

Wednesday, 7th April, 1937

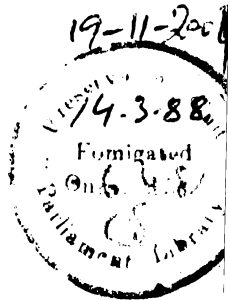
THE  
COUNCIL OF STATE DEBATES

VOLUME I, 1937

*(16th February to 8th April, 1937)*

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FIRST SESSION  
OF THE  
FOURTH COUNCIL OF STATE, 1937



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# COUNCIL OF STATE.

Wednesday, 7th April, 1937.

The Council met in the Council Chamber of the Council House at Eleven of the Clock, the Honourable the Chairman (Sir Phiroze Sethna) in the Chair.

## RESOLUTION RE GRANT FOR IMPROVEMENT OF COTTAGE INDUSTRIES IN ORISSA.

THE HONOURABLE MR. SITAKANTA MAHAPATRA (Orissa: Non-Muhammadan): Sir, I beg to move:

"That this Council recommends to the Governor General in Council that he be pleased to make a substantial grant to the Government of Orissa for the improvement of cottage industries in that province."

Sir, the poorest of Indian provinces which I have the honour to represent here has been for decades and decades past simply a consumers' province. Since the advent of British rule we have all along bled white to fatten other provinces to a large extent. During the last decade the Government of India decided upon a plan of discriminating protection to industries. Now, this is in name only and protection is going on indiscriminately. Walls of protection are going up higher and higher, thereby making the people of a purely consuming province poorer and poorer day by day. We have got no industry and no commerce—nothing of the sort. But it was not so before the advent of British rule. There was a time when Orissan merchantmen used to sail on the high seas. Oriya merchants and traders had their trade connections with China, Java, Bali, and even certain parts of South America.

When the British came to Orissa they found that the best salt was manufactured in Orissa. Due to this salt industry my province was once a very prosperous country. But this industry was sacrificed at the altar of the avarice of British merchants interested in Liverpool and Cheshire salt. Orissa was tagged to the tail of Bengal for over a century. Orissa was looked upon as the Cinderella amongst her many divisions for over a century. No attempt was ever made to revive industries in Orissa. Government salt factories have all along been working in the adjoining province of Madras but the Government of Bengal never established a salt factory in the then Orissa division. Orissa is a coastal country with many big rivers therein. But due to neglect by Government the mouths of those rivers became silted up and impassable for steamers. Then Orissa was tagged to the tail end of the new province of Bihar with a view to find an easy opening for her. The Government of Bihar also never cared for the Orissa division. They too treated her like Cinderella amongst her many divisions. Now Orissa has been forged into a separate province and losing parts of the country from Madras and the Central Provinces have been added to her. The Government of India have been giving Orissa some subventions but, thanks to the great financier Sir Otto Niemeier's greater ingenuity contained in his award, Orissa is being treated in a niggardly manner in the matter of subventions with the result that after meeting the cost of the provincial paraphernalia little is left to be spent on nation-building departments. So, unless the Government of India come to our rescue not only

[Mr. Sitakanta Mahapatra.]

as a matter of favour but also as a matter of justice by making some earmarked grants to the Government of Orissa to be specially utilised for the improvement of cottage industries in Orissa, the Government of Orissa will be able to do nothing in this direction from the funds at their disposal. During the past year practically nothing was done, not I must admit due to want of will but due to want of funds and the situation has not improved this year. Sir, since the time the Honourable Mr. Nixon gave out his mind to improve the finances of the Government of India by imposing a poll tax on Oriyas I have been terribly afraid of him! But one thing I am tempted to say. If a poll tax on Oriyas is the only method known to the Honourable the Finance Secretary to balance this year's budget, I hope he will soon become the Finance Member. I shall pray to the Goddess Kali for that. Sir, I do not want to dig a hole of a crore or two in the Government of India's budget. My idea is this. There is expected to be a surplus of a few lakhs in the Government of India budget for this year according to the present calculations. In anticipation of that surplus, the Government of India can make a grant of a small portion of the sum for the improvement of cottage industries in Orissa. The Government of India have during the last decade robbed the poor Oriyas of a large sum of money in the shape of protective duties on industries. Will the Honourable Mr. Clow conscientiously say in which way the protective duties have benefited Orissa? The Government of India will only do justice to the Oriyas if they take some steps themselves for the improvement of the industries of that province. And no other industry can be improved there in Orissa except cottage industries. A substantial grant by way of encouragement to cottage industries in Orissa is not an impossible problem for the Government of India. For these reasons, I would request the Honourable Mr. Clow to accept my Resolution.

