisant of the fact that that day was a holiday.

THE HONOURABLE MR. H. DENNING : I can assure you that we were cognisant of that. Well, Sir, I will not take up the time of the House in dealing with any more points.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : What about the automatic adjustments in public salaries ?

THE HONOURABLE MR. H. DENNING : I did not quite grasp the Honourable Member's point. Did he say that the Currency Commission recommended an adjustment of salary ?

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : I did not say that. What I said was that India is paying something like Rs. 70 crores a year to its public servants and the salaries of the public servants must be based in accordance with the value of the rupee. When the value of the rupee is appreciated, there should be a corresponding decrease in the salaries.

THE HONOURABLE MR. H. DENNING : On that point, I will try to examine the movements in the value of the rupee prior to the year 1925. Between 1918 and 1920 the rupee was always above 1s. 6d.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : It did rise to 1s. 5d., and not to 1s. 6d.

THE HONOURABLE MR. H. DENNING : I did not catch the Honourable Member's point. It cannot be said that the rupee was stabilised definitely at any figure after 1917.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Even now it is not stabilised.

THE HONOURABLE MR. H. DENNING : That is hardly the point. If you will allow me to reply to the point, I shall do so. I repeat that after 1917 the rupee was not stabilised. It varied in value until it was finally stabilised again in 1925. Well, in the meantime prices changed very considerably. The prices from 1919 to 1924 were very different to pre-war prices and the salaries of Government servants were after the war adjusted to the scale of prices which prevailed then. As far as I know, the immediate result of fixing the exchange at 1s. 6d. was not to cause any decrease in the cost of living of Government officers. If it had done so there might have been a case for a readjustment of salaries.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : The Lee concessions came in to increase the salaries and not to decrease them.

THE HONOURABLE MR. H. DENNING : Well, I am afraid I cannot carry on a running conversation with the Honourable Member, and so I leave the point.

I think I have said enough to indicate that the measure which the Honourable Mover proposes would not accomplish the object which he seeks to attain and that it would involve such enormous financial dangers that India might take many years to recover from the shock to her financial structure. I would urge the Honourable Members of this House to consider very carefully the magnitude of the issues involved and to vote against a Resolution which, if acted upon, might have such serious consequences.

THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD : Sir, as was expected, the views of the Finance Secretary remain uninfluenced by the arguments—I should say the cogent and convincing arguments—that were advanced in support of my proposition from this side of the House. The Finance Secretary, Sir, has I am afraid in replying to the debate not made any statement as to the resources of the Government of India to meet the present situation, has not taken the public into confidence to assure the market that the Government has got the resources. The public were and are eagerly expecting some sort of authoritative pronouncement backed by facts and figures to allay the very just panic that has been created. In his reply the Finance Secretary made a reference to the Premier's announcement promising financial help to India in case of necessity and under suitable conditions. Sir, I am aware of that announcement. But that announcement was only interpreted in financial circles as intended to give tone to the sagging ratio. The psychological effect of this announcement cannot overcome the operation of economic laws. I fail to understand why British credit should be pledged to sustain a rate which has been proved to be so ruinous and costly. The pledging of British credit to maintain a patently uneconomic ratio is in my opinion no service either to Britain or to India. The Premier's announcement may have for the time being improved the Government of India's credit but, to my mind, it cannot remove the causes which so seriously affected it, one of which is the desperate efforts made by Government to maintain the exchange ratio at 1s. 6d. Then, Sir, the Finance Secretary has talked of stability of credit. Stability is a word which has been much used by the Government of India in self-defence since April 1927, and what they have achieved is, in my humble opinion, shaking to the very foundation the confidence of the country in its own currency. The Government, to my mind, are not making for the direction of stability by maintaining the present exchange ratio but are fast speeding towards the port which is fraught with the gravest dangers. Sir, in the course of my speech, I asked the Government to show what they were going to do with all the money that they proposed to borrow at the rate of 6½ per cent. by means of the new loan that they had floated. But the Finance Secretary has chosen to remain silent on that point. I am led to believe, Sir, that borrowing at this high rate of interest will further cripple the resources of the Government of India and will only make the people insolvent. And this belief of mine is based on experience. Now, Sir, the Finance Secretary has said that if the exchange ratio is revised this House would have to face all the consequences which might prove disastrous to the country. In this respect I would say that

