

Saturday, 26th September, 1931

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THE
LEGISLATIVE ASSEMBLY DEBATES
(Official Report)

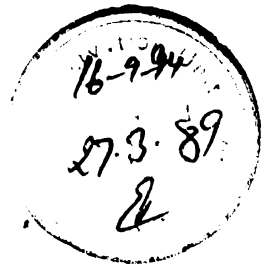
Volume VI, 1931

(23rd September to 3rd October, 1931)

SECOND SESSION

OF THE

FOURTH LEGISLATIVE ASSEMBLY
1931



SIMLA
GOVERNMENT OF INDIA PRESS
1932

Legislative Assembly.

President :

THE HONOURABLE SIR IBRAHIM RAHIMTOOLA, K.C.S.I., C.I.E.

Deputy President :

MR. R. K. SHANMUKHAM CHETTY, M.L.A.

Panel of Chairmen :

DIWAN BAHADUR T. RANGACHARIAR, C.I.E., M.L.A.

MR. ARTHUR MOORE, M.L.A.

SIR MUHAMMAD YAKUB, KT., M.L.A.

RAI SAHIB HARBILAS SARDA, M.L.A.

Secretary :

MR. S. C. GUPTA, BAR.-AT-LAW.

Assistants of the Secretary :

MIAN MUHAMMAD RAFI, BAR.-AT-LAW.

RAI BAHADUR D. DUTT.

Marshal :

CAPTAIN NUR AHMAD KHAN, M.C., I.O.M.

Committee on Public Petitions :

MR. R. K. SHANMUKHAM CHETTY, M.L.A., *Chairman.*

MR. ARTHUR MOORE, M.L.A.

SIR ADDUR RAHIM, K.C.S.I., KT., M.L.A.

RAJA BAHADUR G. KRISHNAMACHARIAR, M.L.A.

MIAN MUHAMMAD SHAH NAWAZ, C.I.E., M.L.A.

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LEGISLATIVE ASSEMBLY.

Saturday, 26th September, 1931.

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

MESSAGE FROM THE COUNCIL OF STATE.

Secretary of the Assembly : Sir, the following Message has been received from the Council of State :

“ I am directed to state that the Council of State has, at its meeting held on the 24th September, 1931, agreed without any amendments to the following Bills which were passed by the Legislative Assembly at its meeting held on the 16th September, 1931, namely :

1. A Bill further to amend the Indian Mines Act, 1923, for a certain purpose,
2. A Bill further to amend the Indian Succession Act, 1925, for a certain purpose,
3. A Bill to amend the Aligarh Muslim University Act, 1920, for certain purposes,
4. A Bill to extend the powers of the Sheriff of Calcutta to hold persons in lawful custody, and
5. A Bill to amend the Land Customs Act, 1924, for a certain purpose.”

STATEMENT OF BUSINESS.

The Honourable Sir George Rainy (Leader of the House) : With your permission, Sir, I desire to make a statement as to the probable course of Government business during the week beginning Monday, the 28th. The business on that day will be the motion to take into consideration the Press Bill as reported by the Select Committee. On Thursday last my Honourable colleague the Finance Member said that he would introduce a Finance Bill on Monday, but it has proved impossible to complete the arrangements in time, and the Bill will therefore be introduced on Tuesday. It is not expected that the Press Bill will be finished on Monday, and it will be taken again on Tuesday. On that day, we shall ask you, Sir, to adjourn the House for a short time after 4-30 until 5 P.M., in order to allow of the Finance Member making a statement at that hour to be followed by a motion for leave to introduce a Finance Bill. For the remaining days of the week on which the House sits—and for this purpose we shall probably invite you, Sir, to direct that the House shall sit on Wednesday, Thursday, and Friday—it is proposed to go on with the Government Agenda now on the paper, that is to say, after the conclusion of the Press Bill the other business which has already appeared on the Agenda will be taken.

As regards the subsequent programme for the Finance Bill, I am not in a position to make any announcement except to say that Government desire to consult with the Leaders of the different Parties in this House before coming to a conclusion.

(1055)

RESOLUTION *RE* EXCHANGE, GOLD RESERVES AND THE SUPPLEMENTARY FINANCE BILL.

Mr. President : Mr. R. K. Shanmukham Chetty.

The Honourable Sir George Schuster (Finance Member) : Sir, I have received a copy of the motion which my Honourable friend the Deputy President proposes to move, and I wish to refer you, Sir, to the Indian Legislative Rule 24A which reads as follows :

“ Save in so far as is otherwise provided by these rules or in any case in which a communication is to be made to the Governor General under any provision of the Government of India Act or of these rules, no discussion of a matter of general public interest shall take place otherwise than on a Resolution moved in accordance with the rules governing the moving of Resolutions except with the consent of the President and of the Member of the Government to whose department the motion relates.”

Inasmuch as it has been decided by my Honourable friend to adopt the procedure of moving a motion which is covered by the rule which I have just read out, I find it necessary to inform you as the Member of the Government in charge of the Department to which the motion relates that we find it impossible to give our consent to the third paragraph of my Honourable friend's motion which reads as follows :

“ Further, this Assembly records its emphatic condemnation of, and resentment against, the manner in which far-reaching decisions affecting the financial and economic life of the country have been taken by the Secretary of State for India without any reference to the Indian Legislature, although it was in session.”

I think the House will appreciate that in dealing with the whole matter we have been desirous to afford to the House every possible opportunity for expressing their opinions, but I think that all Honourable Members will also appreciate that as the Government under this rule have to take the active process of giving their consent to the motion being moved, it would hardly be possible for us to give our consent to the particular part of the motion to which I have referred. Therefore, on behalf of the Government, I wish you to accept that expression of opinion and my inability to give consent to that portion of the Resolution being moved.

(At this stage Sir Hari Singh Gour rose in his seat.)

Mr. President : I take it that the consent of the Member in charge as required by Legislative Rule 24A has not been obtained. That being so, the Honourable Member will have to move the motion in the form in which the Honourable Member in charge is agreeable to give his consent. I see that Sir Hari Singh Gour wishes to speak. I should like to know what he has to say on the subject.

Sir Hari Singh Gour (Central Provinces Hindi Divisions : Non-Muhammadan) : This is what I wanted to say. I do not think the Honourable the Finance Member will raise any objection if we modify the clause, which the Honourable Member has just read out, in the following terms :

“ Further, this Assembly records its disapproval that far-reaching decisions affecting the financial and economic life of the country have been taken by the Secretary of State for India without any reference to the Indian Legislature, although it was in session.”

We merely record our disapproval.

The Honourable Sir George Schuster : I am, I am afraid, unable to recognise any distinction between the words which my Honourable friend

has just read out and those to which I originally took exception. I am afraid there is no possibility of the Government being able to accept any modification of that particular portion of the motion.

Mr. President : I take it then that the position of the Government is that they will give their consent to the motion *minus* the paragraph to which objection is taken.

(The Honourable Sir George Schuster nodded assent.)

I wish now to know from Mr. Shanmukham Chetty whether he is agreeable to move the motion in the form consented to by the Member in charge.

Mr. R. K. Shanmukham Chetty (Salem and Coimbatore *cum* North Arcot : Non-Muhammadian) : Mr. President, I have really no choice in the matter. I am fully aware of the fact that under the rules and Standing Orders a motion of this nature cannot be made without the consent of the Member in charge of the subject to which the motion relates. I have not obtained his consent for the motion as it stands on the Order Paper to-day, and if my Honourable friend really objects to my moving that part of the motion, as I said, I have no alternative and I shall certainly move my motion without that paragraph.

Mr. President : I will now call upon the Honourable Member to do so.

Mr. R. K. Shanmukham Chetty : Mr. President, with your permission, I beg to move the following motion that stands in my name on the Order Paper :

“ *WHEREAS* it is apprehended that it would be seriously detrimental to the interests of India to link the rupee to sterling under present conditions ; and

WHEREAS the action of the Government of India as currency authority in maintaining the exchange value of the rupee at 18s. has had disastrous effects on the agricultural and industrial interests of the country and has resulted in the depletion of the gold assets in the currency reserves ; and

WHEREAS it is further apprehended that the linking of the rupee to sterling and the consequent obligation imposed upon the Governor General in Council by the Gold and Sterling Sales Regulation Ordinance (Ordinance VII of 1931) will result in further frittering away the gold assets to the grave detriment of the financial and economic life of the country ;

This Assembly is of opinion that the Governor General in Council should immediately take such steps as are necessary to ensure that the total amount of the gold and sterling assets in the Paper Currency and Gold Standard Reserves are not allowed on any account to fall below the level at which they stand at present ; and

This Assembly is further of opinion that under the present circumstances it would be in the best interests of the country for the Governor General in Council to take steps to restore the Ordinance No. VI of 1931 and to relieve himself from the obligation imposed upon him by section 5 of the Currency Act, 1927, or by Ordinance VII of 1931, and that in any case if Government are determined to continue Ordinance No. VII of 1931, such obligation ought not to be undertaken unless and until substantial long term credits are forthwith granted in favour of the Government of India in London by His Majesty's Government on reasonable terms and conditions.

With reference to the announcement made by the Honourable Finance Member about the introduction of a second Finance Bill, this Assembly is of opinion that proposals for taxation should not be made without giving due notice to Honourable Members and that no proposals for taxation must be made in the present session.”

Mr. Arthur Moore (Bengal : European) : On a point of order. With reference to the last paragraph, may I ask whether it does not raise an entirely different issue and is therefore out of order under the terms of the Rules and Standing Order ?

Mr. President : The point raised has been very carefully considered by the Chair. At one time it was intended by non-official Members to move a separate Resolution on the subject of the Finance Bill. When some doubts were raised, it was represented to the Chair that the motion which was proposed to be moved at to-day's special meeting was in regard to the statement which the Honourable the Finance Member had made on the floor of the House. In the course of that statement the Honourable the Finance Member did state that he intended to introduce a Finance Bill. It was therefore clear that the Finance Bill formed a part of the statement made by him and therefore this paragraph in the motion is quite in order.

Mr. B. K. Shanmukham Chetty : Mr. President, I thank you for the ruling that you have given on the point of order raised by my Honourable friend, and before I come to the main theme of the motion that I have moved, I would like to say a few words on the last paragraph of the motion with reference to the expression of opinion of this House relating to the intention of the Honourable the Finance Member to introduce a second Finance Bill during the current session of the Assembly. That part of my motion relating to this subject records the opinion of this House that when Government contemplate taking a serious measure of the nature involved in the introduction of a Finance Bill, and the consequent imposition of fresh taxation on the country, it is but natural and proper that Honourable Members on this side of the House should demand of Government that sufficient notice ought to be given to them so that they might be prepared to receive the taxation proposals of the Government and make arrangements to be present in Simla for the consideration of those proposals. It is no doubt true that for the last few weeks informed circles were anticipating the introduction of fresh taxation proposals, but I submit that not one of us, even the most well informed person, imagined that fresh taxation proposals in the form of a second Finance Bill would be hurled on this House at such short notice. It might be argued that when a session is on, it is up to Honourable Members to be present in Delhi or Simla to attend to the business that might come on in the House from day to day, but I submit that the position with which we are faced to-day is entirely different. Every one knows that in the normal course of business during the Delhi Session somewhere in February or March the Government always introduce their financial proposals, and Honourable Members make it a point to arrange their programme with a view to enable them to be present during the discussion of those financial proposals but the position to-day is entirely different. Many Honourable Members before the legislative session in Simla was announced were under the impression that this session would be a very uneventful one. To their great surprise they were presented with the Press Bill and as an emergency measure they did not think it proper to complain of want of notice, but we are not prepared to adopt that course in the case of the Finance Bill. Many Honourable Members have not come to Simla because they thought that there could not be any important proposals coming forward this session and many who were in Simla during the earlier part of the session thought that there would not be any sensational or eventful measure brought forward and consequently many of our Members have left Simla. Under these circumstances I would submit to you, Sir, that it is highly improper for Government to introduce any taxation proposals during this session, and I do hope that my Honourable friend the Finance Member will realise the justice underlying the plea that I am making on behalf of the non-official Members and give due consideration to the point of view that I have urged before him and make some

arrangement with a view to give due notice to Honourable Members about the taxation proposals. When I make this request to him, let me make my position perfectly clear.

We on this side of the House do not want to shirk any discussion of any financial proposals that my Honourable friend wants to bring forward, but whatever might be those proposals and their merits, we are entitled to claim in justice that our Members shall have due notice of those proposals, and I do hope that Honourable Members who follow me will impress upon the Government the necessity for giving due notice to Honourable Members and making such arrangements as may be necessary and advisable, so that due notice might be given. I shall leave that part of my motion at that and I shall now come to the main theme of my motion.

During the last one week we have all been passing through a period of great excitement and the excitement has been all the greater because of the fact that many of us did not know what we were excited about. We all realized that there was something momentous going on around us, but very few realized the gravity and seriousness of the situation with which we were faced, and in face of this serious situation it is no wonder that a great deal of confusion has been caused not merely in the minds of Honourable Members in this House but in the mind of the public at large ; and I would submit that the action of the Government in declaring three consecutive Bank holidays has added to the confusion. In dealing with a matter like the one raised in my motion, I quite realize that it is difficult to avoid technicalities to a certain extent, but that it is also necessary to make the position clear even to those who do not ordinarily trouble themselves about these things. I will therefore, Sir, attempt to cover in my speech the main grounds in three aspects. I will first of all attempt to give Honourable Members a narrative of the facts which have led to the present position. I shall then indicate to them the manner and the method which the Secretary of State has thought fit to adopt and the implication of the measures that he has imposed upon this country ; and lastly, I shall try to explain to Honourable Members what the apprehended economic and financial consequences of the proposals made by my Honourable friend are.

Last Monday morning at half past eight, we heard the startling news that Great Britain had gone off the gold standard. Before last Monday, anyone in England who took to the Bank of England currency notes was entitled to demand, in return for those notes, a certain amount of gold at a rate fixed by statute. The effect of the announcement made on Monday morning was that the Bank of England was relieved of the obligation to give gold in exchange for currency notes. Even before we got out of the shock caused by this announcement, we heard the statement that my Honourable friend, the Finance Member, made in this House that H. E. the Viceroy had issued an Ordinance relieving the Government of India as the currency authority of the obligation to give gold or sterling exchange in return for rupees or currency notes. Under the Currency Act of 1927, the Government of India as the currency authority of the country are bound to give to anyone who took currency notes or rupees either gold in exchange or sterling remittance at the rate fixed in that Act. The meaning of the announcement made by my Honourable friend on Monday morning was that the Government of India as the currency authority was relieved of this

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obligation. Sir, it took some time for us to realize the implications of this momentous step taken by the Government in Great Britain, and the consequential step taken by the Government in India. But before we recovered from our confusion, we heard the startling news across the wires that the Secretary of State made before the Federal Structure Committee a statement which was absolutely contrary to the statement made by my Honourable friend here at 11 o'clock that morning. Sir, it is not given to us to know the secrets that pass behind the room where meetings of the Executive Council are held, nor is it open to us even to have a glimpse at the messages that flash across between Whitehall and Simla : but, reading between the lines, we can picture to ourselves the events of that day. Evidently my Honourable friend, the Finance Member, had a very unpleasant dish at his breakfast table that morning in the form of a telegram announcing the abandonment of the gold standard by Great Britain. And I take it, though I have not first-hand information on that point, that he immediately got into his rickshaw or mounted his pony—I do not know which—and rushed to Viceregal Lodge ; and I do not know if he took his Secretary, the Honourable Mr. Denning, with him, but certainly he must have rushed to Viceregal Lodge and he must have told the Viceroy that something had gone wrong and presumably he asked him to put his signature to a certain Ordinance. Soon after the Ordinance was issued, I take it the Government of India sent a copy of that across the wires to the Secretary of State, and the Secretary of State and his officers were evidently startled by this news that was flashed out from Simla : and without losing a moment, the Secretary of State hurried to the Federal Structure Committee in the same hurry, but perhaps in a motor car (Laughter) and there announced to them what in effect comes to this. "The Finance Member has acted in a manner which I consider is not in the interests of India and England. He certainly has acted without my consent. He has no business to act in that manner. I therefore overrule what he announced there three hours ago and I tell you, gentlemen, that in the interests of India again I have determined to maintain the rupee linked to sterling (Hear, here)." That, Sir, was the dramatic episode which, though I have not witnessed it, I can very well imagine must have taken place on Monday between 11 o'clock in the morning and 4 o'clock in the afternoon.