THE HONOURABLE MR. A. G. CLOW (Industries and Labour Secretary): Sir, I think I can say that we have to some extent anticipated my Honourable friend's request. I confess I was a little confused by his picture of Orissa because he began by saying it was entirely a consumers' province by which I took him to mean that it consumes freely and produces nothing; and then he went on to say that they had been bled white in times gone by. Well, I think he is being unfair both to his own province and to the rest of India. But as regards the matter immediately under consideration the position is that we have already made grants and are making grants to Orissa for the purpose of what is by far the most important cottage industry—the handloom industry. The province began its career with the last financial year and we made in that year a grant of Rs. 9,400. At the Industries Conference at Lucknow its claims were specially pressed, not precisely on the same grounds as those given by my Honourable friend, but on the ground that it was a small province which probably had been a little neglected in this matter. And the Conference agreed to give an extra grant, over and above the proportion to which it would have been entitled on the basis of allocation that we have adopted, of Rs. 4,000. The Government of India have accepted that recommendation which applied also to some other smaller provinces. The grant we are making for this year consequently amounts to Rs. 13,400. Then, apparently there were some savings from the balances of the grants for the combined Province of Bihar and Orissa at the end of the year 1935-36. Out of that, a little over Rs. 1,900 will go to Orissa, so that the grants made or promised so far amount to

Rs. 24,700. There will be a grant for the year after this also. I cannot promise what the Industries Conference will do but I may say that I see no reason why it should not be at the enhanced figure adopted for 1937-38. I hope, therefore, my Honourable friend will see that the province has been a good deal more fortunate than he thought and will agree to withdraw his Resolution.

**THE HONOURABLE MR. SITAKANTA MAHAPATRA:** After what has fallen from the lips of the Honourable Mr. Clow I think I should withdraw the Resolution. I request the permission of the House to withdraw it.

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

### RESOLUTION RE PURCHASING POWER OF INDIANS.

**THE HONOURABLE MR. HOSSAIN IMAM** (Bihar and Orissa: Muhammadan): Mr. Chairman, I rise to move:

"That this Council recommends to the Governor General in Council to take practical steps in all possible directions to increase the purchasing power of Indians".

Before I commence my remarks on the Resolution, Sir, permit me to express my sorrow for having caused any pain to the Treasury Benches by my words on the 31st March. I think it my duty as a gentleman to say that I am very sorry if I have given pain to anybody.

Sir, the question of the purchasing power was an academic question during the pre-war days. It is only in the post-war period that it has loomed large in the discussions of politicians and of the man in the street. The question of purchasing power becomes very important when we are in the midst of depression. In days of prosperity no one bothers to study such things. Everything goes on merrily, but as soon as we encounter difficulties, it is natural that we should go to doctors, and ask them to give some medicine. Similarly, when we are in economic trouble, we ask economists to study the question. Economics is different altogether from the ordinary sciences. There we deal with natural phenomena, while here we deal with human beings, and correlate their actions with things. The deductions are liable to fluctuate with different circumstances. The fundamental principles of economics are no doubt axiomatic, and they do not change; but the subsidiary conclusions are liable to change with different circumstances. The regularity in the capitalistic system with which you have booms and depressions, or what are more commonly called trade cycles, illustrate that this system contains some parasites and micro-organisms which even in days of prosperity, though lying dormant, have a habit of developing and becoming terrible menaces. So, after booms you have depression. But depression also produces anti-toxins and anti-bodies which lead to the elimination of depression as well, but in God's own time. What we want to do is, that the Government should take the initiative in the matter of ending the depression. No doubt depression will go away, and we will have prosperity again, but if we intervene now we can accelerate the pace of the coming recovery. If we do not, we will be in difficulties for a longer period than we need be.

In India, Sir, there are two backgrounds against which we must consider everything. The first is the huge population of India. The economics of Australia, for instance, and that of India would differ greatly because in Australia you have a sparse population and there you want more mecha-

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nisation than you need in India. Secondly, Sir, 80 per cent. of the population in India is dependent directly for its well-being on agriculture. In other countries like England, agriculture is a subsidiary industry. Therefore, whenever we consider the question of India, we have to consider it against these two backgrounds. Unless you take that into account, you will not be able to do anything tangible for the good of India.