[Lala Jagdish Prasad.]

whether the current rate of exchange is fraught with grave consequences to the country or whether the 1s. 4d. ratio which I advocate would be fraught with dangers is a question about which I would not be dogmatic myself but would leave it to various Honourable Members of this House on whose vote this question depends to decide it in the light of their own information and their own inquiries. I suppose, Sir, very little remains for me to add in reply. The Finance Secretary also said that a mere rise of 12½ per cent. in prices consequent on the reversion of the ratio will not help matters. As to that I should say that it may not help matters entirely, it may not remove all the evils with which we are faced at the present moment—I mean the evils of the present economic depression—but it will certainly help a great deal to relieve the present economic situation.

With these words, Sir, I beg to press my Resolution and commend it to the vote of the House.

THE HONOURABLE THE PRESIDENT: The question is:

“That the following Resolution be adopted:

‘This Council recommends to the Governor General in Council to revise his exchange policy so as to stabilise the rupee at 1s. 4d’.”

The Council divided:

AYES—9.

Aiyangar, The Honourable Mr. K. V. Rangaswamy.	Mitha, The Honourable Sardar Saheb Suleman Cassum Haji.
Bhonsle, The Honourable Raja Laxmanrao.	Muhammad Din, The Honourable Khan Bahadur Chaudri.
Hussain Imam, The Honourable Mr. Abu Abdullah Syed.	Ram Saran Das, The Honourable Rai Bahadur Lala.
Jagdish Prasad, The Honourable Rai Bahadur Lala.	Suhrawardy, The Honourable Mr. Mahmood.
	Uberoi, The Honourable Sardar Bahadur Shivdev Singh.

NOES—23.

Ayyar, The Honourable Sir C. P. Ramaswami.	Hafeez, The Honourable Mr. Syed Abdul Irving, The Honourable Mr. Miles.
Bhore, The Honourable Sir Joseph.	Littlehales, The Honourable Mr. R.
Charanjit Singh, The Honourable Sardar.	Megaw, The Honourable Major-General J. W. D.
Chetti, The Honourable Diwan Bahadur G. Narayanaswami.	Mehr Shah, The Honourable Nawab Sahibzada Sir Sayad Mohamad.
Chimman Lal, The Honourable Rai Bahadur Lala.	Mehta, The Honourable Mr. H. M.
Denning, The Honourable Mr. H.	Natesan, The Honourable Mr. G. A.
Devadoss, The Honourable Mr. M. D.	Pandit, The Honourable Sardar Shri Jagannath Maharaj.
Drake, The Honourable Mr. J. C. B.	Ram Chandra, The Honourable Mr.
Dutt, The Honourable Rai Bahadur Promode Chandra.	Thompson, The Honourable Sir John.
Emerson, The Honourable Mr. H. W.	Watson, The Honourable Sir Charles.
Ghosal, The Honourable Mr. Jyotsnanath.	Whitty, The Honourable Mr. J. T.

The motion was negatived.

THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE (East Bengal : Non-Muhammadan) : I withdraw my *Resolution, Sir.

RESOLUTION *RE* ESTABLISHMENT OF PROVINCIAL DEPARTMENTS OF COMMERCE.

THE HONOURABLE SARDAR SHRI JAGANNATH MAHARAJ PANDIT (Bombay : Non-Muhammadan) : Sir, I beg to move the following Resolution :

“ This Council recommends to the Governor General in Council that for the promotion of the internal, import and export trade of India, Departments of Commerce should be established in each Province, and these should work in co-operation with the Commerce Department of the Government of India, the Director General of Commercial Intelligence and Statistics, Calcutta, and lastly, with the Departments of foreign Indian Trade Commissioners that are already established and that are going to be established.”