I want Honourable Members to realize this, that the announcement made by the Secretary of State at the Federal Structure Committee is the direct negative and opposite of the statement which my Honourable friend made in this House and of the policy enunciated in the Ordinance promulgated by the Viceroy. Sir, with regard to a matter vitally affecting the economic life of India, I would rather trust the Finance Member of the Government of India as compared to the Secretary of State in London. (Loud Applause.) When my Honourable friend, the Finance Member, was on Monday faced with a serious situation, he, whether consciously or unconsciously—I hope and believe consciously—acted on his first impulse and did something which was really in the interests of India. And I would take this opportunity of tendering to him the thanks of this side of the House for having acted in the interests of India. (Loud Applause.) In tendering him my thanks, I know I am creating an embarrassing situation for my Honourable friend. I am not going to ask him the direct question whether, when the Secretary of State cancelled his announcement, he consulted the Honourable the Finance Member of the Government of India.

I do not want my Honourable friend to answer that question, I know the answer myself. Sir, my Honourable friend took objection to that part of my motion which relates to the condemnation of the Secretary of State's action. But I am glad that you cannot prevent me from saying what I feel on that subject. The Indian Legislature was in session ; the Finance Member of the Government of India as the man on the spot must be trusted to know what was in the best interests of the country when the country was faced with a crisis of this nature, and yet what happens ? Without reference to the Indian Legislature, and I say without reference even to the Government of India, the Secretary of State, acting on the advice of the financial interests in Great Britain, prescribes to us and imposes upon us a policy the result of which will be disastrous to the economic welfare of this country. I know the limitations of my Honourable friend the Finance Member and the Government of India in this matter. I know that they are subordinate agents of the Secretary of State. I know that if in the place of my Honourable friend the Finance Member there were a Minister^{*} responsible to this Legislature, and if that Minister were overruled by a higher authority, he would have had no option but to tender his resignation. I do not want my Honourable friend the Finance Member to tender his resignation. I do hope that, in spite of his having been ruled out by higher authorities, he will still remain with us and carry on the burdens of the Finance Membership of the Government of India. But, Sir, though the Government of India as the subordinate agents of the Secretary of State can pocket this insult, we on this side of the House, representing the people of this country, are not prepared to pocket this insult. If really the Secretary of State thought that the Finance Member had committed an error of judgment, if the Secretary of State and his advisers honestly thought that the course recommended by my Honourable friend the Finance Member was not in the best interests of the country, even then I submit, it was up to the Secretary of State, in consultation with the Government of India and with their approval, to bring before this House the necessary measures to effect legislation embodying his proposals. Instead of doing that what has happened ? The Ordinance issued by the Viceroy on Monday morning under the advice of the Finance Member was cancelled within three days ; a new Ordinance has taken its place, and I ask how long is this Ordinance to be in force ? When the power of making Ordinances was vested in the Viceroy, was it not the intention of the authors of the Government of India Act that this power of making Ordinances must be used by the Viceroy only in great emergencies when the Legislature was not in session, or if the Legislature was in session but refused to give assent to the proposals of the Government ? This Ordinance No. 7 of 1931, that was issued three days ago, alters one of the fundamental provisions of the Paper Currency Act of 1927, an Act passed by this Legislature. And I put it to the Government whether it is treating the House fairly and justly to cancel one of the main provisions of an Act of the Indian Legislature by an Ordinance of the Viceroy when the Legislature is in session. I am prepared to grant that when they were faced with an emergency and a crisis of this nature, it was certainly the duty of the Viceroy, acting under the advice of his financial advisers, to issue any Ordinance that he pleased. But I also submit, Sir, that the Government of India ought to take the earliest opportunity of bringing before this House the necessary legislation embodying the provisions of that Ordinance. That Ordinance was issued three days ago and we have not yet heard from the Government whether they contemplate bringing before this House any Bill incorporating the provisions of that Ordinance ; and so long

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as the Government of India fail to do that, it would be a serious insult to the non-official representatives in this House, an insult which they can protest against only by giving expression to their feelings in this House and by passing the motion that I have tabled today. I therefore hope that apart from the technicalities of the motion involved, every non-official Honourable Member in this House, including my Honourable friends of the European Group, will realise the implications of the step taken by the Viceroy in issuing the Ordinance and the reluctance shown by the Government of India to bring in the necessary legislation embodying the principles of that Ordinance. Sir, at a time when our delegates are assembled in London discussing the question of the future constitution of this country, discussing the question of delegating to the representatives of the Indian people more powers over internal affairs, at that time we find the Government of India acting under the instructions of the Secretary of State depriving this House even of the little power entrusted to it by the Government of India Act ; and I ask the Honourable Members whether they are prepared to tolerate a position of that nature. (*Cries of "No, no."*) If they are not prepared to tolerate that position, they have no other course but to walk with me into the lobby when the motion is put to the vote.

Having said so much about the arbitrary action of the Secretary of State in over-ruling the decision of the Government of India and in imposing his decision upon the Indian people, I should like to say a word or two about the implications of the action of the Secretary of State. The action of the Secretary of State comes to this, that the Ordinance issued on Monday morning stands cancelled, that the provisions of section 5 of the Paper Currency Act stand cancelled. In place of that the obligation is imposed upon the Government of India as currency authority to sell sterling at the statutory rate for legitimate trade and other purposes. The position of our rupee, Sir, the currency of our country, has undergone many vicissitudes within three days. On Sunday evening every rupee that we had in our pockets was linked to gold through the medium of sterling. On Monday morning it was linked neither to gold nor to sterling ; on Monday afternoon it was linked by the Secretary of State to sterling as divorced from gold. These are the vicissitudes through which our national currency has passed, and let us take stock of the position today. I want to explain to Honourable Members in the briefest manner possible the economic and financial repercussions on our country of this step taken by the Secretary of State. In order to enable Honourable Members to follow me in my arguments, I must ask their indulgence if I take them back in historical retrospect just for a few years and ask them to rivet their attention on what took place in the years 1926 and 1927. The ashes of controversy are still hot in the furnace and I do not want to take this opportunity of kindling the fire again.

We all remember the public agitation that was caused as a result of the determination of the Government of India to fix the exchange value of the rupee at 18*d.* The Indian commercial and public opinion in 1927 emphatically protested against the contemplated action of the Government of India and Indian commercial opinion was practically unanimous that if the rupee was fixed at 18*d.* gold would lead to serious consequences to the great detriment of the economic and financial interests of the country. We were told at the time that we were indulging in

a jeremiad, that we were picturing to ourselves a gloomy state of things which was not warranted by the economic conditions of India and the world as they existed then. We were told that India would not suffer but stood to gain by linking the rupee to 18*d.* in gold. But, Sir, subsequent events have proved that the apprehensions that we entertained in those days were not altogether unfounded, that even though other causes have intervened, even though other phenomena have occurred in the world during the last five years, the fact yet remains that the step that the Government of India took in 1927 in fixing the exchange value at 18*d.* against the almost unanimous wish of the Indian public, has resulted in serious economic consequences to our country. What has been the result? As a result of the attempt made by the Government to maintain the exchange value of the rupee at 18*d.*, there has been a contraction of currency in this country to an extent which cannot, in any circumstances, be justified. By contraction of currency is meant withdrawing of actual currency from circulation, and how much of currency was withdrawn in 1926-27 soon after the Bill was passed? Contraction of currency took place to the extent of 29½ crores in that one year. In 1927-28, 4 crores and 10 lakhs were withdrawn. In 1929-30, 32 crores and 41 lakhs were withdrawn. In 1930-31, 38 crores and 64 lakhs were withdrawn, and during the last five months of the current financial year, 36 crores worth of currency have been withdrawn. The total comes to 138½ crores of currency withdrawn from circulation. I would ask Honourable Members to realise what the economic consequences in the country will be when you withdraw from circulation currency to the extent of 138½ crores of rupees in the course of four or five years. The result has been stringent money conditions. Agriculture and industry have been starved of the necessary funds to carry on current operations. The Bank rate has been kept high and all these have resulted in creating enormous difficulties to the vast agricultural population of this country and in practically crippling the resources of the industries of this country. Nor was this the only effect of the attempt of the Government to maintain the value of the rupee at 18*d.* Our gold assets have been frittered away. On the 30th April, 1926, our gold assets stood at 51 crores of rupees in the form of sterling securities, and 30 crores in gold bullion, to which was added in 1928-29 2.45 crores of rupees gold bullion, in 1930-31, 1.89 crores and in 1931-32, about 9 crores, so that the total gold reserve that we ought to have to-day is 124.3 crores. As against that, what is the gold reserve that we are left with to-day? To-day, our gold resources, taking the gold bullion and sterling securities together, stand at only 58 crores of rupees. The meaning of this is that within the last four or five years we have lost our gold resources to the extent of 66½ crores of rupees. I know I will be told that the diminution in the gold reserves ought not to be wholly attributed to the attempt of the Government to maintain the exchange. I know that I will be told of the flight of capital abroad, and that the extraordinary political conditions that prevailed in the country have contributed to this diminution of our gold reserves; but even making allowance for all these extraordinary factors, I still maintain, Sir, that if it were not for the attempt of the Government of India to maintain the exchange value of the rupee at 18*d.* our gold resources to-day would have stood in the neighbourhood of 124 crores of rupees instead of the 58 crores at which they stand to-day. My Honourable friend, the Finance Member, wanted this House to go away under the impression that our gold has increased by nearly 7 millions

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as compared with the last year. He would pardon me if I venture to say that his statement is a half-truth. So far as it goes, it is technically correct. But, Sir, when we talk of our gold resources, we do not only take into account the gold bullion that we have, but we have to take into account the sterling and gold securities that we have, and I submit that if you consider your gold assets, taking into account both the gold bullion and sterling securities, the fact remains that during the last five years our gold resources have been depleted to the extent of 66½ crores. What is the nature of the gold which has come into the currency charts and about which my Honourable friend, the Finance Member, spoke? He spoke of the currency authorities having acquired seven million pounds of gold. But I do not know how many Honourable Members know the fact that these seven million pounds of gold were not attracted into the currency treasuries as a result of the expansion of our export trade, but these seven million worth of gold came from up-country, and it is what is called distressed gold. This seven million worth of gold is the gold that the poor people have had to part with in the villages as a result of the depression and crisis with which they were faced. This seven million worth of gold is the accumulation of small quantities of gold which the poor man and the agriculturists in the villages had to part with to purchase the necessary articles of food for themselves and this phenomena of seven millions worth of gold coming into the currency reserves is not one on which we ought to congratulate ourselves. But that is neither here nor there. What I want to impress upon Honourable Members is this, that our gold resources to-day have been depleted to the extent of 66½ crores of rupees. Nor is this the whole story. In the effort to maintain exchange, we have not merely depleted our gold reserves to the extent of 66½ crores of rupees, but we have incurred additional sterling liability to the extent of 52 million pounds or about 70 crores of rupees. The meaning of that is this, that within the last five years, to maintain exchange, in addition to the depleting of gold resources, we had raised money in London to the tune of 70 crores of rupees and to-day India is burdened with an external debt of 70 crores of rupees more than what it was five years ago and that certainly is not a matter on which we can congratulate ourselves.

I am not one of those who attribute all the economic ills of India to the ratio. I am not one of those who believe that a 16*d.* ratio is the panacea for all the economic ills of the country. But I certainly believe that the economic crisis through which we have been passing has been seriously accentuated by the policy of the Government of India in maintaining the exchange value of the rupee at 18*d.* Most modestly put in that way, no one can challenge the accuracy of my statement. Government have been deaf to the demands of the Indian public in this matter. They were actuated by motives of prestige, and whenever there was a discussion on any form about the exchange value of the rupee, the Finance Member repeatedly assured India and the world at large that the Government were determined to maintain this exchange value of the rupee and that they had enough resources to maintain that obligation. They were deaf, I say, to Indian public opinion; but an opportunity came to them unexpectedly last Monday morning. What they could not do in response to Indian public opinion they could have done on Monday morning. I would not be the cynic to say that England's difficulties are India's opportunities. But on Monday morning the position was this; the

difficult situation in which England found herself that day and her consequent abandonment of the gold standard in England certainly offered a splendid opportunity for the Government of India to retrieve the mistake of the last five years and again to put the rupee on a proper basis. Acting on the first impulse my Honourable friend the Finance Member acted that day in a manner that was in the best interests of the country. But unfortunately he was overruled by the Secretary of State. Can there be any justification for this action taken by the Secretary of State? England abandoned the gold standard on Monday morning, because there was a flight of money from England and there was a demand for the gold which was in the vaults of the Bank of England. Was not that in a lesser degree the same position in which we found ourselves that day. Has it not been the case that the Government of India's sterling resources have had to bear a tremendous strain during the past few months in meeting sterling obligations? England and India, I submit, were faced with the same problem and the same crisis; and if the abandonment of the gold standard was good for England, I ask, was it not good for India also? What is sauce to the English goose must certainly be sauce to the Indian gander; and yet India was not allowed to adopt a course of action which England with her enormous resources thought necessary to adopt in a time of crisis; and a new standard of exchange value was imposed upon us. And that standard has been imposed upon us in the name of stability. The Government of India have in season and out of season sung the song of stability of exchange. I am all for stability ("Hear, hear" *from the European Benches*), but I am not for phantom stability, coupled with real insolvency. ("Hear, hear" *from the Nationalist Benches*). I repeat that I am not for phantom stability and real insolvency, and that is the position with which we are faced to-day.

Mr. B. Das (Orissa Division : Non-Muhammadian) : They will not be insolvent : it is we who will be insolvent.

Mr. R. K. Shanmukham Chetty : If the song of stability has been sung all these years, I ask my Honourable friends on that side of the House, have we now been placed on a stable basis? Has the Ordinance promulgated three days ago placed our currency on a stable basis? It has not. It has been tied to the chariot wheels of sterling to go the way of sterling, whatever it may be; and I ask, with sterling divorced from gold, do you call a rupee linked to sterling a stable currency?

Therefore we are faced with a position of instability; and that instability is not of our making. Our only complaint is, why add to the difficulties of our unstable position by imposing upon us a scheme of things which will lead to insolvency and nowhere else? Be it remembered that the Act of 1927 fixed the exchange value of the rupee at 18*d.* gold and not at 18*d.* sterling. In the very first sentence of the speech which Sir Basil Blackett made on that occasion, he made it perfectly clear that the object of the Currency Act of 1927 was to fix the exchange value of the rupee at 18*d.* gold; and with all the boasted resources of the Government of India, backed by the enormous resources of His Majesty's Government, where, I ask, is that 18*d.* gold rupee? The 18*d.* gold rupee has gone in spite of the attempts of the Government of India to maintain it; and let it be realised by my Honourable friends to-day that in spite of the phantom stability, we are not on the basis of 18*d.* gold but we are on the basis of 18*d.* sterling, at the mercy of the fortunes of sterling. In other words we have abandoned the practical gold standard on which we have been

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working from 1927, and we have been linked to the new standard which might be called a sterling exchange standard. Can there be any justification for the Secretary of State to take such a momentous step to bring about such a radical alteration in the value of our currency without consulting Indian public opinion, and without consulting the Indian Legislature? There can only be one answer to that question, that there cannot be the slightest justification.

The Ordinance issued three days ago in accordance with the announcement made by the Secretary of State is sought to be justified on two grounds. Firstly it is maintained that since our obligations are mainly in sterling, it will be in the best interests of India to be linked with and stabilised in terms of sterling; and secondly it is maintained that, if we go away from 18*d.* sterling to a lower level, it will create budgetary difficulties for the Government of India. Now, I want my Honourable friends to analyse the reasoning underlying these two propositions. Our obligations in sterling are to the extent of £35 millions. But, I ask, in determining the value of your rupee, are you to be guided only by your sterling obligations? The total value of the foreign trade of India in the year 1929-30 was Rs. 559 crores. Out of this total, the share of the United Kingdom was only Rs. 172½ crores. In other words, while the value of our trade with the United Kingdom is only Rs. 172½ crores, the value of our trade with the other countries of the world is Rs. 386½ crores. Are you going to keep in mind the welfare of this enormous volume of trade which we carry on with the rest of the world, or are you going to regulate your currency policy with a view only to meet your sterling obligations? I submit in the interests of the trade of our country, you must pay greater regard to the volume of trade that this country carries on with the rest of the world. Take again the argument about the budgetary difficulties which might be created.

12 noon.