The fact remains that the creators of wealth are only two classes of persons, either the agriculturists or the makers of industrial goods, whether you take mechanised or cottage industries. All the rest of us, including all the gentlemen on the Treasury Benches, live upon these two classes. The legal profession, the business men, all prosper with the prosperity of these two classes, or rather I may say one class, the *producers*. Every effort made to bring prosperity to the producers will mean prosperity for the rest of India. There is a class of person whose prosperity is independent of the prosperity of the producers, and that is the salaried people, and those who are entitled to receive interest on their lendings—those who receive interest from Government securities and other public bodies—because their interest does not become compounded with the principal and lost some times as is the case with the ordinary money-lender.

The strongest weapon for bringing prosperity is devaluation, or as I should more properly call a standard of currency in which stability of prices at 1930 figures would be the criterion. This leads me to the question whether India's currency is over-valued or under-valued. The Honourable the Finance Member in his Budget Speech said that the present condition of the trade made it appear that instead of the currency being over-valued, it seemed more like under-valued. Now, the basis of his argument is that the balance of trade in merchandise in the first 10 months of the year just ended was much more favourable to India than in the previous year. That was a correct statement of fact. But it did not give us a true picture. I should say the picture was so over-painted that it did not require a connoisseur to say that it was a fake. He lost sight of two material factors. The export of Gold and import of Silver. If you couple our merchandise and treasure together you will find that in 11 months our import trade has dropped by only Rs. 2 crores. Does that show that the currency is under-valued? Our export trade has improved no doubt. Including treasure it is only Rs. 14 crores better than it was last year. But if you take the favourable balance of trade I can show you that even before this devaluation of September 1931, in the year 1931-32 our balance of trade for the first 10 months was Rs. 71.17 crores and this year it is Rs. 73.85 crores. So even without the devaluation which we had by being linked with sterling we were no worse off than we are at the present moment. And I shall show you from facts and figures from unimpeachable sources that our currency is overvalued. The first factor which makes me come to this conclusion is our share in world trade. The share of India in world trade in the year 1929 was 3.05 per cent., but in the year 1935,—for which alone I can get the figures from the League of Nations Publication,—the figure was 2.7 per cent. Our proportion this year in amount of quantum is 30.5 per cent. of our trade of 1929. But if this were the only picture, it might not give us the correct idea. Take the case of the United Kingdom. Their share in world trade in 1929 was 18.05 per cent. from which they have

improved to 18.98 per cent. There is an improvement in the proportion of the United Kingdom in world trade while there is a distinct fall in the share of Indian trade. Now, the United Kingdom had devalued its currency to a certain extent. Japan, who went on better than the United Kingdom, has improved its position in world trade much more than the United Kingdom. Japan's position in 1929 was 2.86 per cent. of world trade, and in 1935 they had 3.58 per cent., which means almost a rise of one-third. This has been brought about by their different gold parity. If you take 1913 as 100, the gold parities of the currencies of three countries is as follows. India has 68.4 per cent., the United Kingdom has 59.8 per cent. and Japan 33.8 per cent. The smaller the percentage the greater the rise of trade in quantum shows that there is a great deal of sense in saying that the devaluation of the currency stimulates trade. I am quoting the figures of total trade, not only of export trade. These figures are of the total trade from the Review of World Trade by the League of Nations. This, Sir, is one thing I can say in proof that our currency is overvalued. Now, there is another factor. We know that sterling is not linked with gold. There is no measure by which you can say what is the absolute value of sterling. In terms of the dollar or in terms of the franc its parity is not constant. It has varied much and at the present moment it is at a certain figure. Now, the Honourable the Finance Secretary can perhaps tell us the secret of the British Government. What is the basis on which they manipulate their exchange value of sterling in terms of the franc and dollar? The price of gold too is variable in sterling. After being fairly stabilised at 106s. to the ounce it is now 142s. Well, if he is prepared to give us the secret we will be very grateful, but if he does not I shall try to prove by facts and figures what I deduce the standard to be on which the value of the pound is fixed.