Sir, India has got about 600 crores of rupees export and import trade and very much more internal trade, but at present there are no Departments in the Provinces which might look after the promotion, as well as the safeguarding of this trade, excepting the Department of Commerce of the Central Government which has no representative Departments in the Provinces. Some of the work is entrusted by the Central Government to the Provincial Departments of Industries, but the latter are not well equipped with the expert staff required for tackling the commercial problems. In the beginning, the Provincial Industrial Departments were managed in the majority of cases by members of the Department who were almost ignorant of all matters essentially connected with industrial subjects. Gradually the inefficiency on the part of these heads was keenly felt by the local Councils, and criticisms were hurled at these departmental heads for their ignorance about technical industrial subjects, with the result that in some of the Provinces technical experts were appointed as heads of the Department as in the case of Bombay and Bihar, and in some Provinces like the United Provinces, Madras and Punjab, the heads were given technical experts as their assistants.

Sir, there are three Departments of very great importance, namely, the Indian Trade Commissioners' Department and that of the Director General of Commercial Intelligence and Statistics, Calcutta, and the Central Commerce Department, but all these are thoroughly unrepresented in the Provinces. The Commercial Intelligence Department collects most useful statistical information for the development of both the internal and external trade of the country. The Trade Commissioners' Department, which is extending its activities in Europe and America and shortly in Africa, has already got treasures of commercially useful information about foreign markets, and similarly the Central Commercial Department equipped with a very big staff must be hoarding heaps of information useful to the traders of the land ; but there are no proper channels in the Provinces to broadcast and propagate these treasures of wealthy information to the artisans and traders of the land. The commerce of the land is helplessly disorganised. There is no business which is not ruined by the cut-throat competition of the suicidal policy of some dealers. Many traders wishing to do foreign business do not know the existing markets nor do

*“ This Council recommends to the Governor General in Council that steps be taken at an early date to provide the important railway trains with travelling doctors to attend to emergent cases of sudden illness and serious accidents.”

[Sardar Shri Jagannath Maharaj Pandit.]

they know how to find out new markets. Most of the export and import business is done by the foreign agencies in the land and the lion's share goes into their pockets. Many aspiring young educated Indians, for want of openings for their future careers, are found going astray as a result of desperate disappointments due to the lack of opportunities. Under these circumstances, Sir, if proper agencies in the form of Provincial Departments of Commerce are established, most useful work of primary importance can be done by these. If, in these days of financial stringency, the inauguration of such Departments is impossible, then as the second best measure, the present scope of the Departments of Industries may be widened a bit. These should be called Departments of Industries and Commerce as is done in the advanced States of Mysore and Kashmir. These Departments should be equipped with persons of commercial knowledge and for some time, till the days of financial stringency are not over, this much modification should be immediately brought into force. If these Departments are not established, then all the work that will be done by the newly appointed Trade Commissioners at Hamburg, Milan and other places will be simply centralised either in London at the High Commissioner's office or at the Commerce Member's office at Delhi.

At present it is reported in papers on stray occasions that the Indian Trade Publicity Officer participated in international trade fairs on behalf of India, but is there any Government agency in the Provinces which can establish contact between the prospective Indian traders and the above officer and *vice versa* ?

In the days of over-production, the question of marketing the national products has engaged the attention of all producing countries. The idea of mass-selling is followed by big nations and for this purpose big combinations are formed by the manufacturers of the same goods. India, which is mostly a raw-material producing country, is extremely ignorant about these methods and consequently it is gradually getting out of the field even in such lines as wheat, sugar, cotton, etc. It is naturally the duty of the Government, by establishing Provincial Commerce Departments, to train the indigenous dealers in the important problems of marketing. The national credit system, which has become a watch-word with the British exporters, is absolutely non-existent in India. In these circumstances, what other Department can prepare the ground for the introduction of such beneficial systems but the Commerce Department ? Sir, the most prominent idea that prompts me to bring this Resolution before the House is the non-existence of such Departments in the Provinces which is vitally essential for the building up of national trade and for the guarding of it by removing the grievances of the dealers, and by propagating useful statistical and other information.

There are Indian Chambers of Commerce which do some work, but that is mostly of the nature of making representations to the Government about particular grievances. But the executive work in such matters as are mentioned by me cannot be done by them for want of resources and official backing. This work should really be done by Government and that cannot be done unless such agencies are established in the Provinces.

These agencies are really supplementary or parallel agencies of the bigger All-India Departments mentioned in the Resolution. The Provincial agencies are, so to say, executive agencies. If they do not exist then the work of the big Departments is as good as not done.