My Honourable friend, in answer to a question the other day in this House, said that if exchange was reduced from 1*s.* 6*d.* to 1*s.* 4*d.* sterling, there would be a deficit of five crores in the Budget. To put it the other way, it comes to this: by having exchange at 1*s.* 6*d.* rather than at 1*s.* 4*d.* you practically save five crores. Surely if the Government of India save to the extent of five crores by a change amounting to two pence in the exchange value of the rupee, may I ask who pays these five crores? Surely, these five crores do not fall from the heavens. I maintain that ultimately to make this deficit of five crores of rupees, the Indian agriculturist is probably mulcted to the extent of 50 crores. Is budgetary consideration the only consideration to be kept in view in regulating your exchange policy? My Honourable friend the other day, in a sarcastic manner, twitted us for believing in a depreciated rupee, and it has often been thrown at us our face that if 1*s.* 4*d.* was beneficial to India, 1*s.* 2*d.* must be more beneficial and 1*s.* must be still more beneficial and so on *reductio ad absurdum*. Can I not turn the table on my Honourable friend and ask if in the Budget at 1*s.* 6*d.* means a saving of five crores, 1*s.* 8*d.* means a saving of 10 crores, 1*s.* 10*d.* means a saving of 15 crores, 2*s.* means a saving of 20 crores, ultimately with three shillings there should be no taxation in India at all. Surely no student of finance can be frightened away by an argument of that nature. If to-day we believe in the beneficial effect of a depreciated currency, it is because, like other things, this lesson also we have learnt from England. It is because men

like Professor Keynes, and journals like the *Economist* have been singing the praises of a depreciated currency. Professor Keynes wanted the British Government to fix the exchange value of the pound at a lower parity. Professor Keynes and other economists in England have always maintained that the prosperity of France and of Belgium are in a large measure due to the fact that they had depreciated their currency. Soon after the war while France and Belgium depreciated their currency, while other countries depreciated their currency, India was the only example, of a country, which appreciated her currency, and that to-day has landed us in all this mire. These two advantages claimed for the 1s. 6d. are therefore more illusory than real.

But my objections to this present scheme are really more fundamental. I maintain that as a result of the obligation imposed by Ordinance VII of 1931, there is still a danger of the depletion of our gold resources. No doubt my Honourable friend would say they have provided for the rationing of sterling that they will sell sterling only for trade and other legitimate purposes ; in other words, that they have guarded against the speculator coming into the field and putting a strain on the demand for sterling, but I would put it to my Honourable friend that there is a limit beyond which he cannot succeed in that object. The speculator and the man who wants to remit sterling to England for other than legitimate purposes would always get his sterling requirements by purchasing export bills, and the man who wants to meet his import bills will always go to the currency authority, and under the Ordinance demand sterling at 1s. 6d. Where then have you stopped the speculator ? I submit that in spite of all the precautions taken in that Ordinance, the result will be the depletion of our gold reserves as a result of this illusory claim. It is here that I want to say a word about one paragraph of my motion, that if the Government want to persist in their policy, let them not at any rate touch one ounce of our gold reserves. If they persist in carrying out that policy, let them arrange with His Majesty's Government to open long term credits in London at reasonable rates. When I make this proposal, let me not be understood as acquiescing in the policy of the Government of India. But knowing as I do the limitations of the power of this Legislature, knowing as I do that our voice will be like the voice of one crying in the wilderness, I say that for God's sake, if you are going to pursue a policy which we consider to be ruinous to India, do not touch our gold reserves. If my Honourable friend can succeed in persuading His Majesty's Government in spite of all their difficulties in their own home, if he can persuade them to give to the Government of India substantial long term credits at favourable rates, then he will have mitigated to some extent the otherwise evil effects of his policy. I am not prepared to say anything more or anything less on that point.

My fundamental objection to this whole new scheme, therefore, is firstly, that it will deplete our gold resources. Secondly when you begin to examine this question in detail you find that it is again our old friend Imperial preference to England in another manner ; while our rupee is allowed to depreciate in terms of gold and in terms of the other currencies of the world, it has been kept at the same level with regard to sterling, and the result of that will be that the importer of goods from England will have a better advantage over an importer from Japan or any other country. Here again we are having the principle of Imperial

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preference in another manner. Lastly, I come to the most important objection. I said that the rupee has been linked to sterling. What is the ultimate consequence of such a course? The rupee is tied to the charriot wheels of sterling, and in relation to gold it must follow the fortunes of sterling. I do not anticipate that England will for ever remain off the gold standard. It may be that after six months or one year or two years England might think that the time had then come for her to go on a gold standard again, and if such a thing happens in England, we will also automatically go on the gold standard; with what consequence? Every country must restore the gold standard and fix its currency in terms of gold with due regard to the economic condition of that country. But under the present circumstances, irrespective of the economic conditions of India, irrespective of the intrinsic value of our currency, the moment the economic conditions in England become propitious for the linking of sterling to gold, we will automatically be linked to gold. That, I submit, is a danger, the possibilities of which are far-reaching, and the consequences of which I dread to imagine. I hope I have made it clear to my Honourable friends that the Secretary of State has imposed upon this country, and I would say, against the wishes of the Government of India, a scheme which is not in the best economic interests of the country, Mr. President, it is a strange irony of fate that at a time when our delegates in London are discussing constitutional advance, when the representatives of the Indian people are fighting for the political emancipation of this country, the Secretary of State by one stroke of the pen should subject us to an economic slavery which has been unheard of or unthought of even in the melancholy history of India. (Applause.)

Mr. H. P. Mody (Bombay Millowners' Association : Indian Commerce) : We are providing the world to-day with the unusual spectacle of the Legislature of a country which is supposed to enjoy a fair measure of self-government, having to content itself with passing a Resolution expressing its condemnation and apprehensions about a policy embarked upon without the least reference to them, a policy greatly detrimental to the vital interests of the country.

Sir, last Monday, my Honourable friend the Finance Member stated to this House that, as Great Britain had decided to go off the gold standard, the Government of India were obliged to suspend the operation of section 5 of the Currency Act, which imposes an obligation on them to sell sterling or gold at their discretion. A few hours later, the Secretary of State announced to the Round Table Conference that in view of the action taken by Great Britain, it had been decided that the rupee should be linked to sterling. Sir, I regard it as a very eloquent commentary on the system of Government under which we live, that a gentleman sitting 5,000 miles away,—and I wish it to be distinctly understood that I am not referring to the present Secretary of State—for whom personally we have respect though not for his political convictions—or any one individual.....

Mr. B. Das : I have no respect for him.

Mr. H. P. Mody : I say, Sir, that it is an eloquent commentary on the system under which we live that a gentleman sitting 5,000 miles away, whose acquaintance with India has often been confined to what

he has seen of her on the map, who probably has come from the Admiralty or from managing the Duchy of Lancaster, and whose knowledge of economics and finance cannot, in the best of circumstances, be very profound, should by a stroke of the pen be able to lay down and carry out policies which may mean life and death to the vast masses of the population. And, Sir, it has not been the case in the past that these gentlemen ruling our destinies from Whitehall have done the best by this country. The financial muddles of which India has been made the victim in the course of the last 10 or 15 years have contributed in my opinion materially to the very parlous state in which the agriculturist and the industrialist in India finds himself. Therefore, there is not even this justification that a benevolent Providence is looking after us, and that it does not matter whether we are consulted about our own affairs or not.

Sir, I hope that my Honourable friends on the Treasury Benches will realise that an unanswerable case has been made out for those who insist that in the next constitution India should have complete fiscal and financial independence, the complete right to manage or mismanage her own affairs.

My Honourable friend Mr. Chetty has anticipated me in a great many of the things which I wanted to say, but I shall try and avoid the ground which he has covered so ably. I should like to say a few words about the policy which was announced on Monday, and in this connection it is a matter of very considerable regret, a tragedy, that my Honourable friend who was not responsible for the policy which has brought such disasters upon the agricultural population, should not hitherto have seen his way to reverse that policy regardless of consequences. In England, under similar circumstances, a decision has been taken which has far greater implications, which means far more to a country which is the financial capital of the world, than a reversal of the policy could possibly mean to India. When England found that she could no longer maintain the gold standard, she immediately broke off. In India under similar circumstances, my Honourable friend did not find it possible to break away from a policy for which he was not responsible, and which I am sure in his heart of hearts he must have deplored.

There is another point that I wish to make in this connection. During the last few days, from all parts of India criticisms of the announcement made by the Secretary of State have poured in on every one of us here at Simla. Many people have contended—responsible people, responsible commercial bodies, that this was a heaven-sent opportunity of doing away with the ratio and letting the rupee drift for itself. Sir, my Honourable friend the Finance Member has attempted no reply to these arguments. The other day he had the opportunity of placing the House in full possession of the various reasons which have induced the Government of India and the Secretary of State to peg the rupee to sterling. I take it, Sir, that the main object of pegging the rupee to sterling was to ensure the stability of the rupee. What I want to know is—is the rupee any more stable to-day, when linked to a very wobbling sterling, than it would be if left to look after itself? During the last few days, from 4.86 sterling dollar exchange it has come down

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to 3.82, and the rupee to-day is worth 14½d. I want to ask my Honourable friend if he can cast his eyes into the future and hazard a speculation as to what the rupee would have sunk to in these four or five days, if left to take care of itself. The danger of instability has increased in the last day or two. Yesterday we heard that Japan was thinking of going off the gold standard. I do not know how far that rumour is correct. It seemed at any rate to affect exchanges throughout the world. In Liverpool on the receipt of that news something like 43 points dropped off. If Japan is going off the gold standard—and I cannot see how she can keep on to it much longer—and if other countries are going to follow suit, where is the pound sterling going to be and if the pound sterling is going to flop up and down, where is the rupee going to be, and where your stability? That, Sir, is a question which my Honourable friend the Finance Member should answer very fully because India certainly is most anxious to know why it has been found necessary to peg the rupee on to sterling.

There is another question I want to ask my Honourable friend. It is a question which has exercised the minds of people in Bombay particularly—is the rupee really linked to gold or to sterling? It has officially been linked to sterling, but there are two sections in the Currency Act which have not been touched by the Ordinance promulgated by the Government of India, and which may therefore be still said to be in operation. Section 2 of the Currency Act lays down the gold content of the rupee at 8.475 grains of gold. That section has been left unaffected, as also section 5, which the Government of India did away with by Ordinance on Monday and again restored, and which lays an obligation on the Government of India to pay out either gold or sterling. I am not suggesting for a moment that the Government of India could be so mad or so reckless as to pay out gold, but my point is that technically as it stands, you cannot say that the rupee is linked to sterling and has broken away completely from gold. Now the question that intrigues every one of us is, are we linked for all time to the pound sterling, or is this a temporary expedient which appealed to the Government of India and those at home as the best solution of the present difficulties, the best remedy for preventing panic and dislocation of business. I regard that question as of very considerable importance. My Honourable friend Mr. Chetty in his very able speech just now said that his objection was that some day or other England may decide to go back to the gold standard, and under those circumstances India may have to follow suit. My objection goes further than that. I for one cannot conceive of England going back to the gold standard for as far ahead as I can see, but, Sir, it may conceivably be that after the present depression has passed away and something approaching normal times have been restored, the pound sterling may move up in parity with gold. Is the rupee then to move up also and appreciate in value? If that is the case, then I for one must stoutly oppose this present position of the rupee being linked to sterling.

Now, Sir, the great anxiety which the people of India have in connection with these wonderful operations which have gone on during the week is, what is to happen to the gold resources of the country. My Honourable friend Mr. Chetty pointed out one direction in which the

Ordinance for rationing gold could be driven a coach and four through by the simple expedient of a man, who imports bullion, for instance, buying export bills by offering an attractive rate, and, thereby keeping these bills from the banks, and accentuating the exchange position. That is only one of the many ways in which a coach and four can be driven through this Ordinance. I am not denying the utility of the Ordinance. I am only saying that there are many ways in which this Ordinance can be made ineffectual for the purposes for which it has been imposed. What I want then to know is, after the sterling securities are exhausted, and they will be exhausted unless the balance of trade improves materially in favour of India at an early date, what is going to be the position? How are the Government going to prevent a raid on the actual gold resources of the country, and if they are going to permit a raid on the gold reserves, what will be the effect of linking the rupee to sterling, which has at the same time depreciated considerably in terms of gold? The obligation on the Government to pay out gold still remains, and I want to know from my Honourable friend, if and when our sterling securities are exhausted, whether he is going to touch the gold, and if so, at what rate. We were given an assurance the other day that Government were going to arrange credits. I am afraid, while fully appreciating the action of the British Government in giving us an assurance on that point, I cannot be satisfied with the position as it stands. We want to know, Sir, on what terms and conditions these credits are going to be given—whether they are going to be long term credits, and whether any guarantees and conditions will be imposed, which if not altogether impossible might be so onerous that India could not possibly accept them. After all, if you raid your gold resources and if you take credits, it comes to really the same thing, because credits have to be met at the proper time, and it is therefore a matter of great importance that very long term credits should be arranged. What was the experience of England? She arranged credits in Paris and New York. They were short term credits, and when they expired England was much in the same position as she was before. She had merely staved off the evil day, and not her difficulties. Therefore it is very essential that the country should know at the earliest possible moment whether the Government of India are really in a position to arrange long term satisfactory credits. There is just another point I want to make and that is in connection with the policy of the Government of India towards trade and industries. While Government were maintaining the exchange at 1s. 6d., they did so at the expense of India. They could not meet the position in the ordinary way. So they had to bring about a contraction of currency, which had disastrous effects on the trade and industry of the country. How are they going to manage the situation now? To-day we have something like 80 crores of rupees of Treasury Bills outstanding. Before the end of October something like 35 crores of rupees of these Bills have got to be met. Fresh bills would be perhaps at the rate of something like 2 crores a week, whereas the maturities would be at the rate of 7 or 8 crores a week. Then, Sir, the cash balances of the Imperial Bank have gone down to Rs. 12 crores. The question that the commercial community would like to ask is, "How are the Government of India going to manage their ways and means position? Are they going to revive *ad hoc* securities to the extent of say, Rs. 25 crores, or 30 crores? Are they going to expand currency just as they contracted it during all the difficult days through which we have passed?" Sir, the

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various measures that are necessary to be undertaken for the purpose of improving the trade and industry of the country are the measures on which the commercial community would like most definite information.

One other consideration, and that is, that the time has come when the Government of India should take effective steps to consult the Legislature and public opinion in the country on the question of the ratio. There are two schools of thought, one of which holds by stability, and the other is anxious that the rupee should no longer be pegged either to sterling or to gold, but should be left to take care of itself. Both are united in their demand that in no conceivable circumstances should the rupee be allowed to be pegged to anything at an appreciated value. What I want, Sir, is that, if the Government of India have decided upon the present position merely as a temporary expedient, they should declare their policy at the earliest possible date, and should give the Legislature and the country the opportunity of saying what they really want. I must not be understood as criticising my Honourable friend unduly. I join whole-heartedly in the tribute which my Honourable friend, Mr. Shanmukham Chetty, paid to the Finance Member. I think he is a striking example of a good man come unto a bad inheritance. I only hope he will shake off this wretched inheritance which he has derived from his predecessors, and that he will start on a clean, fresh slate. The currency policy of the Government of India has an enormous bearing on the fortunes of India; and I urge my Honourable friend to reconsider the whole position. come to the Assembly and the public, and set about finding out ways and means of putting our currency on a sound basis, where it can serve the purpose for which it really exists. Sir, in these last few years, in the disastrous attempt to maintain the ratio, the agricultural population has suffered enormously; and if the prosperity of India is to be restored, it can only be restored on a sound currency and exchange policy. We may get the largest measure of self-government that we may be demanding, but it will all be an empty shell, unless the position of India is made financially strong. The India of the future will require enormous resources to finance all the starving social services, and the various other things that go to make up a modern State, and unless the Government of India regard it as their solemn and bounden duty to promote and protect industries of the country, and the interests of the vast mass of the agricultural population, the boon of self-government will be worth nothing at all. And I hope my Honourable friend—whose heart, if I may say so without impertinence, is in the right place,—will regard it as his solemn duty to come forward and take the public into his confidence and consult them as to how their destinies are to be ruled hereafter in matters of such vital importance.

Mr. J. Ramsay Scott (United Provinces : European) : Sir, the motion which has just been proposed is tantamount to a vote of censure on the Government and can only add to Government's difficulties. (*An Honourable Member* ! "England's" difficulties !)

I, and many on the other side of the House, have in the past been anxious that, in the best interests of India, the ratio should be 1s. 4d., but I feel that this is not the right moment to press these claims and at such a time as the present it would be sheer madness to swop horses when crossing the stream.

We should be very loath to add to the already heavy burden of the Finance Member and the only way to play the game for the general good of the Indian Empire is to forget petty private considerations and to come forward with a constructive policy avoiding destructive criticism as much as possible. (Hear, hear.)