Now, I should like to present to the House another proof that all is not well with Indian currency. I have tried to find out from the League of Nations publications the index number of wholesale prices of commodities in different countries. I have taken 1932 as the basic year because it was at the end of 1931 that we delinked the rupee from gold, and therefore 1932 is the earliest period to find out the effect of devaluation, and the last figure I was able to get was for November, 1936. In the League publication the index number of 1929 has been taken as 100. From that we find that in the United Kingdom in 1932 the average was 74.9 per cent. and in November, 1936 it had gone up to 86.1 per cent., or a rise of about 16 per cent. in this period. In the United States of America the position was that in 1932 they were 68 per cent. and they have gone up to 85.5 per cent. In Japan the position was 78.7 per cent. and it is now 91.2 per cent. That is the country which devalued to the extreme limit. And what is the condition of India? Our wholesale index number was 64.5 per cent. in 1932 and in November, 1936 was 66 per cent. Against a rise of 16 per cent. in the United Kingdom we have a rise of  $1\frac{1}{2}$  points or 2.4 per cent. in India. Does it not show clearly that we are working under a handicap of 12 per cent.—the increase in the value of the rupee from its former level—because it is the only country in the world which has increased its value in gold after the war. The gold content of the rupee, if I may be pardoned for using that American phrase, has been increased and this is the only benighted country in the whole world that has done this; and yet our Finance Member says that there are reasons to believe that the rupee is under-valued, in spite of the fact that prices are not looking up, in spite

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of the fact that our position in the world trade is becoming worse and worse. We were the sixth country in the world trade and now we are the ninth. This is the improvement which we have made on account of this high value placed on the rupee.

Now, Sir, the question is, how would a devaluation help our prices and our trade? We are prepared to tell you that it is very elementary. Take, for instance, the case of cotton. If it is selling at the rate of 6d. per lb. in Manchester, it is impossible for us to export cotton if the price in terms of the local currency goes above 5½ annas; but if the currency had been devalued to 1s. 4d. it would have been possible to export even if the price were 5 annas 11 pies. So you indirectly help the trade or you give a bounty to export trade. The only reply will be that the Government of India are primarily dependent on customs for their income and therefore any fall in the imports would materially affect the finances of the country. It is natural that with the devaluation there may be a decrease in the import trade; but that is not a correct way of stating facts, it deliberately hides a material fact. Automatically the value of imported goods in terms of local currency would go up, and as most of our duties at the present moment are *ad valorem* we would reap the advantage. Even if there is a reduction in the quantum of the trade, the quantum of the customs duty need not go down. For instance, take a concrete case. If a thing is worth £15 and it is subjected to 25 per cent. customs duty—and that is about the average rate of duty in India at the present moment—you get Rs. 50; but if the rupee is devalued to 1s. 4d. you will be getting Rs. 56-4-0 at the same rate, at the same value, because the price would vary. £15 would be worth Rs. 225, whereas they are at present worth only Rs. 200. We need not bother about the reduction in the customs income; that will make itself up. The second argument will be that it will increase the burden of foreign indebtedness, the sterling debts that we have contracted. That too is not exactly the case, because directly we increase our burden of external debts we will also increase the value of our sterling and gold reserves which are more than 40 per cent. of our indebtedness at the present moment. In the Reserve Bank Issue Department as well as the Banking Department, the Silver Redemption Fund and other places we have enough resources to cover 40 per cent. of our operative sterling liabilities. I do not count the £16 millions of war debts remaining unpaid, because that is as good as written off.

Now, Sir, I should like to refer to the losses that we have suffered on account of maintaining this exchange at the present rate. We have contracted currency to the tune of about Rs. 59 crores. This contraction has been to a large extent made good by borrowed capital mostly £ sterling and therefore we are still paying more than Rs. 1½ crores as interest for our former follies. It is essential if you want to maintain the rupee at a certain level that you must manipulate your currency circulation in order to keep up that standard. What I advocate is not a change from 1s. 6d. to 1s. 4d. I want, Sir, the standard of England to be adopted. England is maintaining the sterling not by any given parity to any other currency or to gold. The ideal before the English currency authorities is the increase of prices. If you study the prices of England you will find that there is a steady improvement from year to year in the wholesale price levels and this they have achieved mainly because they have adopted the alternate source of stabilisation of currency, in which the aim is more to regulate