There is no country, Sir, in the world which has neglected this subject as in India. If such an important subject is neglected then the economic structure is bound to collapse, frail and weak as it is already. With these words, Sir, I request the Honourable Members of the House earnestly to support this Resolution.

THE HONOURABLE MR. J. C. B. DRAKE (Commerce Secretary): Sir, when I first read my Honourable friend's Resolution I was in some doubt regarding his exact intention, because, reading the words "Provincial Departments of Commerce", I was not sure whether his intention was that the Central Government should itself set up Departments in the Provinces or whether the Provinces should have Departments of Commerce and Commercial Intelligence themselves. Well, Sir, if the intention had been that the Provinces themselves should set up and pay for Departments of Commerce, clearly it would have been outside the sphere of the Government of India to step in and say, "You shall have Departments of Commerce in Provincial headquarters". But, Sir, I gather from what my Honourable friend has said in his speech that what he really proposes is that there should be branches of the Government of India's organisation for the collection and dissemination of commercial intelligence at the Provincial headquarters or at some place in each Province. Now, Sir, on that assumption, I might perhaps, without detaining the House very long, say a few words regarding the organisation which the Government of India now possess and the organisation which they have at different times attempted to introduce and, as a rule, unfortunately with the same result. I do not intend to go back very far, Sir, but I should just like to mention the scheme which the Government of India introduced, after one or two years' careful consultation with the Provinces, in 1921-22. In that year, Sir, after consultation with the Provinces, they held a Conference which was attended by Provincial Ministers in charge of Departments of Industries and Directors of Industry and they went very carefully into this very question which my Honourable friend has raised—what should be the agency in the Provinces for keeping merchants and traders in touch with foreign markets and with internal markets, working through the Government of India's organisation, the headquarters of which are in Calcutta. After two or three days' deliberation this Conference of 1921 came to what I think was a practically unanimous conclusion, that the Departments of Industries in the Provinces should concern themselves with trade which took place within the borders of the Provinces or perhaps just outside the borders of the Provinces. They thought that the Departments of Industries had not got the information, nor really the time, to investigate wider than that, but they held that the Provincial organisation could get straight into touch with the Director General of Commercial Intelligence and through him with the larger markets; so that it was decided that, while Provinces should on their part do all that they could, and could afford to do, to develop their Departments of Industries, the work of trade intelligence proper, by which I mean market intelligence and prices intelligence, should be done entirely by the Director General of Commercial

[Mr. J. C. B. Drake.]

Intelligence for the benefit of the Provinces as well as the States and everybody else. It was recognised in the course of that discussion that the Government of India's organisation in Calcutta should have branches established in important trade centres in India. What they then provided for was the establishment of an office of Director of Commercial Intelligence in Bombay and the establishment of subsidiary offices also at Karachi and Rangoon. Government had actually got to the point of starting the office in Bombay. Then the axe fell; that was the axe....

THE HONOURABLE SARDAR SHRI JAGANNATH MAHARAJ PANDIT : How, Sir, would it affect the rural areas? How would the rural areas know that the establishment has already been set up in Bombay unless there are provincial officers who would see that the detailed information is given to the indigenous dealers?

THE HONOURABLE MR. J. C. B. DRAKE : My difficulty about that point is this. If the agency which my Honourable friend advocates is a purely provincial agency, I do not see how this Council can decide one way or the other whether that agency should be established.

THE HONOURABLE SARDAR SHRI JAGANNATH MAHARAJ PANDIT : Would it not be the duty of the Government of India to establish provincial agencies, and if it is the Commerce Department of the Central Government I think it is the duty of that Department to establish provincial agencies and pay for the expenses.