This is not the first time in the history of the world that a country has passed through financial difficulties. You all know the story of Pharaoh, the Egyptian, and how Joseph revealed his dream to him, predicting seven years of plenty to be followed by seven lean years. Joseph commanded that in the years of plenty, provision should be made for the time of famine. Many a Joseph in this Assembly has urged on Government the conservation of resources and vainly tried to prevent the frittering away of money on wild-cat schemes. Eighteen months ago, we of the European Group, took the Government to task and suggested that the word Retrenchment now only too well known, should be a feature of the Budget. The Government, however, went on its spendthrift way, and the sword of retrenchment has now to be wielded with a heavy hand, cutting down superfluous activities and slicing of the pay of Government officials. But this is not the moment for recriminations. We *must* trust our Government at a time like the present. The Finance Member has shown great wisdom in preventing speculators and profiteers from juggling with exchange. (Applause.) The *bonâ fide* trader will be free to carry on his normal business without let or hindrance. For some time past, the rest of India has felt that they were being exploited for the pecuniary benefit of a small community in Bombay and Ahmedabad ; (*Some Honourable Members* : " Question.") and I maintain that the whole of the North of India and Bengal wish that this small clique should be sternly discouraged from attempting to profit from the temporary troubles of the Indian Empire. I understand that over 40 crores have been transferred to England in fact I believe it is nearer 80—in the hope that it can be brought back at a profit !

The present financial situation has practically placed India on a 1s. 4d. basis with every country except Great Britain. This will help the agriculturist and the exporter. Prices of grain, jute, cotton and other commodities should rise and have already risen. Let us hope that the benefit of this rise in price will actually be felt by the poverty stricken ryot and *not only* by the exporter.

The Indian Government's commitments are in Sterling and it is very important for this reason, alone that the rupee should not be divorced from sterling. An expert on Exchange, a recent Member of this Assembly, bearing an honoured name in the financial world of Bombay is reported to have just said :

" There has been a great deal of wild talk going round and the suggestion made that linking the rupee to sterling in a form of granting imperial preference by the backdoor is laughable to say the least of it. Whether the rupee is fixed at 1s. 6d. gold or 1s. 4d. gold or 1s. gold while sterling is at a discount the sterling rate would always be higher than the gold rate. This not only applies to trade between India and Great Britain but to Great Britain's relations with all the world. So if it is to be held that the drop in sterling gives imperial preference to Great Britain by India it could equally be held that the same imperial preference is being granted to Britain by the United States."

The remarks just quoted were made by Sir Victor Sassoon.

British politicians of all parties have sunk their differences and members have come together in a serious endeavour to balance the Budget and

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keep the finances of the Empire on a sound basis. If all the parties in the Indian Legislature would for once compose their disagreements and support the Government, the Finance Member would have fewer difficulties in finding means to balance the Indian Budget, for balanced it must be. The rupee cannot be allowed to find its own level as if left to itself, while India is in the throes of internal strife it might sink to undreamt of levels and involve India in financial disaster! Sir, we much appreciate the Prime Minister's offer of help and in a moment like this I turn to Robby Burns as a Muhammadan would to Hafiz, and I find :

“ The hearts aye the part aye that makes us right or wrong.”

Sir, the British heart is in the right place, and I would bid the Finance Member be of good cheer for if we all pull together we shall weather the storm. The European Group and the European mercantile community offer you their good wishes and what is more to the point, their whole-hearted support and co-operation and I feel sure that my Indian friends will be no less generous. Sir, I oppose the motion.

Dr. Ziauddin Ahmad (United Provinces Southern Divisions : Muhammadan Rural) : Sir, my Honourable friend, Mr. Scott, who has just spoken, is perfectly right in saying that the present motion is a motion of censure. But in one way I differ from him when I say that it is really more than a vote of censure. The action taken by the Secretary of State has produced a great consternation and feeling of disappointment and resentment in the mind of every person interested in Indian finance. There were many people, including men like myself, who believed that financial safeguards may be given to the British Government in the future constitution of India in the ground that the payment of our liabilities to England may be guaranteed. But the action taken by the Secretary of State has clearly shown that such a power is impossible for India to give, and if in the future constitution this power is not reserved in the hands of the Federal Assembly, I have no hesitation in saying that that Federal Assembly will be no better than a debating society. Sir, I was told by some Magistrates that the first police report is always an important one and that the second report may be made under the influence of threats or expe-diences. We find just the same thing in connection with the two Ordinances. The first Ordinance which was promulgated on Monday last really expressed the true opinion of the Government of India in regard to Indian finance, and it received the approbation of the people of India and the Members of the Legislature. But the change which was made under the pressure of the Secretary of State altogether changed the position. Sir, in 1909 a similar position arose and the then Finance Member did not acquiesce tamely, but requested the Secretary of State to reconsider the situation. The question was about the Gold Standard Reserve. The Government of India renewed their appeal to the Secretary of State in these words :

“ The Gold Standard Reserve is the recognised fulcrum of our whole currency system ; and its strength is of vital importance both to Government and to the merchants, capitalists, and investors who are associated with us in the development of India.”

These were the remarks of the Government of India in 1909. They considered the Gold Standard Reserve as the fulcrum of Indian finance. This thing was again recommended very strongly by the Hilton-Young Commission and that Commission, practically foreseeing a situation which has

arisen just now, recommended that the Government of India should cease to be the currency authority and the authority should be transferred practically to the Central Bank. I will just quote the words of the Hilton-Young Commission on this particular point. They said :

“ Any balances of the Government of India and the Secretary of State outside India should be placed in the charge of the Reserve Bank, through its branches or agencies. Only then will any danger of the Government's remittance policy interfering with the proper management of the currency be eliminated. We recognise that this recommendation involves the amendment of section 23 of the Government of India Act. We recommend that such an amendment should be made.”

This Report was made in 1926, and since then no action has been taken by the Government of India to give effect to the recommendation. Sir, I will give one more quotation from this Report about the necessity of keeping up the gold reserve. They said :

“ No favourable opportunity of fortifying the gold holding in the Reserve should be allowed to escape.”

In the same paragraph they said that the gold reserve, which was 12.8 per cent. at that time, should be increased to 25 per cent. This was the recommendation of the last Commission appointed by the Government of India, but we are sorry to say that no action was ever taken to safeguard our gold, which is so important for the credit of the country.

Now, Sir, I come to some of the difficulties of the recent Ordinance now promulgated. It is said in this Ordinance that :

“ The sale of gold or sterling under the said section shall be made provided that the contracts are completed before the 21st September, 1931.”

I should like to know how much gold has been sent away under this particular clause. I hope that the Honourable the Finance Member will be able in his reply to give the figures of the amount of gold that has been taken out of our Reserve only on account of the provision of this particular clause. The second loophole in the present Ordinance is that a large number of people will buy export Bills in terms of sterling, and the import Bills will have to be paid by the reverse councils, i.e., in terms of gold. This is a very big loophole, and this is not an affair of academic interest, but the mercantile communities all over India have got the same apprehension. I have received a large number of telegrams from different places about this particular point and I do not wish to take up the time of the House by reading them all, but I should like to quote at least one in support of this point. The Indian Chamber of Commerce, Calcutta, says :

“ Committee, Indian Chamber of Commerce, Calcutta, surprised at change of attitude adopted by Government regarding exchange position. *Sir George Schuster on Monday stressed necessity of maintaining reserves.* But now suddenly that desirable policy is changed and fresh Ordinance is issued authorising sales reverse councils which will deplete reserves. Safeguards provided not of much value, firstly, because they leave sufficient loopholes for remittance by non-Indians, and secondly, because those who want to remit funds can ship goods or buy export bills available in market thus leaving import bills to be provided for by reverse councils. High bank rate besides being detrimental to agriculture, trade and industry, has depressed Government securities market, thereby seriously prejudicing innumerable holders thereof, including banks and insurance companies. Commodity prices still very low and all impediments in way of their rise should be removed. Committee think that when even England has adopted a bold and correct policy to right its position by currency depreciation to suit its own condition, no plausible arguments can now be advanced to continue to keep India as a subsidiary and servile companion instead of allowing her to protect her best interests. Country's interests imperatively require maintenance of reserves and lowering of bank rate. Issue of fresh currency to undo the effects of past heavy contractions should be

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made whenever necessary to prevent any comparative rise of exchange which may be indicated by the rupee sterling point."

This is a genuine fear which the whole mercantile community have before them. Sir, I do not want to take up much time in discussing the question of the ratio. I said enough on the occasion of the Finance Bill last winter, but I may draw the attention of the House to one or two points. When this question was considered in 1927, Sir Basil Blackett, the then Finance Member, said that the fixation of the ratio was not a permanent feature, but it was only a temporary measure. If it was only a temporary measure, I would like to know what more serious occasion would arise when this ratio would be modified. There cannot be any occasion more serious and more critical than the occasion that has now arisen. Sir, a good many Members on this side of the House thought that this exchange of 1s. 6d. was detrimental to the export trade of India and particularly of the agricultural products, and if this ratio is linked up with sterling whose value we do not know, it is in my opinion a suicidal policy and the weight of the Hilton-Young's Commission is on my side. The moment it was announced that we were linked up in this way, the value of the rupee has gone down. I need not give you the figures. The guilder of Java had stood at 89.9 for Rs. 100 last week and they have now come down to 68 for Rs. 100. The American dollar was 100 for Rs. 287 last week and it is now Rs. 380 for 100 dollars. The same is the case in regard to the exchange of other countries and naturally, as was pointed out by the Mover of the motion, our trade with outside countries being three times that with Great Britain, our trade will be seriously affected on account of the depreciation of the rupee, as a result of its being linked to a sinking ship.

Sir, one thing more I should like to point out. If we read the Currency Act, it clearly provides that the linking of the rupee should be with gold sterling and not with paper sterling and sub-section 2 of section 5 of the Currency Act clearly says :

"Such sum in sterling as is required to purchase one tola of fine gold in London at the rate at which the Bank of England is bound by law to give sterling in exchange for gold."

If this law disappears and if the Bank of England is not bound to pay gold equivalent to sterling, then is it at all desirable or is it at all legal or is it at all right that we still continue to tag our rupee in terms of sterling when it is off gold? I am not an expert lawyer, but I hope those lawyer friends who follow me will consider this point. When we tagged our rupee with sterling we fixed a condition precedent that England was obliged to give so much gold for so many rupees and as England has now washed off its responsibility of paying gold in terms of rupees, is it lawful for us still to continue to tag our rupee with sterling? The third difficulty which I have in the present Ordinance is that in the list of the banks quoted by the Honourable the Finance Member, the important Indian banks are excluded, like the People's Bank or the Punjab National Bank and other banks in the various parts of India. They are excluded and they are thus debarred from having any kind of negotiations in sterling. Sir, the financial position or the credit of a country depends upon two factors, one the balance of trade in favour of the country and the other, the balanced Budget. If the country is safe in these two things, then it can be safely left to its own resources to find its own

solution. Now, as regards balance of trade, the figures given by the Honourable the Mover show that the balance of trade has always been in our favour. As regards the balanced Budget, there is no doubt that we have deficits. The non-official Members will always come forward to help the Government in critical times. But before they can agree to any kind of fresh taxation, they would like to know whether all the avenues of retrenchment have been exhausted by Government before they come to the country for fresh taxation. My Honourable friend is not right in forcing the Finance Bill at this hour upon the country before making a definite announcement that he has carried out all the retrenchments in the different Departments of the Government as recommended by the various Retrenchment Committees. I should like to know how much retrenchment he has already effected and then and then alone will be able to judge how much more money is required in adjusting the Budget. There is a very strong feeling in the country that the first thing which should be removed is what is called the Lee concessions, or what is popularly known as the Lee loot. I should like to know whether the Honourable the Finance Member is prepared to remove the Lee concessions altogether, whether he is prepared to carry out the recommendations of the various Retrenchment Committees. If after carrying out all these retrenchments, after cutting down the expenditure, the Finance Member comes to us and says, "I have done all I could, I cannot do any more, you please help me and give me some more money", I am sure that he will have the unanimous support of the Assembly, and the unanimous approval of the country. But if without taking any action on his part, without retrenching anything, without giving effect to the recommendations of the Retrenchment Committees, he simply comes up at the last moment, and at a time when the representatives of the people are away, not having had any previous notice, such an action would be unfair. He may carry his proposals, but he will produce enormous consternation and enormous resentment in the country. I said before that we sympathise with the

1 P.M. wishes of the members on the treasury benches in their desire to maintain order and peace in the country and we are ready to give them our support. Similarly I request that the Assembly and the country will support the Government in their desire to maintain the credit of India. Still the methods they adopt in achieving their ends are open to grave doubts. Instead of having our fullest possible support, they are driving us to a position of opposition, and I think that shows bankruptcy of intellect.

I should like to draw the attention of the Honourable the Finance Member to one more point, that on account of the happenings of this week, I have received letters from small towns and villages that panic has already been created. Currency notes are not cashed in the markets and the people refuse to take them, but want coins; and I think in order to avoid such a panic in the country, which has arisen on account of the wrong actions and change of policy and wrong dictatorship from above, it is desirable to allay it. That panic can only be removed if, as pointed out by the Mover of this motion, we really inflate our currency and not contract it: we must put more money and more coins in circulation and I hope this temporary panic will be removed.

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

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

Mr. B. V. Jadhav (Bombay Central Division : Non-Muhammadan Rural) : I rise to support the Resolution moved by my Honourable friend, Mr. Chetty, the Deputy President.

The Resolution is divided into several parts and embraces a number of points, very important in themselves. I shall try to confine myself to one or two of them only.

By the memorable announcement in Parliament the Right Honourable the late Edwin Montagu, declared that India would be given responsibility by successive stages, and in furtherance of that policy a Bill was passed in the British Parliament in 1919. Under that Bill diarchy was established in the provinces, but no substantial advance was made in the Central Government. The number of Indian Executive Councillors was raised to three, and the majority in the Assembly was that of elected members. This was no doubt an advance. But the executive was not made responsible to the Legislature. The Executive Council continued to govern under the old system and it has been very autocratic. But the Joint Select Committee thought it desirable that the Legislative Assembly ought to be associated more and more in sharing the responsibility about financial matters. Up to the days of the reforms the whole centre of authority was in Whitehall. By the new Government of India Act, some powers were transferred to Delhi and more to provincial capitals. It is evident that India will progress politically as further powers are transferred from London to Delhi. And on the degree and rate of this transference the advance of India really depends.

In their memorable Report called the Montagu-Chelmsford Report, a description of how this transference of power is to be achieved is given by what is called the "fiscal convention". I shall read a few lines from the Simon Report about the convention :

"The Committee have given most careful consideration to the relations of the Secretary of State with the Government of India, and through it with the provincial Governments. In the relations of the Secretary of State with the Governor General in Council the Committee are not of opinion that any statutory change can be made, so long as the Governor General remains responsible to Parliament, but in practice the conventions which now govern these relations may wisely be modified to meet fresh circumstances caused by the creation of a Legislative Assembly with a large elected majority. In the exercise of his responsibility to Parliament, which he cannot delegate to any one else, the Secretary of State may reasonably consider that only in exceptional circumstances should he be called upon to intervene in matters of purely Indian interest where the Government and the Legislature of India are in agreement. This examination of the general proposition leads inevitably to the consideration of one special case of non-intervention. Nothing is more likely to endanger the good relations between India and Great Britain than a belief that India's fiscal policy is dictated from Whitehall in the interests of the trade of Great Britain. That such a belief exists at the moment there can be no doubt....."

(And I am very sorry to say that that belief exists even now.)

"That there ought to be no room for it in the future is equally clear. In the opinion of the Committee, therefore, the Secretary of State should as far as possible avoid interference on this subject when the Government of India and the Legislature are in agreement, and they think that this intervention, when it does take place, should be limited to safeguarding the international obligations of the Empire or any fiscal arrangements within the Empire to which His Majesty's Government is a party."

This convention has been in operation, and even the Simon Commission have not recommended its withdrawal.

Now, let us see what has happened in the present case. The Government of Great Britain had taken very great pride on the soundness of their policy of linking sterling with gold, and thus its value was raised in the markets of the world. Many financiers expressed their doubts as to the propriety of the step then taken. For a time the credit of England rose very high, but at what sacrifice? The hoarded gold of England began to fly and ultimately the National Government came to the decision that unless they reversed their policy and severed the sterling from its gold value they would be faced with bankruptcy, because all the hoarded gold would go away and then there would be nothing to rely upon. By hurriedly rushing a Bill through both Houses of Parliament, England at once depreciated her currency. The Government of India had previously linked their rupee to gold and under law were bound to give either gold or sterling exchange to whoever demanded it.