the prices than to maintain any rigid relationship between currency and the gold or foreign currencies. We also want the same, nothing more nothing less; our Index number of prices should go as high as they are in England. Even at the same basis—I mean 1929 or 1913, whatever year you like to have as your basic year—our prices too should rise up to the same amount as they have gone up in England. We will be told that it is difficult of achievement. England has the exchange equalisation fund to fall back upon, but, Sir, it is forgotten that just as England has a very strong position it is more vulnerable too. It deals in international currency affairs. All the settlements are made mostly in sterling. Therefore, on account of its great position, it is always open to attacks from other countries, whereas in India we are in a sheltered position. No one asks us, we are too small fry to be bothered about by anybody else. The only people with whom we have to deal are our own people. I think the Finance Department is strong enough to counteract any attacks, bear or bull, that might be made by the operators in Bombay and Calcutta. If need be, we would not be wrong if we devalue our gold stocks instead of having academic prices of gold stocks. If you value them at present rates you will have Rs. 30 crores to play with. Then, Sir, one thing which has not been realised by the British people is that the policy at present adopted by the British Government is a wrong policy about restriction in trade. I was studying the figures of the trade of Great Britain with India before the slump and I find that continuously, Sir, England was exporting to India much more than she was importing. I think the proportion was about 10 to 6. The imports from England were much larger than the exports to England. And this was being paid for, because we were able to sell our goods to other countries and thereby get a substantial balance of trade. The balance of trade of India with countries other than Britain was more than Rs. 100 crores on the average during eight years before the slump. That was covered by an excess payment to England for the imports and our disbursement in sterling as well as the price of gold paid by us and then there used to remain over something as balance of account. All this was paid, Sir, because other countries were prepared to buy more Indian goods than England was prepared to buy, England did not suffer. Why did we have a good market in other countries? Because we had no restrictions in our country. Strangely enough as soon as restrictions were imposed against foreign countries, the result was that England was the first to suffer by it as we were unable to buy more goods from England because we had no money to pay for them. So in the long run it is better that everybody should participate, England is suffering by trying to monopolise India for itself.

Now, Sir, the second way of increasing the price level is what I may call utilisation of man power. In India, Sir, the most important question is of finding employment. I do not wish to discuss in this, Sir, either the question of educated unemployment or even the question of the totally unemployed industrialist, because though they are of importance the question of unemployment which I want to discuss, Sir, is the partial employment of the agriculturist. Agriculture by the nature of things is a seasonal affair. At times you have too great pressure of work. We find that we have not enough man power to cope with all the work in the countryside. At others we have a redundant surplus which we do not know what to do with. They migrate to coalfields and other places to find some work and

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yet they do not get sufficient work in India because the employment offered in the industries is very small. In India, Sir, the question of the employment of leisure hours, of what I should call the unemployed hours of the agriculturist, is of primary importance. Until they acquire some means of getting money for their spare hours you will have no prosperity in India. The cottage industries need to be developed. I do not deny that Government has been doing something but the method adopted of giving expert advice and other subsidiary aids are not enough to do anything. We have found, Sir, that this sort of things did not result in establishing industries in India and the one thing which has established industries in India was protection. And therefore it is only protection to the cottage industries from mechanised industries that can set them up again. Now, consider for a minute some small points which are not of great importance but which will help to illustrate the matter. The people in the countryside, Sir, had three subsidiary occupations. They used to husk paddy, press oil and mill flour. Now, all these industries have been monopolised by capitalists. In every mofussil town you find there are one or two rice mills, there are one or two oil-pressing mills and there are any number of flour mills. Now all these things, Sir, do cause trouble to the masses. And it is a factor which has not been realised that the proportion of the income spent on the consumption of goods of the kind in which we specialise the agricultural goods, varies in inverse ratio to the income. Now, a man having an income of Rs. 10 spends Rs. 6, or 60 per cent. of his income on the purchase of agricultural goods. Whereas a man having an income of Rs. 1,000 a month spends barely Rs. 120, which is 12 per cent. of his income. As the income rises, the disbursement of the rich on the production of the poor country people is smaller in India than it is in industrial countries. In industrial countries you have this difference that the country purchases both kinds of things. The wage-earner buys agricultural as well as industrial things. Therefore the disbursement of the rich and the poor on the national produce is more evenly distributed than it is in India. The question in India is not so much of having a few people with Rs. 1,000 per month as of having hundreds of thousands of people with few rupees income increased, and this cannot be tackled in this country until you find ways and means of giving employment for the leisure hours to the agriculturists in the villages. I am not going to be rigid about it. I would trust in the Government if they want to do things. But I am afraid the present policy of the Government is that they allow things to drift. They have a horror of planning. And this, Sir, seems to me strange at the present moment when the old conservative England is planning everywhere. Right and left we have planning in England though not under the name of planning. We have the Distressed Areas Bill. What is that? A measure of help to the industries of the country. We had, Sir, the Manchester Reorganisation scheme. We had, Sir, the Electric Grid system. We have, Sir, the Agricultural Marketing system. There are any number of things, mostly on the lines of America but adapted to the British temperament. The one great point about the British temperament is that it does more things voluntarily than would be possible even under compulsion to do in other countries. We have a great deal of planning in England but mostly on a voluntary basis, because the temperament of the people is such that they can by convention do miracles. Whereas in India you want rigid methods. Even that would need some strength of hand to carry out. Therefore, Sir, what I wish to