THE HONOURABLE MR. J. C. B. DRAKE : What I was explaining was that the Government of India had started to establish a provincial agency when the axe fell and they had to stop, and the office which had been established for a few months in 1922 in Bombay had to be retrenched while the subordinate offices in Karachi and Rangoon were never constituted. In addition to those regular offices subordinate to the Commercial Intelligence Department, there was a further proposal to appoint trade correspondents in other places and that project had to be stopped before effect could be given to it. It never started at all on account of lack of funds. About five years later, a still larger scheme was evolved, part of which is the scheme for appointing Trade Commissioners in foreign countries. That scheme was carefully worked out. The High Commissioner, Sir Atul Chatterjee, himself visited various places on the Continent of Europe and a complementary part of that scheme was, on the advice of the Director General of Commercial Intelligence, Dr. Meek, framed for India and also for the Near East. The whole of that scheme was sanctioned last year, 1930, and the Government of India started putting it into operation. As my Honourable friend has mentioned, a Trade Commissioner's Office at Hamburg was actually started early this year. A trade post at Milan was also proposed to be started as soon as possible and an officer was selected and placed under training for that post. Again, the same thing happened. Owing to the present financial position, it has been quite impossible for the Government of India to do anything else but to put this scheme into cold storage. Now, in the Indian part of the scheme provision was made for a post of Deputy Director in Bombay. The Government of India thought it wise to go a little bit more slowly than they did in 1921, but provision was also made

for the appointment of trade correspondents at certain centres in India. That, Sir, is how the case stands at present. The Government of India have worked out very carefully a scheme of this kind which I think really does meet the points which my Honourable friend has raised, but they have had to say that for the present they could not go on. If the methods by which the Government of India propose to carry out these objects differ slightly from those which my Honourable friend has in his mind, the only thing I can say is this that the scheme was first worked out with the aid of such expert assistance as we could get and then, Sir, it was placed before and passed the Standing Advisory Committee for the Department of Commerce and received the blessing of the Standing Finance Committee before funds were voted for it. My Honourable friend may take it from me that that scheme is intended to carry out really what he is after, and that the reason why we cannot at the present moment accept the Resolution is the financial one. Details, as I say, might possibly differ, but the main difficulty is the financial difficulty. That is all that I think I need say on the subject of my Honourable friend's Resolution, and I hope he will be satisfied that Government have really the same object at heart as he himself and that they do intend to carry out an organisation having those objects as soon as financial circumstances permit.

THE HONOURABLE SARDAR SHRI JAGANNATH MAHARAJ PANDIT: Sir, in view of the assurance given by the Honourable the Secretary of the Commerce Department, that, after the financial stringency is over, the Government of India are going to look into this matter very carefully, I beg leave of the House to withdraw the Resolution.

The Resolution* was, by leave of the Council, withdrawn.

RESOLUTION *RE* PRESENTATION OF THE RAILWAY BUDGET DURING THE AUTUMN SESSION OF THE CENTRAL LEGISLATURE.

THE HONOURABLE MR. ABU ABDULLAH SYED HUSSAIN IMAM (Bihar and Orissa : Muhammadan): Sir, I rise to move the following Resolution :

"This Council recommends to the Governor General in Council to present the Railway Budget (Demands Nos. 1 to 15) during the autumn Session of the Central Legislature from 1932."

Sir, from my experience of the Treasury Benches, I am afraid that even this inoffensive and innocent Resolution of mine may be looked upon with suspicion. The real idea underlying the Resolution was to save ourselves from the terrible heat of Delhi. When we were at Delhi, at the tail end of our last Session, you, Mr. President, went out of your way and suggested a remedy to the Government, that the Budget might be introduced a week earlier. That non-controversial suggestion, coming as it did from an official of your eminence naturally led us to think, that even this unresponsive slave to *precedents*, present Government would go out of its way and act up to your advice, but we were sadly disappointed. No response was made by the Treasury Benches, and I have brought forward this Resolution simply as a substitute to that sugges-

* "This Council recommends to the Governor General in Council that for the promotion of the internal, import and export trade of India, Departments of Commerce should be established in each Province, and these should work in co-operation with the Commerce Department of the Government of India, the Director General of Commercial Intelligence and Statistics, Calcutta, and lastly, with the Departments of foreign Indian Trade Commissioners that are already established and that are going to be established."

[Mr. Abu Abdullah Syed Hussain Imam.]

tion of yours. As it is, the Railway Budget is presented immediately before the General Budget, and it occupies about a week. Six days were occupied last time in the Assembly in the discussion of the Railway Budget. So, the real idea underlying this Resolution is not to immure the Government or to impose any condition upon it; but it is to save ourselves. If the Government gives us any assurance that they will follow the advice so sagely given by the Honourable the President, I do not think it will be necessary for me to press the Resolution.