I pay my tribute to the sagacity of the Government of India in general and to that of the Honourable the Finance Member in particular that they at once saw the danger and took prompt measures to avert it by issuing the Ordinance on Monday, the 21st. The views of the Government of India have been thus unequivocally expressed. The duty of the new Secretary of State was either to accept the policy which was evidently adopted by the Government of India in the interests of India or if he did not agree with that policy to ask the Government of India to consult the Legislative Assembly. For such a purpose a special session of the Assembly would be justified; but there was no necessity at the present juncture to convene a special session. The Assembly was already in session and it would have given its verdict in a very short time, I think in a couple of days. But the Secretary of State anticipated that the Assembly was certain to support the views of the Government of India and thus the Fiscal Convention would have to be brought into operation. In order to avoid this contingency he has taken the arbitrary step of over-ruling the Government of India and ignoring the Legislative Assembly altogether. This arbitrary and despotic conduct deserves our severe condemnation, and I cannot find words sufficiently strong to express my resentment at this disrespect to the Assembly. By starting the Fiscal Convention the late Mr. Montagu and the British Government gave us a promise that Indian finances would be managed in future with the sole eye to the benefit and advancement of India and the Government of India and the Legislature were appointed the judges to decide what course was in the real interest of India. The Secretary of State by this present order has broken that promise and taken upon himself to decide what is good for India and has ignored the Legislative Assembly as I have said just now. The Ordinance of the 24th does not really express the opinion of the Government of India as they had to obey the orders from Whitehall. Their first Ordinance of Monday last embodies their true opinion and if that opinion is supported now by this Assembly by their vote, their verdict under the Fiscal Convention ought to prevail.

I am conscious that an objection might be taken that in the case of exchange the Fiscal Convention does not operate and that its operation is limited to tariff and revenue matters only. My reply is that the

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convention is not restricted in this way and it relates to every fiscal matter. In the Report of the Joint Select Committee the instance of tariff has been given by way of an illustration and it is not exhaustive at all. I hold that the convention ought to be observed in every fiscal matter and the word "fiscal" is explained in the dictionary as "of or pertaining to financial matters generally". As has been pointed out, the action under the Ordinance will, I am afraid, result in completely depleting our gold reserves and then Government will be forced to withdraw the present Ordinance. Our demand is that it should be withdrawn immediately as according to the joint opinion of this House and that of the Government of India it is not safe to tender gold or gold exchange in order to keep up a fictitious rate of exchange at 18d. The whole monetary system of the world is in the melting pot and every attempt made to bolster up prices whether in America or in England have completely failed. The Farm Board of America attempted to raise the price of cotton and wheat and we know with what disastrous results. They had to stop their operations and to allow things to drift for themselves. The present policy of the Government of Great Britain to keep the ratio between the rupee and sterling at 18d. is, I am afraid, of the same nature and is doomed to failure. The attempt of the Secretary of State to keep up the exchange at 18d. and to sacrifice gold in keeping it up will, I apprehend, be very costly to India, and sooner or later the ordinance will have to be withdrawn. We advise Government to realise the gravity of the situation and to save India her slender gold resources.

Mr. Arthur Moore : I should like to congratulate the Honourable the Mover of this Resolution on the extremely lucid speech which I think, whatever our views, must have roused the admiration of us all, and before going into points of disagreement, I should like to examine the points on which I think there is a certain measure of agreement. First of all about this question of long term credits. I do not think that, if the Honourable the Finance Member can succeed in arranging long term credits any one of us can be anything but pleased. I am afraid that in such a strictly business matter the Resolution of this Assembly or of any legislative body cannot possibly be the deciding factor, but at the same time as we already have the very valuable pledge not only of the previous Labour Government but also of the present National Government to support India's credit in case of need, I think we can all feel sure that the obligation will be honoured in full and in spirit to whatever extent may at any time be necessary. Another point is with regard to the method in which this news reached India. I strongly agree with Mr. Chetty that the Honourable the Finance Member is and ought to be at least as good a judge of the necessities of the financial situation for India as any Secretary of State for India in London can possibly be and I do feel that it was regrettable that the Secretary of State should have made or be in a position to make on Monday morning in the Federal Structure Sub-Committee an announcement which apparently the Government of India was not at that time in a position to make in this Assembly. Therefore, in so far as the Resolution refers to the Government of India, in that regard we feel some sympathy with it. But I am bound to say that when it comes to analysing the decision that was taken by the Secretary of State and the Finance Member, and the answer that has now been given to the question as to what was to happen

to the rupee, I find myself entirely in agreement with the decision taken and I do not read it in the same way as the Honourable Member. He has suggested that there was a glaring contradiction between the two Ordinances, that the one was a revocation of the other. As I read it, Sir, or Monday morning, necessarily when the banks were opened on a business day, the Government of India had to relieve themselves at the earliest possible moment of the obligation under the Ratio Act of 1927 to sell either gold or sterling. Otherwise, they might have been faced with an enormous panic demand for sterling. That left them in a position to proceed, after they had elaborated their further measures for the control of the sale of sterling, to terminate the first Ordinance and supplement or replace it by an Ordinance directed towards the limitation of the sale of sterling. And when it comes to examining this limitation of the sale of sterling, I must say that I feel that Mr. Chetty did the subject less than justice. His speech in fact was so lucid that it had the defect of its qualities, because it was quite impossible to conceal the fact that it contained a series of contradictions. I will mention one or two with regard to the sale of gold. I understood him to complain at one time that what was sauce for the goose was not sauce for the gander. He said that the Government of England had, in its wisdom, decided to go off the gold standard, but India had not been allowed to do so. Well, we know that India has been allowed to do so. That is exactly what has happened; and I understand the real point of his Resolution is to suggest that it is not enough to let it go off the gold standard, but that it must also be allowed to go off the sterling standard. And yet in the latter part of his speech he was again complaining that while the Government of India in 1927 had undertaken the solemn obligation of maintaining the rupee at a certain gold parity it did so no longer, and he asked where is that obligation to-day. Surely the Honourable Member must admit, that the obligation is gone, and that that is what he wants. But I did not detect any admission of pleasure; in fact the burden of his speech was very largely an old story. He gave us very closely and elaborately the history of the last five years, but we heard very little about either the present or the future situation. Now in dealing with the last five years, or to go even further back, I have always been in agreement with the Honourable Member that the initial error was due to our common friend, Mr. Winston Churchill, who in 1925, I think prematurely, brought England back to the gold standard, acting under the advice of bankers rather than of industrialists. The bankers of those days were still completely enamoured of gold, and they did not realize that the accumulation of international indebtedness during the war, combined with the tremendous modern rise of tariffs to prevent the interchange of goods, created an entirely new problem such as the world had never seen, and that the gold standard might not be able to cope with it at all. They have unfortunately been forced to learn a great deal during the last seven years, and their point of view is beginning to approximate much more closely to that of the trader and the industrialist. But we have reached the stage where the world is being forced off the gold standard by the accumulation of debt which is owed to America and by the drain of gold to America and France. England has been forced to come to an entirely new position. Now, in that position, I understand my Honourable friend would like to seize the opportunity, not only to let the rupee move downwards gradually with sterling, but also to cut loose from sterling altogether and let it take its course. Well, I do not believe that it is any good disguising to ourselves that taking into consideration, the

[Mr. Arthur Moore.]

fact of the civil disobedience movement, the economics which Mr. Gandhi preaches, the suggestion which overhangs the Round Table Conference that India wants, and will be content with nothing except, to cut loose from the British Empire, and that she wants to have no financial safeguards, and also the declaration which has already been made by Mr. Gandhi in London that he and the Congress Party do not stand by this policy of linking the rupee to sterling,—taking all these facts into consideration,—there is not that confidence in the rupee that there was, and indeed there is not the confidence in the rupee that there is in the pound. If the pound has gone off the gold basis and stands in a lower ratio to gold, we all know that in the existing circumstances the fall of the rupee would be far faster and far steeper. We do know that,—whatever may be the final result when you come to the end of a period of fall and when after an immense upheaval you recover a stable price level,—in that intervening period thousands and thousands of people will be ruined. We know that the fall of the rupee by a sharp descent is bound to involve this country in disaster.

The immediate effect of the present fall has been what Honourable Members opposite always predicted would come from a fall, and what as a matter of fact everybody knew would come of a fall. It has stimulated the export of produce, and we are a witness already to a beneficial rise in prices both in India and in England and right throughout what you may call the sterling world. In America already we see that there is a drop in prices. The situation in America from the trading point of view has been aggravated in the last few days. But we must remember that when one country's currency begins to sink in terms of another country's currency, the inevitable result is that the prices in the first country tend to rise and the prices in the outside country tend to fall; so that ultimately,—and I think it is very important to remember this word “ultimately” because the lag is very great and the intervening period very long and very irksome,—ultimately when prices outside have come down sufficiently and the prices inside have risen sufficiently, you are able to get back to some kind of stability again. But in the meantime what it means and must mean is that the country with a falling currency has to pay more either in goods, or services or in gold in order to settle its external obligations. The producer and the exporter benefit and the foreign buyer benefits. Between them they split that profit, but the whole of that profit which accrues to them must be borne by the rest of the population in the country with the falling currency. I do not think there is any escape from that, and that means that the limits to the extent to which a fall in currency is profitable to you are obvious. But if your currency begins to sink with no apparent means of checking it, because your credit in the world is going, then there are no limits to the disaster that may overtake you. I do feel, Sir, that we are in for a very heavy and long period of world economic crisis. I agree strongly with my friend, Mr. Mody, when he said that he saw nothing in the future to suggest any particular time at which England could return to a gold standard. I feel that the gold standard may be in the present situation of the world a vanishing dream, and in a sense we have already embarked on the next world war, which is an economic war, but which will, in one country or another almost certainly be punctuated by revolutions. In that world situation I believe that Great Britain is to-day the most stable country that exists, and is in the most hopeful situation to confront these critical times

ahead. I believe that India at the present moment, through what has happened in the last week, is actually enjoying an enormous advantage. She has got the benefits already of a 1s. 2d. rupee in gold, and the prices of her agricultural produce will rise and trade will improve. But at the same time, by a totally unexpected piece of good fortune, she will not have to pay any more for her sterling commitments.

Mr. H. P. Mody : Only if Government can buy sterling in the open market and not otherwise.

Mr. Arthur Moore : Government will buy its exchange under the new rules. Government will get exchange at 1s. 6d. and not pay more. If you were to adopt the suggestion of my Honourable friend and merely repeal both the obligation to sell gold and sterling then the position of Government would gradually come to be extremely acute. But we are confronted with the tremendous problem of the accumulation of debts and the drift of the money of the world to certain countries which themselves are not willing to realise that money by coming as free buyers in foreign countries. We are faced with a long period of crisis in which the ultimate interests of Great Britain and India are absolutely inseparable. If they stand together they will stand ; but if they were to adopt this policy of separating their credit and separating their resources, then they would contribute not only to their own downfall, but to a possible disaster to the whole basis of our international finance.

Mr. C. S. Ranga Iyer (Rohilkund and Kumaon Divisions : Non-Muhammadan Rural) : Sir, the Honourable the Leader of the European Group who has just concluded his speech has spoken with his characteristic optimism and invited us to have a little patience and to submit to the linking of the rupee to the pound because " England is the most stable country in the world " and it would be to India's advantage that the rupee should be linked with the pound. Sir, England considered that she was the most stable country in the world when she returned to the gold standard. The Honourable gentleman was pleased to take us back to the time, I think he said 1925, when the gold standard was again adopted by England, forgetting the controversy that raged at the time as to England's stability to return to that standard.

The Honourable gentleman further told us that gold standard was accepted because unfortunately the bankers of England did not have adequate experience, did not have the experience they have had for the last 7 years. That, I believe, is what the Honourable gentleman said. But if the Honourable the Leader of the European Group had followed the controversy that was going on in England in those days, he would have found that there was a great deal of dispute, a great deal of misapprehension about embarking on the gold standard. He would have recognised that this misapprehension was shared not only by Honourable Members of the Opposition, including Mr. Snowden himself, because, as I shall presently show, in the House of Commons an amendment was moved to the motion of the Conservative Party saying that gold standard should not be embarked upon with that precipitancy. It was also shared by great financiers like Sir Alfred Mond, who protested against England being " hanged " on what he called " a cross of gold ".

Sir, there were also grave doubts in important industrial circles. In spite of all that, the Conservative Party, led by that admirable man,

[Mr. C. S. Ranga Iyer.]

Mr. Winston Churchill, admirable notwithstanding his hostility to Indian aspirations, admirable for his precipitancy, did embark, on the 28th of April, 1925,—following the City as he always did, following the big financial groups as he always did—precipitantly on the gold standard when he presented the Budget. Sir, had England not been so hasty, I do not think England would be repenting to-day. Sir, in the House of Commons at that time, Mr. Snowden, moved the following amendment to the Government Resolution committing the country to the gold standard :

“ The House cannot at present assent to the second reading of a Bill which, by providing for a return to the gold standard *with undue precipitancy*, may aggravate the existing grave condition of unemployment and trade depression.”

Sir, there are tragedies in politics and there is no greater tragedy than that in a position of responsibility when called to office, and taking into consideration all the circumstances that a patriot ought to consider, Mr. Snowden has to-day to face what, if left to himself had he been in power in 1925, perhaps England might not have had to face. Even so, my Honourable friend, the Finance Member, has to-day to reap the whirlwind ; the wind was sown by his predecessor when he introduced the eighteen pence ratio.

Sir, the Honourable the Leader of the European Group was telling us that India would very well be advised in the present circumstances to depend on England and to perpetuate what I may call *the slavery of the rupee to the pound*. That, Sir, is my paraphrase of linking the rupee to the pound. Politically and constitutionally we are aware we are dependent on England, but financially we would rather stand by the first ordinance than the second. Oftentimes in politics and in ordinary life, first thoughts are the best thoughts and I think, Sir, we would rather stand by the first ordinance than the second which seems more or less to be his master's voice. (Laughter.) the voice, Sir, of Sir Samuel Hoare, the Secretary of State for India.

3 P.M.

The second ordinance is the result, beyond the least shadow of a doubt, of, what Lord Curzon once said in a controversy with the late Edwin Montagu, the Government of India being “ a subordinate branch ” of the Imperial Administration. Sir, I am glad that the late Lord Curzon corrected his original expression. His original expression was that the Governor General was a subordinate of the Imperial Administration ; on hearing which there was such an uproar in this country ; and so he said he meant that the Government of India was a subordinate of the Imperial Administration. That was a much better way of putting things. And we are sure that had the statesman who presides over the destinies of India to-day had his own way, the first ordinance would have continued and not the second. The second at any rate cannot stand, Sir, with the support of the Indian people behind it, notwithstanding all the logic that the brilliant editor of the *Statesman* has brought to play in his beautiful speech.

Sir, he was warning Mr. Chetty, he was warning the able mover of this Resolution, who moved it with his usual force of reasoning and lustre of eloquence and to which he has devoted so much of his energy and so much of his thought, in a speech which did the subject a great

deal of justice, judging from the applause that came from both sides of the House, including the applause of the Honourable the Finance Member who applauded him to the last. Sir, Mr. Chetty was told by Mr. Moore that he need not be frightened of the divorce of the rupee from sterling. That is where Mr. Arthur Moore and Members on this side of the House are in disagreement. Mr. Moore not being very much of an expert—though I know from the writings that he indulges in in these days in the columns of the *Statesman* that he has been giving a good deal of attention to the subject—we have to consult a better authority than Mr. Moore and that authority is none other than the Royal Commission on Indian Currency and Finance—The Hilton-Young Commission. And what does this Commission say? This Commission says—as against what Mr. Arthur Moore has been pleased to favour us with—this Commission emphatically states exactly the opposite of what the Secretary of State has said and should not have said, and as between Sir Samuel Hoare, a remarkable politician, a distinguished man having, I think, a great future in his country, as between him and this Commission, I think this House as well as experts in England will attach importance to the opinion not so much of a Secretary of State, however zealous and however able, but to a competent body of experts who have had their say on the subject and this is what they said. I invite the attention of the Honourable the Finance Member to paragraph 25 of this Report. I am sure he knows most of these important things almost by heart. (Laughter.) This Report says :

“ We do not indeed regard the possibility of sterling again becoming divorced from gold as of much practical likelihood.”

But they were very bad prophets, though perhaps they were not unprepared for a remote crisis like this as the subsequent passages presently show :

“ It is unlikely to happen except in a world-wide catastrophe that would upset all currency systems. Nevertheless there is here a danger to be guarded against which is real, however remote. There is undoubted disadvantage for India in dependance on the currency of a single country, however *stable* and fairly linked to gold.”