ask the Government is to have the good of the people behind their fiscal policy and their currency policy. It is not, Sir, that I deny that Government have done anything. I say, Sir, that they have not gone far enough and they need not be afraid that their efforts to organise and stimulate industries or productions or trade will meet with opposition from the Indians. There may be opposition from vested interests but the rest of India will support them.

Sir, with these words, I commend my Resolution to the acceptance of the House.

THE HONOURABLE DIWAN BAHADUR SIR RAMUNNI MENON (Madras : Nominated Non-Official): Sir, the Honourable Mover tried in the early part of his speech to explain what indeed must have been obvious to most people that the justification for bringing forward a Resolution of this kind at the present juncture was to be sought in the deterioration in the economic condition of the masses brought about by the recent fall in prices. It is perfectly true that the fall in prices has produced widespread distress in this country, and it has hit the agriculturists with special severity. The ryot's income has fallen, but his expenditure has not gone down proportionately, while the burden of his debt and land revenue obligations has become heavier, with the result that his purchasing power has been reduced very considerably. Any measure which is calculated to increase the purchasing power of the agriculturist in this country on which the economic prosperity of the whole of India so largely depends is entitled to very careful consideration. But I think no presentation of the case for the adoption of remedial measures can be regarded as adequate or just which does not in fair measure recognise the activities of the Government which have in recent years been directed to this end. I am sorry to say that the Resolution, as worded, produces the impression that the Government have been remiss in this matter, and though the Honourable Mover towards the end of his speech tried to give some credit to the Government, he seemed to think that the Government were not sufficiently keen in their efforts. I do not propose to take up the side of the Government. There are people on the Government Benches who are quite competent to deal with that aspect of the question. I shall content myself with barely mentioning certain subjects, such as the suspension or remission of land revenue, debt conciliation, the provision of rural credit through co-operative societies and land mortgage banks, improved marketing, encouragement of cottage industries, to which it is well known the attention and efforts of the Government have been directed in recent years. I shall now come to the suggestion which the Honourable Mover has made in the course of his speech as to how the purchasing power of the masses can be increased. But before doing so, I should like to make one or two general observations. What is the cause of the fall in prices which has taken place? It is well known that this phenomenon is not peculiar to this country. It is in fact a world wide phenomenon and therefore its causes must also be world-wide. These causes have been stated by economists to be of two kinds, monetary and non-monetary. I do not think we need bother ourselves about the monetary causes at the present time for the simple reason that most countries are off the gold standard now. The other causes, the non-monetary causes, are over-production and decrease in demand caused by the creation of obstacles to international trade. If these are the causes, it seems to me that no genuine remedy can be found which does not deal with them, that

[Diwan Bahadur Sir Ramunni Menon.]

is to say, the permanent recovery of prosperity in this country, as in any other country, can only be brought about by facilitating freedom of trade and by removing all the obstacles which have so far stood in the way of that freedom. That is a general observation which I thought I should make before dealing with the particular proposal of the Honourable Mover.