Coming to the merits, I do not find that there is any difficulty in having these Budgets separated, or that any good comes out of having them joined. They are separate *in toto*. The Railway Budget earmarks certain sums of money to be paid to the Central Government on account of interest on Capital. Well, that is a fixed amount and it does not vary with the vagaries of the Budget from year to year. In addition we make a contribution from the Railway Budget to the Central Government which also is not based on the current year; it is based on the year previous to the last financial year. So that too will not stand in the way of presentation of the Railway Budget in another Session. This question of the separation of the Railway and the General Budget was discussed, and it was decided to have them separated. If you present them at different Sessions you will accentuate the separation, and if we had it during this slack season at Simla I think we might devote more attention to the Railway Budget than we can do in Delhi where we are always on tenterhooks over the General Budget, and we want to put this work through as quickly as possible and get on to the General Budget. The amount involved in the Railway Budget is not small; rather it is a little bigger than the General Budget, yet it does not receive the same amount of attention that the General Budget does; for instance in the last Delhi Session we had six days consideration of the Railway Budget and eight days were devoted to the General Budget. In addition, 11 days were spent in the consideration of the Finance Bill which in effect means the discussion of the merits of the General Budget as well. My reason for bringing forward this Resolution was just to throw out a suggestion, so that if the Government does not find time to place the Budget a week earlier, they might accept this Resolution and save us from the heat of Delhi. This is all I have to urge in favour of the Resolution.

THE HONOURABLE MR. J. C. B. DRAKE (Commerce Secretary): Sir, I had thought of many arguments which my Honourable friend Mr. Syed Hussain Imam might have given for his Resolution to-day but I confess that I had overlooked the one reason which he has given. However, I am very glad to present him with several other reasons why the principle of the Resolution which he has moved to-day should be considered acceptable. When the question was first raised in another place whether the Railway Budget could be separated from the General Budget, Sir Charles Innes said (that was in 1924) that it might be a convenience to discuss the Railway Budget in September and Sir Clement Hindley on the same occasion, speaking after him, welcomed the future prospect of having a longer period in which to discuss the Railway Budget separately from the General Budget, in the September Session. Since then, Sir, the subject has been broached on several occasions and Honourable Members

of the Legislature have pointed out that during the intense pressure of work that occurs during the Delhi Session it is impossible for them to give sufficient time to study the figures of the Railway Budget, which after all concerns one of the greatest assets that any Government possesses. And on the Government side, too, Sir, I am free to admit that there are distinct attractions in this suggestion that the Railway Budget should be discussed in the September Session, and I will indicate briefly what the reasons are which would influence Government to make such a change. Apart from securing additional time for discussion and explanation of details, such an arrangement would suit the Railways in the preparation of their estimates because they depend very largely upon the progress of the monsoon. And if the estimates had not to be prepared before, say, July it quite obviously would be possible to gauge very much more accurately what the result of the monsoon is going to be. Well, that is one point. Another point is that, purely from the administrative point of view, the Agents of the Railways who have to prepare their budgets have rather more leisure in the hot weather than they do in the cold weather, which is their heavy traffic season, so that they again would probably welcome the idea of having that time in which to prepare their budgets. But, Sir, the real difficulty about bringing a change of that kind into effect at once is in the Government of India Act, and, quite simply, the difficulty is this. Section 67A of the Government of India Act says that the estimated annual expenditure and revenue of the Governor General in Council shall be laid in the form of a statement before both Chambers of the Legislature in each year. Now, the General Budget is presented in February and if that General Budget does not contain the railway figures, then the whole statement cannot be called a statement of the annual expenditure and revenue of the Governor General in Council. If, on the other hand, the Railway year were changed and the Railway Budget were presented in September, then it is quite clear that we could not call that a complementary part of the annual statement because the two years would not coincide—they would only overlap each other for a certain part of the year. It has therefore been held that there is a definite technical difficulty in the way of giving effect to this particular proposal which, as I say, it is quite likely that Government would welcome.

THE HONOURABLE MR. ABU ABDULLAH SYED HUSSAIN IMAM : May I inquire if that is the legal opinion of the Law Member ?