And as there is no more of that linking to gold to-day, we need not be reminded of the stability of England. We are all conscious of the present State of England and want that England should be stable because India's finances are a great deal dependent on England's credit, but England unfortunately is not so stable to-day as very much we would like her to be :

“ There is no doubt disadvantage for India in dependance on the currency of a single country, however stable and fairly linked to gold. For these reasons were the standard of India to be an exchange standard, it should undoubtedly be a gold exchange standard and not a sterling exchange standard.” (Applause.)

That is not my opinion, that is opinion of an authority to whom even Mr. Moore must submit. That is something more than my opinion, the opinion of a layman.

Mr. Arthur Moore : Do I understand that the Honourable Member wants a gold exchange standard ?

Mr. C. S. Ranga Iyer : We do not want anything different from what I have just quoted. We do not want a sterling exchange standard. We want release from the bondage to sterling. That is the long and the short of what we want.

[Mr. C. S. Ranga Iyer.]

We have been told by the Honourable the Leader of the European Group that there is such a thing as trade with England. Quite true. But India trades not only with England, India trades with Holland ; India trades with America ; India trades with Japan ; India trades with Germany and India trades with France. Why should we not be dependent as much on the guilders of Holland or the franc of France or the dollar of the United States of America or the mark of Germany ? What we want is a place under the sun in this financial world. (Applause.)

Politics and big politics are being discussed in England, we would rather try to avoid so far as we may the introduction of politics into this debate, because where politics create controversies, financial matters, especially when the Government and the people have the common good of the country at heart, should create the least controversy ; and on this side of the House our effort has been on these occasions to keep the debate at as reasonable and less heated a level as possible. But I wish that the Honourable the Leader of the European Group had not imported politics into this debate.....

Mr. B. Das : And bad politics at that.

Mr. C. S. Ranga Iyer : And I wish he had not referred to the civil disobedience movement and Mahatma Gandhi. We are not to-day in the middle of the civil disobedience movement, and I cannot understand why a talented gentleman like the leader of the European Group, why such a responsible man should come and lecture to us of the civil disobedience movement. Our very presence here is a dissociation from the civil disobedience movement—that was. Even our polling booths were picketed. Surely the Honourable gentleman ought to have known better. (Hear, hear.)

As for the future of Gandhi, which he seems to view with a great deal of trepidation, I believe the future of Mahatmas, like the future of politics, must always be left on the lap of the gods. I would rather not go into the future to-day because I fear no future, however unpleasant it may be ; and the actual experience of calamity is always less fearful than a prospective view of it. Therefore I will put it to the Honourable gentleman not to think of civil disobedience when civil disobedience is not in existence to-day ; and not to talk of Gandhi in terms of civil disobedience, but rather of the constructive work that he is attempting to do in England as we all sincerely believe.

Then he was referring to the Congress Party and the Congress view ; and because the Congress and we happen to be in agreement in regard to the linking of the rupee to the pound, that is no reason why we should be in the wrong. Why should we be always warned, I cannot understand, " The Congress thinks so and therefore you must not think so ". The very fact that the sole delegate of the Congress was carrying on long conversations in the Viceroy's House, dressed in a loin cloth and feeding in the vessel in which he fed in his own prison cell, ought to show that the Congress has been much elevated from the level in which the Honourable Member would like to see it still. But I would rather leave politics alone and but for provocation I would not have touched it at all to-day.

Then he was saying that the rupee would be in greater disaster if released from the pound than affairs in England are. I am afraid his long separation from his mother country has made him rather indifferent to the things that are going on in England. Affairs in England are pretty bad, and if only he reads the manifesto issued by His Majesty's Opposition, yesterday His Majesty's Government, he will understand that things are far from good ; things to-day are as bad as one can wish they were not so. His Majesty's Opposition think that the present situation has been created—they have stated it in their manifesto—by a group of financiers and banking interests, because those interests are not answerable to the people, are not responsible to the people. England is faced with a disaster the like of which we do not see in India to-day, and I hope the like of which will not invade this country.

I need only say before conclusion that whatever our political relations with England may be, so far as India is concerned, we would rather like to be in the position of a country like the United States of America, which India resembles the most in her wide and varied extent, in the multitude of her thrifty population and in her abundance of natural resources ; and if that were the position I am certain India to-day would not be so much affected as she is affected by the attitude that the Secretary of State in a most irresponsible way has forced the Government of India to adopt, an attitude which the Government of India would not have adopted had only the Government of India been responsible to the Legislature. I have every sympathy with the Honourable the Finance Member. He is to-day between the devil and the deep sea. He has the deep sea of public opinion in front of him and he has the devil of a responsibility to the Secretary of State and His Majesty's Government which is not responsible to us, which is responsible to a people who are separated from us by more than half the world, and on occasions like this, whose interests, I do not want to say, so much clash with ours but do not so much seem to be the same. They are more concerned with their own interests, and naturally being human we are concerned with our own interests, not forgetting the higher interests, the interests of the Empire that we have at heart. But the whole point is this : supposing the rupee is linked on to the pound India and England sink together and we may not be in a position to save the pound or the rupee. But if on the other hand the rupee is released from the pound, we may be in a position to save old England. Therefore even in England's own interest the release of the rupee from this attachment to the pound is absolutely necessary. That is a point that should have occurred to the Leader of the European Group.

Mr. Winston Churchill while speaking on the return to the gold standard said in the House of Commons in his striking eloquent and picturesque phraseology that the gold standard may of course vary in itself from time to time, but the position of all countries related to it will vary together " like ships in a harbour whose gangways are joined and who rise and fall together with the tide ". Then he had in mind countries like Holland, the Dutch East Indies and so on. We would rather anxiously suggest to the Government to put it to the Secretary of State that that is the position we ask for, that the rupee should be released from bondage, so that we may be financially independent and consequently interdependent as pictured by Mr. Churchill.

[Mr. C. S. Ranga Iyer.]

Lastly, I should like to say a word about the last part of the Resolution in the framing of which I had no part, but in the dealing with which I have from this side a duty to the Opposition to perform. It runs thus :

“ With reference to the announcement made by the Honourable Finance Member about the introduction of a Second Finance Bill this Assembly is of opinion that proposals for taxation should not be made without giving due notice to Honourable Members and that no proposals for taxation must be made in the present session.”

I was unfortunately absent when this decision was reached, and therefore I had no opportunity of contributing my own little wisdom to the subject. But I must put it to the Honourable the Finance Member whether it will not be proper for the Government to hold a special session of the Assembly, say, some time... (A voice : “ in November.”) My Honourable friend the Rajah Sahib of Kollengode, for whom I have the highest respect, says November. Many of our Members have gone away ; they did not know that this calamity was in store for the people. Will it not be proper, when a matter of such paramount importance is going to be discussed, to give due notice to Honourable Members so that they may have an opportunity of considering it ? If the Honourable the Finance Member wants to rush through the Bill, as he will certainly be considered by the country as doing, then I can only say that he cannot get the support of this side, he cannot even get the considered support of this House. If, on the other hand, the Honourable Member were to give us some notice, were to invite Honourable Members to a special session, and in the meantime, inform the country of the situation that the Government are up against, I am sure that he would command more sympathy than he is otherwise likely to command in a difficult position like this. Therefore, I would very strongly put it to the Honourable Member in charge to consider the question of having a special session instead of bringing it before this House with what public opinion in the country will describe as “ indecent haste ”. (Applause.)

The Honourable Sir George Mehusster : Sir, I am very grateful to my Honourable friend who has just spoken for the somewhat unusual calm of his speech, and I may also thank him for his sympathy with me in my position which he described as being one of sitting between the devil and the deep sea. I rather gathered that he was the one and the Secretary of State was the other (Laughter), but he did not tell us which was which. (Laughter.)

Sir, I think I may say that to-day's discussion has been of considerable value ; I would at least for my own part attach great value to it. I should like, if I may, particularly to congratulate my Honourable friend the Deputy President on his most excellent, I might say, brilliant speech. (Applause.) I should also like to congratulate Mr. Ramsay Scott on his maiden speech (Applause), which I am glad to say supported the case for which I stand.

But returning to the speech of the Honourable the Mover, I venture to say that it was in itself an illustration of some of the dangers of discussing a subject of this kind in a political Assembly. I feel that there is a great danger in applying the arts of rhetoric to business, or in handling finance not in the cold atmosphere of realism but in the heated controversy of political debate.

Sir, my Honourable friend is a wonderful advocate. I can imagine that if he could come over to this side he would be able to make an almost equally convincing speech for the case for which I stand as he did in support of his own motion.

In that connection I might perhaps say that I am not going to attempt to follow my Honourable friend in making an advocate's speech. I want to ask the House to consider both sides of this question, and even if they admit that my Honourable friend has been able to advance very telling arguments, I wish them also to consider the balancing considerations with which we, who hold the responsibility, have had to deal.

Sir, this is no easy case. It is a matter on which great issues hang, in regard to which the dangers on either side are tremendous, and for that reason, I am particularly grateful to every speaker who has spoken on the subject that he has preserved an atmosphere of calm, and to that extent contributed to a fair consideration of the problem. I will not attempt to follow my Honourable friend, as I said before, in his arts of rhetoric; I will follow him perhaps in one feature only, and that is in telling the story of the last few days. I do not know from what source my Honourable friend got his information, but in some respects he was extremely accurate. He depicted me coming down to breakfast at 8-30 A.M. on Monday morning, opening my press telegrams and finding that the British Government had decided to divorce sterling from a gold basis. He pictured my hurried consultations with the Finance Secretary, he pictured a sudden dash to the Viceregal Lodge,—and there I must tell him that he was inaccurate just in one detail, for the journey was in one of His Excellency's motor cars (laughter), and not on a pony or in a rickshaw. Sir, at that hour on Monday morning, we, who were responsible for the finances of the Government of India, were confronted with a very serious problem. If anything was to be done, we had to act and convey orders to Calcutta and Bombay before 10 o'clock in the morning, for although the ordinary business hour is 10-30, Honourable Members are aware that there is a difference in time with Calcutta, so that 10-30 A.M. in Calcutta is 10 A.M. at Simla. So, we had ninety minutes exactly in which to consider what to do. I think perhaps we may congratulate ourselves that in those ninety minutes we settled on immediate action and we were able to produce an ordinance and get it signed by His Excellency the Viceroy. I think looking back on the last few days, we may claim with confidence that our action was correct. We felt that, with the sudden news of the break in sterling coming on the market there might very well be a panic both in Bombay and in Calcutta. Speculators would not pause to consider to what depths sterling might go or whether it was wise to keep to their rupees and keep out of sterling. It was almost certain that in the first excitement there would be a rush to ask us as the currency authority to deliver sterling to them. If that rush had developed, it might have led to very serious results indeed. I may inform Honourable Members that, as evidence in support of what we had apprehended, we actually received in Bombay, in the first ten minutes after business opened and before the market was aware of the issue of the ordinance, demands for 425,000 pounds sterling. If matters had gone on at that rate we might have had a very serious run and confidence might have been so shaken that it would have been impossible to

[Sir George Schuster.]

restore it. We therefore took emergency action. We did what I explained to the House on Monday. We took steps in order to preserve the position until we could take a look round and see what was the best thing to do. We decided further that we should order bank holidays for the next three days. We thought it desirable that the whole business world should have time to take stock of the position and that there should be no opportunity for panic to develop until every one had got their balance. I think we may claim that our action was completely successful. My Honourable friend who moved this Resolution referred to the bank holidays as having created further disturbance. It is quite true that while those bank holidays were passing we did receive disquieting news from various centres throughout the country. There were apprehensions of runs on banks. The ordinary people did not understand why it had been necessary to close the banks. They suspected that there was something wrong with the internal position and it might well have been that when business reopened a serious situation might have developed. We therefore took further action, issued communiqués, and I explained the position still more clearly in the statement which I made in this House on Thursday and which we circulated over the telegraph wires to every branch of the Imperial Bank, to every Local Government and to every district officer. The result was that inasmuch as our announcement made it clear that the Imperial Bank would stand behind all other banks and that the Government would stand behind the Imperial Bank, we were able to create an atmosphere of complete confidence for the opening of business yesterday. Business in fact opened quite normally everywhere. There were in a few centres runs of minor dimensions on some of the banks, but nothing of any serious consequence resulted at any place. I may read to the House the normal daily report which we received last night from the Controller of the Currency in Calcutta. It reads as follows :

"The exchange market closed firm at 17 and 25/32. No reverse councils here today and large quantity of export bills shown. Bank situation also normal and no trouble apprehended. British members of Eastern Exchange Banks and associations have cabled their appreciation and offered to co-operate in any way. General tone is better all round."

I think, Sir, that that is a significant fact that there were no demands for sterling from Government at their selling rate. The banks were dealing freely at 17 and 25/32, and we had been able to create confidence and to accomplish the difficult task of opening business without any disturbance to normal conditions.

Now, Sir, I have thought it worth while to go over that story because I feel that what has actually happened and what is actually before us is very much more important than theoretical arguments as to what ought to be done or what is to happen in the distant future. We have got through a crisis and I think it is fair to say a crisis of such potential significance as India has never had to face before. The shock to the world of the pound sterling being divorced from gold, the reactions that it might have produced in an atmosphere which was already nervous and apprehensive, might have been tremendous. Yet we have weathered the storm. The ship is still afloat and the Government's reserves are practically untouched. Let us therefore concentrate on the actual steps

which have been taken and the next steps which can be taken. The last few days have been extremely interesting. I think we may say that we have in the last few days been face to face with realities. Many Honourable Members and many public speakers, who have in the past advocated a complete divorce of the rupee from gold at its present level, who have advocated a period of complete instability, suddenly woke up to find that what they had been in the habit in the past of looking upon as visionary and beautiful dreams might suddenly confront them in all the stark grimness of reality. I think many of them were frightened of the picture when they saw it in that light. I had a good deal of conversation with Honourable Members in those three days and they were not quite certain as to what the Government were going to do. I did not find the same certainty of opinion as has been expressed to-day. Why? Because now the Government have decided on a definite course of action, Honourable Members have not got to think what they would do in the circumstances, with all the difficulties in front of them. They can now satisfy themselves with the easy task of uniting in the criticism of Government which has already done its task. It is an easy task. I envy Honourable Members the easy task of a critic. I wish for a moment that my Honourable friend could come across these ten yards that separate us and seat himself in my place. I wonder if he would then treat with quite so much certainty the course which he tells us that we ought to have taken. Sir, in all the discussion which has passed to-day and in the conversations which I have had in the past and the communications which I have received from various commercial bodies all over the country—and I may tell my Honourable friends that until they knew what the Government was going to do those communications were by no means unanimous and that at least one Indian Chamber of Commerce strongly advocated that we should link the rupee to the pound sterling—in all these messages.....

Mr. B. Das : May I know the name of that Indian Chamber ?

The Honourable Sir George Schuster : I have no objection to telling my Honourable friend that it was the Bengal National Chamber of Commerce. In all that has passed, I have tried to detach those points on which there is agreement and those points on which I feel that there is a certain amount of reason. And it seems to me that there are four points on which everybody agrees. When I said at the beginning that I was not going to play the role of an advocate, seeing only one side of the case in what I have to say to-day, I may say at once that I had in mind these points which I am going to mention, in all of which I feel there is a great deal of substance. The first point, I think, is that policy on a vital matter of this kind ought to be settled by the Government of India in consultation with Indian opinion. I think there can be no doubt that all Honourable Members who spoke opposite have given voice to that particular opinion. The second point is that it is desirable to bring about some depreciation in the gold value of the rupee. The third point is that Honourable Members are not quite certain whether, the rupee being linked to sterling will give India the exact measure of depreciation in the gold value of the rupee which she wants. They feel that the course of sterling is uncertain. Some fear that it may go down too low ; others fear that it may go too high and that the rupee may be dragged up again

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at the tail of sterling to 1s. 6d. gold. And the fourth and last point is that, whatever we do, we must not let India's gold reserves be dissipated. I think I may say on all those points that there is a measure of agreement in what Honourable Members opposite have said to-day, and in what I heard in the days before I made my announcement on Thursday. Let me take those points. As regards the first point—that policy on a vital matter of this kind ought to be settled by the Government of India in consultation with Indian opinion; I would ask Honourable Members to recognize the difficulties, the practical difficulties that lie in the way of giving effect to that particular point. Decisions have to be taken very quickly in times of crisis like this. I think Honourable Members will recognize from what I have told them how quickly our decision had to be taken; and it would have been impossible to allow the final course to remain in doubt after we had taken what was merely emergency action to protect the position on the first day. The world had to know what we were going to do; there was no time for full discussion with public opinion. Nor—and I hope Honourable Members opposite will not take it amiss if I may say—nor do I think that a discussion on the floor of this House is really the method by which one can arrive at correct conclusions on a matter of this kind. (Applause.) It is a matter on which, in the first instance, the Executive Government must take the responsibility. Whether there will be occasion in the future to reconsider the more distant policy, that is a question in connection with which, with that possibility in view, such a discussion as we have had to-day is of great value. But as far as immediate action is concerned, I do submit it was impossible to act in any way differently from that in which we have acted.