I have listened with very great attention to the Honourable Member's speech and I must confess that I found it was nothing more than a very elaborate argument for devaluing the rupee. The greater part of his speech was devoted to that subject. No doubt, towards the latter part of his speech, he did say something about the encouragement of cottage industries. That is a subject which, as I said, is already engaging the attention of the Government and has our whole-hearted support. With regard to the subject of the devaluation of the rupee, I confess I am not qualified to speak on it and it is with very great trepidation that I approach it. This subject has engaged the attention of economists quite recently, and it has also formed the subject of comments and leading articles in important newspapers. It is an extremely complicated subject and I feel it is a subject which can only be dealt with adequately by economists. But there are certain aspects of it which can be appreciated by laymen, and it is to one or two of these aspects which I as a layman would request the attention of the House. Evidently, the Honourable Mover thinks that devaluation will certainly raise prices. But from all the discussions that I have been able to study on the subject, I gather that the effect of any devaluation can only be temporary. It cannot have any permanent or lasting effect. Another point, which I would like to raise is whether there is any need for devaluing the rupee at all at present. It is argued that the rupee is over-valued. That argument may have been valid at one time. I believe the present ratio was fixed in 1927, and it is probable that the rupee was over valued at that time. But we have gone on for ten years now, and it is extremely unlikely that world prices and internal prices have not now adjusted themselves to the present rupee ratio. Whatever might have been said in favour of devaluation at that time, there can be no case for devaluation from this point of view now. That is to say, the rupee ratio must now be regarded as something to which prices have adjusted themselves.

There are certain other aspects which I should like to place before the Council. One of the most outstanding features of India's relations with outside countries is that India is a debtor country. It has to pay, I do not know what the exact amount is, approximately about 50 crores worth of rupees to England in sterling. Now, if the value of the rupee is going to be lowered it is quite obvious that we shall have to pay very much more than 50 crores every year. Where is this additional sum, which will probably be about Rs. 6 crores, to come from? It can come only by additional taxation. [*The Honourable Mr. Hossain Imam: "Customs."*] Customs is a kind of tax. Again, I do not see how raising prices by devaluing the rupee is going to benefit the agriculturist. While it is probable that he may get a little more by selling his produce, he will certainly have to spend more on buying the things he needs, and it is far more probable that the benefits of any rise in prices will not reach him at all, as they will be intercepted by the middleman.

On the whole I believe I am right in saying that the general opinion among economists is that rupee devaluation at present will not help the agriculturist materially. That is the only or chief measure which the Honourable Mover has put forward for increasing the purchasing power of the masses and I am sorry to say that in my opinion it is not a measure which will bring about the desired end. As I said in the beginning of my remarks, real improvement will come only when by the recovery of international trade and by increasing demand in this country we are able to secure better prices for our foodstuffs and raw products. While, therefore, I have every sympathy with the general object of his Resolution, I regret I am not able to support the actual measure which he has proposed to secure it.

THE HONOURABLE LAI BAHADUR SRI NARAIN MAHTHA (Bihar: Non-Muhammadan): Sir, the last speaker cast some doubts about the purpose and the scope of the Resolution. I want to clear those doubts. I have no hesitation in saying that the Resolution is rather wide. But it is in no way confusing. To my mind the purpose of the Resolution is to rouse Government to a better realisation of their grave responsibilities and obligations to the vast population of the people who are under their sway. It gives them also an opportunity of stock-taking and of finding out their shortcomings and trying to remedy them in future. For mass uplift of any kind I am a believer in proper education being the panacea for all evils. A people properly educated are a people conscious of their requirements, a people constantly in unrest in order to remedy their needs. Illiteracy in India is appalling. Do Government feel that they have done all they could to fight the demon of illiteracy? I shall only say that a sincere introspection will reveal to them that they have not done all they could and that their methods are much too expensive and unadapted to this country.

I will divide the speech of the Honourable Mover into two parts, the first being what he said about the rupee being overvalued and the second being his suggestions for ameliorating the condition of the villager. I shall principally confine myself to the second, which I call the popular half of his speech. India principally lives in villages. The social structure of the Indian village is very different from that of the English countryside. In fact the social background of Indian society is so materially different from that of the West that we cannot usefully aim at an economic transformation of rural India on western lines. Our aim should be the economic development of India on the most natural lines. Sir, the economic unit in India is not the individual, it is the joint family. This joint family lives, breathes, and has its being within several circumscribed rings, the caste, the village, and the community. Here families follow their traditional vocations which are handed down from father to son. Therefore, my submission is that without shutting out the adoption of improved methods of agriculture and craftsmanship our aim should be to make the village a self-supporting unit. Our aim should be to enable the village smith to make the ploughshares needed for the village agriculturist, the potter to supply the pots, the village weaver to supply the cloth, and the oilman the oil. But, Sir, I would like to draw the attention of the Members of this Honourable House to what is happening today. Most village industries are dying out, or at best only