THE HONOURABLE MR. J. C. B. DRAKE : Well, without giving any secrets away I may say it is the opinion of the Government of India on the advice which they sought, but I think the Honourable Member may take it from me that there is nothing wrong about that opinion. It is not merely my own opinion. Then, Sir, the question has naturally arisen whether steps should not be taken to amend that section of the Government of India Act if that is the only difficulty standing in the way. The Government of India have considered that point and they have taken the line that it really is not worth while trying to amend one small part of the Government of India Act when the whole of that Act is practically on the anvil and a big change is so near. And, even if the Government of India did consider that it was desirable from their point of view to take this step, would they really be justified in pressing His Majesty's Government to place at the present moment a proposal before Parliament to amend one small part of the Government of India Act, at a time when a com-

[Mr. J. C. B. Drake.]

plete change is in view? I do not think that would be reasonable, and therefore what it really comes to is this; what my Honourable friend has actually put in his Resolution is a proposal that this change should take place next year, in 1932—well, Sir, even if the machinery were now set in motion I very much doubt whether it would be possible to obtain legislation in the British Parliament and to make the preliminary arrangements which would be necessary in order to enable the Government of India to separate these Budgets and produce the Railway Budget in time for the next September session.

I hope I have said enough to make my Honourable friend realise that his Resolution is one with which the Government entirely sympathise in principle, and although it is impossible for me here to say when exactly this proposal will be carried into effect, or in what form, he knows from what Government have said here and on other occasions that this is a subject which undoubtedly will receive attention at a very early date.

THE HONOURABLE MR. ABU ABDULLAH SYED HUSSAIN IMAM : May I hope, Sir, that in the drafting of the new Government of India Act, this point will be kept in view? This difficulty may arise again.

THE HONOURABLE MR. J. C. B. DRAKE : I think I may say, Sir, that it certainly will not be overlooked.

THE HONOURABLE MR. ABU ABDULLAH SYED HUSSAIN IMAM : With the leave of the House, Sir, I wish to withdraw the Resolution.

The Resolution* was, by leave of the Council, withdrawn.

RESOLUTION RE PROTECTION OF INDIAN RESIDENTS IN BURMA.

THE HONOURABLE DIWAN BAHADUR G. NARAYANASWAMI CHETTI : (Madras : Non-Muhammadan) : Sir, I beg to move the following Resolution which stands in my name :

“ This Council recommends to the Governor General in Council that immediate steps be taken effectively to safeguard the Indian residents in Burma.”

In doing so, I wish to be as brief as possible. A similar Resolution was tabled in the Madras Legislative Council last month and I am sure the official reports of the speeches that have been made on the floor of the House in support of the motion would have been by now received by the Government of India, and there is therefore every opportunity for the Government of India to be kept apprised of the feelings and sentiments of South Indians in regard to this Resolution. It is neither necessary on my part to traverse the ground already covered nor to repeat the arguments that have been advanced in support of the motion in another place.

For the past seven or eight decades, there has been a systematic immigration into Burma of Indians who found employment there as labourers, agriculturists, etc. Several thousands of people have, as a matter of fact, become permanent residents in that part of the country. Indian labour and capital were freely used for the development of the Burman tracts and the part that

* “ This Council recommends to the Governor General in Council to present the Railway Budget (Demands Nos. 1 to 15) during the autumn Session of the Central Legislature, from 1932.”

has been played by the Indians in the economic life of that country is by no means insignificant. The present population of Indians in Burma amounts to about a lakh and odd out of a total population of 10 to 12 millions. There have been large investments made by Indians in Burma and of these the banking community of Nattukkottai Chetties alone have invested something like 40 to 50 crores. The relationship between Indians and Burmans has been till recently nothing but cordial and friendly. The importance of the Indian community in every trade and walk of life has been much appreciated by the Burmans. But, unfortunately for the last two or three years, a propaganda has been allowed to be spread that "Burma should be for the Burmans alone". The agitation for the separation of Burma from India grew stonger and stronger so much so that Burmans were led to believe that the existence of the Indian community in that country was a clog to their national progress. This was the beginning of the trouble.

In December last, there arose a rebellion which was confined at first to two of the districts of Burma, but subsequently spread over all parts of the province with all the disastrous consequences following in its wake. There have been murderous outrages and assaults on the lives of Indians. The number that had fled fearing these outrages amounted to about 15,000 up to the end of May, and still every steamer from Burma brings in new contingents of refugees who feel that their existence in that country is so unsafe that they are unable to pursue their peaceful avocations in life.