Then, if we take the second point, that it was desirable to bring about some depreciation in the gold value of the rupee, I think on that point also I can agree with Honourable Members. I agree, because the world is suffering to-day from a state of affairs brought about by a complete break-down of the gold standard. Gold had become far too valuable, which meant that currencies based on gold had become far too valuable, and that commodities on the contrary had become far too cheap. The point was brought out in the Report of the Committee which the British Government themselves appointed four months ago,—the Macmillan Committee. They said that it was quite clear that if gold prices remained at their present level, there was practically no country in the world that could remain on the gold standard. What the state of things required was international co-operation, better arrangements for the economic distribution of the gold resources of the world—a form of co-operation which would have led to a general rise of prices. That was the course which I, whenever currency matters were discussed, tried to impress upon Honourable Members opposite was the right course. I had always felt it necessary to resist the proposal, for instance, that India should take action on her own account, and, apart from the rest of the world, depreciate her currency, because I felt that isolated action of that kind by India might produce such chaos in India, such a break-down of India's credit, that all the advantages of a rise in prices would disappear, and that we might be landed in a morass of difficulties from

which we could not extricate ourselves without ruining half the country. But now, Sir, a new condition has come upon us ; and we must approach the matter from a different angle. We are confronted with conditions for which we are not responsible and in which it is possible to take action on the lines which have always been advocated by Honourable Members opposite without producing those results which I had felt isolated action by India might produce.

And that brings me to the third of the four points which I mentioned, namely, the fears which Honourable Members opposite hold as to what may result from the rupee being linked to sterling. Here, if I may say so, I should like to congratulate my Honourable friend, Mr. Ranga Iyer, for having discovered, either by his own ingenuity or with the help of some friendly adviser, that very telling passage from the Report of the Currency Commission, the Hilton-Young Commission, which he read out to the House. I confess I had my apprehensions that that passage would be mentioned (Laughter). It was very present to my own mind, and it was entirely legitimate to mention it. The arguments that were adduced were all good arguments. In normal times those considerations must certainly be weighed and taken into account ; but what I would put to my Honourable friends is this, that we have now to consider what at any rate for the immediate future is the best course for India, and I do ask of Honourable Members to weigh this in their minds : what would have been the risks of entirely detaching the rupee from any sort of stable basis, and how do those risks compare with the present position where we have retained at least some anchor, some link to the comparatively stable basis of sterling ? A great deal has been made of the danger to our reserves if we continue on the course which has been taken, but I would ask my Honourable friend, the Mover of the Resolution, to consider what would have been the position in the contrary case. He seems to imagine that if we had detached the rupee from any sort of basis at all, and left it in common parlance to " drift " or to " find its own level ", we should have been able to sit on our reserves and keep them intact. But my Honourable friend must remember that we have very heavy recurring sterling obligations to meet. Our actual sterling obligations are something like 32 millions every year. We have moreover, on the 1st January, 1932, a sterling loan of 15 million pounds maturing, and another of 7 millions later in the year. If we were entirely detached from any stable basis, I venture to say that our difficulties in raising money abroad, either in London or elsewhere, would be almost insuperable. We should then be forced back on to drawing on our sacred reserves in order to meet our recurring obligations. That is the possibility on the one side. On the other side we had the definite assurance and absolute guarantee,—and as I informed the House on Thursday it was on the strength of that guarantee that we felt ourselves justified in sponsoring the policy—we had the definite guarantee of assistance from His Majesty's Government both to meet our sterling recurring obligations and to maintain the level of the rupee. On the one side there is the policy of drifting, a chance of seeing prices rise perhaps higher than they would have if we had remained linked to sterling, but the danger that in order to meet our recurring requirements we should have to draw on our own resources, and on the other side the comparative stability of a sterling basis and the assurance of support from His Majesty's Government. Is

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the choice between the two alternatives quite so easy as my Honourable friend would represent it? Is he quite so full of assurance that the course he advocated to-day would have been in the best interests of India? I should like him to sleep over that question and imagine himself in our place and consider what decision he would have arrived at.

Then, Sir, there is a good deal of misunderstanding on this question. It has been pictured that if sterling depreciates very heavily, the rupee would be dragged down with it and that on that side there is a danger to India. But I would remind Honourable Members that our obligation as regards sterling is only an obligation to sell sterling against rupees. We are by no means bound to buy sterling. We are not bound to give out rupees to an unlimited extent in order to acquire sterling; and therefore if what some Honourable Members fear happens, if sterling depreciates too far, and the level of the rupee really could be maintained above that of sterling, there is nothing in the present position to prevent that. We have sterling below us as a support, we have not got sterling above us as a weight that can press us down. Our only obligation as a currency authority to buy anything against the issue of rupees is to buy gold, and therefore there is nothing to prevent, even under present conditions, the rupee rising with natural forces operating in that direction. There is nothing to prevent the rupee rising to the upper gold point again.

Then, Sir, my Honourable friend referred to what he described as the fallacy of saying that we could save money by remaining on a parity with sterling. He referred to an answer which I gave a few days ago in which I was asked what would be the effect on the Budget if the rupee stood at 1s. 4d. sterling as compared with 1s. 6d. sterling. I pointed out that that would mean, as far as our external charges went, that their equivalent in rupees would rise by 5 crores of rupees. My Honourable friend went on to say that that was a fallacy and that I had attempted to represent that we were benefited to the extent of 5 crores by maintaining the rupee at 1s. 6d. I can assure him that I never gave utterance to any doctrine of that kind. I merely stated the fact. I did not say that we could get 5 crores from nothing. This world is not a place where anyone can get money for nothing. In fact all my arguments on this question have been to point out to others who argued in the contrary sense that by depreciating the rupee you could not get money for nothing. You could, by alteration of your currency value, distribute money differently as between different classes, but one man's gain is another's loss; and that is a stern reality from which there is no escape. But in the present circumstances, in the arrangement which has now come upon us, there is a very definite advantage, and from that I do not think my Honourable friend's ingenuity will be able to find any escape. We have now got a certain advantage in the fact that the gold value of the rupee has gone down. Certain classes in the country will get the advantage in that the rupee prices of their commodities will rise. That should ease the situation in many ways, but on the other hand we do not suffer what we should have suffered if that change had been brought about by divorcing the rupee from sterling. Sterling has come down with us and therefore, although prices will rise and we may get some

improvement, for example, in our Customs returns, we shall not lose on our sterling charges because our parity with sterling remains the same. That, I venture to think, is a special reason for justifying the arrangement which has now been made in the present circumstances.

Then, Sir, I should like to deal with another argument that has been advanced. It has been said, and very cogently, that a certain condition arises in a country's affairs as regards its exchange policy. A point comes when the strain of maintaining the gold parity is so great that the country has to say that it will be better to go off the gold basis and preserve its reserves. I have been told quite rightly that that is what they have decided to-day in England, and I have been asked, if that is the right policy for England why was it not the right policy for India? A very cogent question. But I think there are three points of distinction between the two cases. In the first place you must remember that the difficulty which has come upon England is not a difficulty due to anything in the internal position of England. England still remains a creditor country, a creditor country holding thousands of millions of pounds of investments in other countries. The difficulty that has come upon England is solely due to England's position as the international banking centre of the world. London was the market where funds were most readily raised and where deposits could be most readily realised. Everybody engaged in international trade liked to have a balance in London. The result was that London held enormous sums of foreign balances. During the period when the French frank was depreciating from 25 to 125, enormous quantities of French capital were exported to and held in London. That put London, in a sense, in the position of being at the mercy of those depositors who held deposits there and who, if there confidence was shaken in any way, could withdraw their deposits. That is what is happening. London is in the position of a bank on which there is a sudden run. The bank is perfectly sound. The bank has assets sufficient to cover its deposits many times over, but in the present condition of the world, the assets which England holds in the form of investments in foreign countries cannot be realised because all the countries producing primary products are unable to sell their goods at present. So that with frozen assets on one side and a sudden run on deposits on the other, London is suddenly being put in the position, as I said, of a bank which for a special reason has a run on it. But that run will stop, and the position, when it is stopped, will be a strong position, a position quite different from that of India, which at present unfortunately must be regarded as one of the debtor countries. England has adopted a course which means that, although they go off their gold standard, there is not likely to be a sudden collapse in the value of the pound. But such a course might have quite different results in India. I would again ask Honourable Members to consider that the risks in our case of a sudden leap into the unknown would have been very much greater than in the case of England.

Then there is a second point of difference between our position and that of England, and that lies in the fact that we have somebody who can help us, who has promised to help us. The assurance which we have got from His Majesty's Government is something which the British Government could get from nobody else. Having that

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assurance lends justification to the course which otherwise would have been absent.

Then as the third, and last point of difference, I would refer to the fact which I have already mentioned, that for us to be linked with sterling has special advantages, because all our external obligations are in terms of sterling. I quite agree with my Honourable friend, the Mover and with my Honourable friend, Mr. Ranga Iyer, that as regards foreign trade, the trade done in sterling with England only represents a portion of India's total trade. But although it is only a portion, it is a very important portion and to have one important portion of foreign trade conducted on a stable basis without fluctuations of currency is an enormous advantage, as I am sure all Honourable Members, who have any experience of business, will bear out. It is true that as regards the United States, as regards Italy, as regards Holland, as regards Germany, we shall have to conduct our trade now on a fluctuating basis; but still a very large portion of the trade will be on a stable basis with England. But far more important than that is this question of the service of our foreign debt and our foreign obligations. Here it is in sterling that our payments have to be made, and that fact alone would be a tremendous argument, at least for the present, and until we can see better how things are going, for us to retain the comparative stability of being linked with sterling.

Then, Sir, I come to the last of the four points which I mentioned.

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Reference has been made in all speeches of Honourable Members opposite to our preserving our reserves in tact. I can assure them that we have that very fully in mind. We hope that our arrangements will be such as to cause no anxiety to those who support the retention of gold reserves. (Applause.) I trust that Honourable Members will not press me further on that point now. I would ask them to have confidence in the Government and to believe that unless we had faith in the assurance which we have received we should not have sponsored the policy which is under discussion to-day.

There were many points raised in my Honourable friend's speech, but I think I have already detained the House long enough.....

An Honourable Member : What about a separate session for the Finance Bill ?

The Honourable Sir George Schuster : And I would like to turn to the passage with which I began and in which I described to Honourable Members the course with which we were faced, and in telling of which I ventured to take up a position which at least claimed some measure of appreciation from the House for the action which Government have taken. When one is faced with the sort of choice we had, of staying more or less under known conditions, under conditions which gave one some basis of stability, or leaping into the unknown, it is necessary to weigh the matter very carefully, and whenever I am in that position I am reminded of a scene about seven years ago, when I happened to be in the position of discussing a very important matter with the present Prime Minister. I hope that if he reads the report

of this speech he will forgive me for referring to the somewhat homely language which he used. We were discussing a course of action which I had been urging upon him which I thought was very essential and urgent but which would have opened the way to very great dangers. He was arguing that until he was further convinced of the necessity, he preferred to remain in an atmosphere of comparative calm and take no risk, and he said to me, "I am always reminded of what happens when I go to sea and it is rough. I am a very bad sailor and when it is rough I get myself a deck chair in a sheltered place and I wrap myself up in a rug and keep as quiet as I can: and all my friends come up to me and say, 'What a fool you are, Mac. Why don't get up and walk about and get it over?' and my reply always is 'No. Once I start being ill I do not know when it is going to stop: I would rather keep quiet as long as I can.'" (Laughter.) That is a homely simile, but it illustrates the point which I have been trying to make, and before I sit down I would like to put before Honourable Members another picture, also taken from what happens at sea. We had a very interesting debate in this House the other day when we were discussing the economic conditions of the country. We took the line that we must preserve certain principles and maintain the ship of State and not allow it to founder. I pictured to my mind, as I was listening to that debate, the Government in the position of the Captain of a ship standing on his bridge in the midst of a terrible storm. I pictured Honourable Members opposite, some of them coming up to the Captain and saying, "Why do you not start an inquiry into the causes of this storm (Laughter.) and see if you can stop it?" My Honourable friend Mr. B. Das said, "There you sit or rather stand upon the bridge in the cool air; you do not know what horrible things are happening to the people in the cabins down below." Mr. Amar Nath Dutt said, "You must go down and see the misery that is going on, people lying on top of each other being ill in every corner—absolute misery and distress and you sit up there; you ought to go down and see it for yourself and then you would know what to do". Much as I sympathise with my Honourable friends, I think it would do very little good for us to come down and look into those particular matters. Our task at the moment is to keep this ship afloat in a period of extreme danger and difficulty; and if we say, "Trust us in our position of responsibility on the bridge", it does not mean that we do not sympathise with the condition of the country, it only means that we feel that we have got a more important task up here and that our first task must be to preserve our freedom of action in performing that task. When we say that, I think we are talking reasonably, and we are justified in asking the House to have confidence in us. We have got through a very dangerous cyclone. I am not prepared just now to say what course we are going to steer in the distant future. Sufficient unto the day is the evil thereof. We have decided to take a certain line. Mr. Mody asked me all sorts of questions: "What is going to be the ultimate result of all this? Are you going to continue in this way for all time?" I must tell my Honourable friend that I cannot answer those questions. We are now in a position in the world for which there has been no parallel within the living memory of any of us. No one can tell exactly what is going to happen. We may be content to take each step as it comes and; if we preserve the ship from foundering from water

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week, I think we shall have deserved well of Honourable Members in all parts of this House. (Applause.)

Sir Cowasji Jehangir (Bombay City : Non-Muhammadan Urban) : Mr. President, on more than one occasion I have had the pleasure of listening to my Honourable friend, the Finance Member ; but never do I remember him trying to defend his case with, shall I say, such modesty—I will not say reluctance. The sum total of his argument is that he had to take a choice of two evils ; and to rely on him that he has taken the choice of the evil which he considers to be not the worse of the two. He has already frankly admitted that there was a great deal in the brilliant speech of my Honourable friend, the Deputy President, with which he quite agreed. I am sorry he did not go further and tell us that the present steps taken by Government are merely temporary ; that might have given us some hope.

The main point made by my Honourable friend, the Deputy President, was, notwithstanding all the disadvantages of having the rupee linked to sterling, are Government going to save our gold reserves ? If they will guarantee that, the position they have taken up may be tolerated. But if they cannot guarantee to us the preservation of our gold reserves, their proposals are unacceptable so far as we are concerned. What has been the answer of my Honourable friend ? An assurance that, if the steps taken now lead us to bankruptcy, somebody will come and help us after we are bankrupt. I am not prepared to take a guarantee of help after I am a bankrupt. I would much rather see that guarantee of help materialises when I am on the verge of bankruptcy and before I actually become bankrupt—a guarantee that will protect me from going into bankruptcy—rather than a guarantee of help that is coming to me after I have been robbed of all I have. If there is anything in that assurance, could it not have matured immediately when we are on the verge of bankruptcy ? Could not my Honourable friend and his friends on the Government Benches persuade the British Government to give us a credit of £50 millions immediately and save, even temporarily, our gold reserves ? We fully sympathise with England in the position in which she finds herself, and there is no one on this side of the House, especially one who has lived there for many years, who sympathises more with the English people in their time of trial and calamity. But to tell me that we are to rely on a guarantee of a £50 millions sterling loan, when we know that it is difficult for England in these hard times to secure credit in the United States or France for herself, is asking me to believe a little more than I am inclined to do at this present moment. The whole foundation of the Honourable Member's argument for the steps he has asked us to endorse are two : firstly, the assurance, and secondly the ordinance which he wants us to believe will prevent the flight of gold from this country, making allowance only for ordinary trade purposes. I regret I am absolutely unable to accept either plea. What is this ordinance ? Honourable Members have said on this side of the House that anybody can drive a coach and four through that ordinance, and my Honourable friend the Finance Member knows it. I wish he had told us a word or two about it. He knows very well that just now, if I desire to remit

50 lakhs to England, not for any trade purpose, I could under the ordinance arrange to do so.

An Honourable Member : It was done in 1921.