I therefore urge on the Government the immediate necessity of taking all measures that are necessary to safeguard the lives and persons of the Indian residents there. Sir, with the promulgation of the new Ordinance by the Viceroy, the situation may be considered to be rather improving, but it is a matter for regret that such steps had not been taken close upon the outbreak of the rebellion—a step which would have paralysed the activities of the rebels before they were able to do the havoc they have done now.

Sir, I move the Resolution.

THE HONOURABLE MR. H. W. EMERSON (Home Secretary): Sir, the Resolution moved by the Honourable Member relates to a question on which feeling has run strong and I would therefore express appreciation of the moderation of the terms in which he has spoken. The unhappy differences between Burmans and Indians that have resulted in the deplorable events of the last few months have been the cause of very grave concern to the Government of India and to the Local Government, and at a time when happily communal tension has subsided, both the Government of India and the Local Government are very anxious that nothing should be said or done that may in any way foment feeling. I am therefore grateful to the Honourable Member for the studious care with which he has avoided anything likely to lead to mutual recrimination. He has contented himself with asking for an assurance that Government will take steps to safeguard the interests of Indians. Yesterday, in reply to a question put by the Honourable Member himself, I laid on the table of the House a statement summarising the events of the past few months and describing the action that had been taken by the Local Government to deal with the situation. I do not think it is necessary for me to repeat at any length the facts contained in that statement. The situation was at one time undoubt-

[Mr. H. W. Emerson.]

edly grave, but fortunately it has never been so serious as reports in the Press would lead us to believe. There has been a number of dacoities and murders in which Indians were victims, but the number of those is very much less than what has been publicly stated. Again, it was only natural that the communal trouble should cause alarm among the Indian community settled in Burma, and it undoubtedly gave an impetus to the emigration of Indians. But figures very carefully collected for the first seven months of this year, that is to say up to the end of July, show that the number of persons who left Burma during these seven months was in fact only 3,000 in excess of the number of persons who left during 1929. We may therefore discount the stories which have been widely published that tens of thousands of Indians, and in fact most of the Indian community, are fleeing in panic from Burma. The difficulties of dealing with the situation were very great owing mainly to the local conditions in which these outrages were committed, but the Local Government and the district officers lost no time in taking what action was possible, and owing to the measures which they took, the trouble was restricted within a comparatively small area and even in that area it was brought under effective control. For some weeks now there have been practically no outrages at all, and the Local Government reported, a few days ago, that although members of the Indian community are naturally uneasy regarding the future, they have much more confidence than they had a month or two ago, and that there is now good reason to hope that there will be no recurrence of the trouble. None the less, the Local Government are taking all precautionary measures that are possible, and, what to my mind is still more important, they are doing everything that is feasible to promote good will between Burmans and Indians and to restore the amicable relations which formerly existed between them. The Honourable Member has mentioned the important interests of Indians in Burma; Indians and Burmans are indeed dependent on one another to a large extent and these unfortunate communal disturbances can only result in damage to both communities. It is therefore to the interest of every one to do everything possible to prevent feeling being exacerbated and to assist in the restoration of friendly relations. It is of particular interest to the Burma Government that they should follow this policy, and it hardly needs an assurance from me that they have followed it and will continue to follow it; that they are fully alive to the importance of the question and they will take all steps which are possible to prevent any recurrence of the trouble of the past few months. I hope that with this assurance the Honourable Member will not press his Resolution.

THE HONOURABLE DIWAN BAHADUR G. NARAYANASWAMI CHETTI :
Sir, in view of the assurance given by the Honourable Mr. Emerson, I beg the leave of the House to withdraw my Resolution.

The Resolution* was, by leave of the Council, withdrawn.

The Council then adjourned till Eleven of the Clock on Monday, the 21st September, 1931.

* "This Council recommends to the Governor General in Council that immediate steps be taken effectively to safeguard the Indian residents in Burma."

Copies of the Debates of the Legislative Assembly and of the Council of State are obtainable on sale from the Manager, Central Publication Branch, 3, Government Place, West, Calcutta.