Sir Cowasji Jehangir : He knows it has been done in the past, and I am confident that he is extremely nervous that it will be done in the future. Those are the two main points about which we asked for assurances. We have received none, and still we are asked to withdraw or not to support the Resolution moved by my Honourable friend the Deputy President,

May I ask another question. I will not only ask it, I will answer it myself at the same time. If after these reserves are exhausted—and they are bound to be very shortly—as the ordinance is not going to be of much use to us—and if the rupee is to break away from sterling, what is my Honourable friend going to do? And what will then be the position? The position will be that the rupee will break away from sterling minus the gold reserves we have got at present. My Honourable friend said that if the rupee was allowed to find its own level the gold reserves would go all the same. I cannot endorse that statement. There are more chances of the reserves being depleted quicker with the rupee linked to sterling than if the rupee was allowed to find its own level. Sir, the main point on which we want an assurance is that Government are doing for India what the British Government have done for England. The assurance we ask for is that as the British Government at a time of trial have determined to preserve their gold resources, Government will do so by every means in their power. Sir, it is an irony of fate that at a time when some of our most distinguished Indians are today in England discussing the future constitution of our country, we find ourselves far from being a democracy, far from being a bureaucracy,—we find ourselves an autocracy, we are governed by one man. Sometimes, an autocracy is to the greatest advantage of a country, but the country must be confident that the autocrat is acting in the best interest of the country, that there are no ulterior motives which guide him and lead him in his actions. But if the country is doubtful about the motives that underlie his actions, what is the use, Mr. President, of Indians going to England and discussing the future constitution of this country? It is becoming a farce. Here we have found, and it has been so often repeated to-day, that the Secretary of State is dictating the currency policy of this country, and let me admit frankly before this Honourable House that a large majority of Indians do not trust the Secretary of State for India. They feel that the Secretary of State is acting as an autocrat, not in the interests of the country which has been entrusted to his care, but in the interests of some one else, and that is what we stand up here to resent and condemn. What is the use of my Honourable friends sitting in a line on the opposite Bench? They are as impotent as we are. We are impotent enough, and if they come down to our level and are not able to make their voice heard, to raise little finger to defend the interests of this great country, what is it you expect us to do on this side except to protest, to condemn, and if necessary, to walk out?

Mr. B. Das : Don't go to the Round Table Conference.

Sir Cowasji Jehangir : Believe me, Sir, if Government could assure us that, autocrat as he is, the Secretary of State was imbued with only one motive, the best interests of this country, it would be bearable. But the

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position Government are creating to-day, believe me, is becoming intolerable, and it is the duty of every Honourable Member of Government to inform the Secretary of State of the great danger that lies ahead. Sir, we do not believe that the policy adopted is in the best interests of the country and we firmly believe that that policy has been dictated to Government and therefore we refuse to accept it.

Sir, I was sorry to hear the maiden speech of my Honourable friend Mr. Ramsay Scott and the very ungenerous remarks that fell from his lips; he muttered them so that most of my Honourable friends may not have heard them, but unfortunately I did. He stated that there was a clique in Bombay, a powerful clique, who in their own interests and for their own advantage and benefit desire that the exchange should fall. And he tried to do something more, something that the Anglo-Indian Press has been doing for a long time. (Hear, hear.) He tried to drive a wedge between the industrialists and the agriculturists in this country. But every one of my Honourable friends know, whether they be industrialists or agriculturists, that in this case at least our interests are one, and I would appeal to them not to allow such wedges to be driven in between the friendly feelings and relations that have subsisted in India between Indians industrial and agricultural. But I will tell my Honourable friend why he (Mr. Scott) desires that the exchange should be maintained at 1s. 6d. Because he wants to remit his money home at an exchange which gives him a bonus from the pockets of the poorest agriculturist in this country. If Mr. Scott imputes motives to honest men, let me tell him what Indians will think of him—and why he is supporting 1s. 6d.

Mr. J. Ramsay Scott: Sir, I have always been in favour of 1s. 4d.

Sir Cowasji Jehangir: I am aware of that, but notwithstanding that, he has supported 1s. 6d. to-day, and all these years he and his friends have remitted all their monies to their native home at a rate of exchange which put into their pockets a bonus from the rate-payers and taxpayers of this country. Can he deny it? I challenge him, can he deny it? (*Some Honourable Members of the European Group:* "Yes.") I challenge him now to deny it. I venture to suggest that, far from imputing motives to others, he should realise that he is living in a glass house himself. I am sorry that Mr. Scott in his maiden speech should have attempted to create bad blood between Indians and Europeans; I regret it more than anybody else. (*Mr. K. Ahmed:* "Suppose they change the angle of vision.") (Laughter.) I recommend to my Honourable friend that when he makes another speech, he will see to it that he does not impute motives to a class of men who have served their country far better than he could ever have done.

Mr. President: I think my Honourable friend Mr. Moore said that in one argument he could not follow the Honourable the Mover, the Deputy President. The Deputy President said that what is sauce for the goose is sauce for the gander. What he meant was that if England can take steps to preserve her gold resources, why should we not be allowed to do the same by the same method? The analogy is a perfectly good one. We are both in difficulties. We are in greater difficulties than England and greater I trust than she will ever experience, but surely we have a right to protect our interests and we have a right to claim from our Government

that they shall protect our interests just as the great British public have a right to call upon their Government to protect their own interests. Then why, may I ask, if the Government in England can take the desperate step of severing sterling from gold to save their gold resources, should we be not allowed to let our rupee find its own level and preserve our gold reserves. We are told that this instability will ruin India. We have been frightened of it for a good deal of time, but we see England to-day boldly facing this instability. To-day sterling has depreciated compared to gold to the extent of 16 per cent. Now, will that not mean ruin for a large number of merchants and industrialists in England? Will not that cause great inconvenience? It may be to a lesser degree than if the rupee were allowed to find its own level, but still England is to-day facing that instability, is suffering that inconvenience and loss to many an individual. Why should we be afraid of doing the same for our country if in the end it is in our best interests? I would appeal to my Honourable friends not to be led away on this occasion. It is an occasion of the greatest gravity for two reasons, firstly, because the policy has been dictated by one man 7,000 miles away. I believe it is unconstitutional. I am not going into that point. Secondly, we firmly believe that the policy is not in the best interests of India. I would therefore appeal to every Honourable Member, whatever party he belongs to, whether he be an agriculturist, industrialist or a professional man, to support the Resolution moved by my Honourable friend the Deputy President and show once for all to the Secretary of State for India that, although he may consider himself the Great Moghul, we are not going to tolerate dictation at his hands in this way.

Mr. R. K. Shanmukham Chetty : Mr. President, I do not think it is necessary for me to speak at great length by way of reply. My Honourable friend the Finance Member complimented me on my powers of rhetoric and advocacy, and after hearing his speech this afternoon, I have made up my mind to take some lessons in rhetoric and advocacy from my Honourable friend. He asked us to view this question free from political passion and in the cold atmosphere of realism. After listening to the masterly speech of my Honourable friend, Mr. Ranga Iyer, I am sure you must feel convinced that every one of us has made the best attempt to view this question in the cold atmosphere of realism. The Finance Member asked me to picture to myself what I would have done if I were in his place on Monday morning and my answer to him is straight. If I were in his place on Monday morning, I would have acted exactly as he acted on Monday morning, but, with this difference that after having heard of the speech that the Secretary of State made in the Federal Structure Sub-Committee, I would have used to the Secretary of State language which you will not permit me to use in this House. With that difference I would have acted exactly as my Honourable friend had acted. My Honourable friend asked us to consider what would be the state of our gold reserves if the rupee were left unstable when the time came for us to meet our sterling obligations. If I were in his position again, I would have put it to His Majesty's Government that the financial situation of India, thanks to the administration of the Honourable the Finance Member, is as sound as the financial position of England; and even as England appealed in a time of crisis to the United States and France, I would appeal to His Majesty's Government to open credits in favour of the Government of India to maintain the stability of the

[Mr. R. K. Shanmukham Chetty.]

rupee. That is what I would have done and if His Majesty's Government were the real trustees of the Indian people and if they cared for the financial interests of India, I have no reason to think that they would not have responded to my appeal. I would ask my Honourable friend whether, when His Majesty's Government came forward with the re-assurance of their help, they made it a condition precedent that the rupee must be linked to sterling at 18s. If they did that, then I must revise my opinions about the *bona fides* of their offer for help.

It is not necessary by way of reply, Mr. President, to go into the details of the various arguments. I am glad to have had one admission from my Honourable friend. He seems to have realised, though late in the day, that the time has come to depreciate the gold value of the rupee. After maintaining the gold value of the rupee for five years at a certain figure, after having lost a great part of our gold reserves in that attempt, he now wakes up and agrees with us that the time has come to depreciate the gold value of the rupee. He gave us a homely story that Mr. Ramsay MacDonald related to him. I am reminded in this connection of another homely story which is told in my part of the country. A very rich gentleman in my part of the country spent all his fortune in a ruinous litigation for about 10 years and he lost all his money. The case was over and when his friends told him, "What a fool you are? Could you not have become wiser earlier? Why have you wasted all this money on this futile litigation", he replied, "Even though I lost the case, I have learnt the principles of the law". Similarly I can imagine my Honourable friend saying to-day, "Even though I and my predecessors have frittered away gold assets to the extent of 66 crores of rupees, I have now learnt the principles of finance". My Honourable friend in his rhetorical conclusion gave the example of the Captain on the bridge being worried by persons with whom a rough sea did not agree. Sir, that is not the correct way of looking at the question. I would take his own simile. The Government of India are not like the Captain on the bridge. The Government of India are like the Captain sleeping soundly in his cabin. We were not worried by sea sickness and frightened; and we did not ask him to institute an inquiry about the matter. We suspected that there was a hole in the ship. We searched for the Captain and we had to ascend 8,000 feet above sea level to find the Captain sleeping, and when we wake him up from his cabin and tell him that there is something wrong with the ship and that we suspect there is a hole, he tells us, "No, everything is all right. My Controllers of Currency in Calcutta and Bombay are looking after the thing. You had better go to your cabins and mind your business". That, Sir, is the position between the Government of India and the people of this country. We are not taken into the confidence of the Government; and when, at a time of crisis, we point out to them the dangers, we are asked to look after our own business, and we are told that it is the supreme responsibility of the Finance Member to take care of the financial ship of India. That is the position. We feel, however, serious apprehensions for the safety of our ship as a result of the policy forced upon us by the Secretary of State, and we have brought this motion before the House. It is not in a spirit of capering criticism of the action of Government that we have brought it forward; it is with a

view to give expression to our genuine apprehensions as to the economic welfare of our country that we thought it necessary to raise this debate.

Mr. President : The question is that the following Resolution be adopted :

“ WHEREAS it is apprehended that it would be seriously detrimental to the interests of India to link the rupee to sterling under present conditions ; and

WHEREAS the action of the Government of India as currency authority in maintaining the exchange value of the rupee at 18d. has had disastrous effects on the agricultural and industrial interests of the country and has resulted in the depletion of the gold assets in the currency reserves ; and

WHEREAS it is further apprehended that the linking of the rupee to sterling and the consequent obligation imposed upon the Governor General in Council by the Gold and Sterling Sales Regulation Ordinance (Ordinance VII of 1931) will result in further frittering away the gold assets, to the grave detriment of the financial and economic life of the country ;

This Assembly is of opinion that the Governor General in Council should immediately take such steps as are necessary to ensure that the total amount of the gold and sterling assets in the Paper Currency and Gold Standard Reserves are not allowed on any account to fall below the level at which they stand at present ; and

This Assembly is further of opinion that under the present circumstances it would be in the best interests of the country for the Governor General in Council to take steps to restore the Ordinance No. VI of 1931 and to relieve himself from the obligation imposed upon him by section 5 of the Currency Act, 1927, or by Ordinance VII of 1931, and that in any case if Government are determined to continue Ordinance No. VII of 1931 such obligation ought not to be undertaken unless and until substantial long-term credits are forthwith granted in favour of the Government of India in London by His Majesty's Government on reasonable terms and conditions.

With reference to the announcement made by the Honourable Finance Member about the introduction of a second Finance Bill, this Assembly is of opinion that proposals for taxation should not be made without giving due notice to Honourable Members and that no proposals for taxation must be made in the present session.”

The Assembly divided :

AYES—64.

Abdoolah Haroon, Seth Haji.
 Abdur Rahim, Sir.
 Ahmed, Mr. K.
 Auklesaria, Mr. N. N.
 Anwar-ul-Azim, Mr. Muhammad.
 Azhar Ali, Mr. Muhammad.
 Bhuput Singh, Mr.
 Chandi Mal Gola, Bhagat.
 Chetty, Mr. R. K. Shanmukham.
 Chinoy, Mr. Bahimtoola M.
 Das, Mr. B.
 Dudhoria, Mr. Nabakumar Singh.
 Dutt, Mr. Amar Nath.
 Fazal Haq Piracha, Shaikh.
 Gour, Sir Hari Singh.
 Gunjal, Mr. N. R.
 Harbans Singh Brar, Sirdar.
 Hari Raj Swarup, Lala.
 Ibrahim Ali Khan, Lt. Nawab Muhammad.
 Ishwarsingji, Nawab Naharsingji.
 Ismail Ali Khan, Kunwar Hajee.

Isra, Chaudhri.
 Jadhav, Mr. B. V.
 Jehangir, Sir Cowasji.
 Jha, Pandit Ram Krishna.
 Jog, Mr. S. G.
 Kyaw Myint, U
 Lalchand Navalrai, Mr.
 Maswood Ahmad, Mr. M.
 Misra, Mr. B. N.
 Mitra, Mr. S. C.
 Mody, Mr. H. P.
 Mussam Sahib Bahadur, Mr. Muhammad.
 Mujumdar, Sardar G. N.
 Murtuza Saheb Bahadur, Maulvi Sayyid.
 Pandian, Mr. B. Rajaram.
 Pandit, Rao Bahadur S. R.
 Patil, Rao Bahadur B. L.
 Puri, Mr. Goswami M. R.
 Rafiuddin Ahmad, Khan Bahadur Maulvi.
 Rajah, Raja Sir Vasudeva.
 Rajah, Baksh Shah, Khan Bahadur
 Makhdum Syed.
 Ranga Iyer, Mr. C. S.

AYES—contd.

Rastogi, Mr. Badri Lal.
 Reddi, Mr. P. G.
 Reddi, Mr. T. N. Ramakrishna.
 Sarda, Rai Sahib Harbilas.
 Sen, Mr. S. C.
 Sen, Pandit Satyendra Nath.
 Shah Nawaz, Mian Muhammad.
 Singh, Kumar Gupteshwar Prasad.
 Singh, Mr. Gaya Prasad.
 Sitaramaraju, Mr. B.
 Sohan Singh, Sirdar.

Suhrawardy, Sir Abdullah.
 Sakhray Bai, Rai Bahadur.
 Talib Mehdi Khan, Nawab Major Mulla.
 Thampan, Mr. K. P.
 Tun Aung, U
 Uppi Sahab Bahadur, Mr.
 Wilayatullah, Khan Bahadur H. M.
 Yamin Khan, Mr. Muftammad.
 Ziauddin Ahmad, Dr.
 Zulfiqar Ali Khan, Sir.

NOES—40.

Allah Baksh Khan Tiwana, Khan
 Bahadur Malik.
 Asisuddin Ahmad Bilgrami, Qazi.
 Bajpai, Mr. R. S.
 Banerji, Mr. Rajnarayan.
 Crerar, The Honourable Sir James.
 Dalal, Dr. R. D.
 DeSouza, Dr. F. X.
 Dyer, Mr. J. F.
 Elliott, Mr. C. B.
 Fazl-i-Husain, The Honourable Khan
 Bahadur Mian Sir.
 Fox, Mr. H. B.
 French, Mr. J. C.
 Graham, Sir Lancelot.
 Griffiths, Mr. G. I.
 Heathcote, Mr. L. V.
 Hezlett, Mr. J.
 Howell, Mr. E. B.
 Knight, Mr. H. F.
 Lall, Mr. S.

Leach, Mr. F. B.
 Montgomery, Mr. H.
 Moore, Mr. Arthur.
 Morgan, Mr. G.
 Mukherjee, Rai Bahadur S. C.
 Parsons, Mr. A. A. L.
 Rainy, The Honourable Sir George.
 Rajah, Rao Bahadur M. C.
 Rama Rao, Rai Bahadur U.
 Row, Mr. K. Sanjiva.
 Roy, Mr. S. N.
 Sahi, Mr. Ram Prasad Narayan.
 Sams, Sir Hubert.
 Schuster, The Honourable Sir George.
 Scott, Mr. J. Ramsay.
 Shillidy, Mr. J. A.
 Studd, Mr. E.
 Sykes, Mr. E. F.
 Tait, Mr. John.
 Todd, Mr. A. H. A.
 Young, Mr. G. M.

The motion was adopted.

The Assembly then adjourned till Eleven of the clock on Monday, the 28th September, 1931.