[Rai Bahadur Sri Narain Mahtha.]

a few are having a very slow and chequered existence or revival. Manchester, and, I may add, Ahmedabad, send their cloths to the village, New York and Burma threaten the oilman; brass and copper which had been used for vessels are threatened by cheap enamel iron ware from Europe. These not only create temporary embarrassment to village industries but tend to kill them permanently by transforming *pari passu* the taste of the consumer. The purpose of the Resolution is to make the Government alive to these difficulties and to move them to help village industries, to help the credit of the villager, to find out markets for his products, to give him more useful education and to bring that education within his easy reach. I would like just to supplement what the Honourable Mover of the Resolution said by mentioning here some industries which could be given foremost attention as they are suited to our village conditions and the genius of our people. I would mention, lac culture and manufacture, apiculture, *i.e.*, collection of honey and extraction of wax; bamboo work and basket making; rice and wheat manufacture; oil pressing industry; handloom weaving; the silk industry; tussore and endi rearing and weaving; leather industry; bangle making and metal work. It is not possible for me at this stage to take up, within the time allotted, these industries one by one and to show what Government can do in these respects. I will only content myself by saying that more and more efforts should be made on co-operative lines to help these industries, that Government should provide peripatetic instructors who can go from village to village, open temporary classes, give instruction and then move on to another village. I would emphasise, Sir, that at present there is too much burden on the land. This burden must be relieved. People must be led and helped to increase their resources by taking to auxiliary occupations which can be linked with agriculture so as to make agriculture more paying. Sir, I will not go into the question in detail about overvaluing the rupee which has, to my mind, been very fully dealt with by the Mover. The Mover has shown how much the position of India in the world trade market has suffered recently. I hope, Sir, that when the Mover rises up next he will assure Government that it is not the intention of his Resolution to censor them, but only to emphasise what is their obvious duty. The Resolution propounds only a basic principle with which the Government of India cannot claim to be at variance.

THE HONOURABLE MR. P. N. SAPRU (United Provinces Southern : Non-Muhammadan): Sir, Sir Ramunni Menon has said that his sympathies are with the Resolution of the Honourable Mr. Hossain Imam, but that he is not convinced that the method which Mr. Hossain Imam has suggested is the right method of tackling the problem of purchasing power in this country. Sir Ramunni Menon's difficulty is that his sympathies are generally with us, but his vote is with the other side and anticipating that there would be opposition to the point of view of the Honourable Mr. Hossain Imam, he has taken the line which he has. Now, Sir, I am not like Mr. Hossain Imam a financier and therefore I cannot go very closely into the very delicate and difficult questions of Indian currency. But there is no doubt that the question of the purchasing power has an intimate connection with the question of unemployment. Indeed one of the members of a Committee which was appointed in our province to go into this question—

I mean Sir Tracey Gavin-Jones—took the line that the question of educated unemployment was essentially a question of raising the purchasing power of the masses. The Honourable Mr. Hossain Imam has suggested certain ways in which the purchasing power of the masses can be raised. Now, Sir, the Indian view has been—and he has stressed the Indian view—that the rupee is overvalued, it is overvalued in relation to the sterling area, including the Dominions; it is overvalued in relation to our chief competitors, England, Japan and the United States; and our view has been that it has been overvalued since 1924. Now, it is true that there has been a rise in prices in recent months. But the general view among Indian economists at all events is that this rise in prices is due to the war scare and increased armament activity in European countries. Now, Sir, the Honourable Sir James Grigg in this House the other day took the line that the rupee was not overvalued and he seemed to suggest that the monetary position was getting steadier and clearer. If the monetary position is steadier and if the monetary position is clearer, then why not have the enquiry which is contemplated by the preamble of the Reserve Bank Act? I have not got the Reserve Bank Act before me, but I have a sort of recollection that in the preamble the present ratio is regarded as a temporary ratio and that the idea contemplated in the preamble is that the position will be resurveyed when the financial and monetary position becomes clearer. If you think that the monetary position is getting clearer, then why shirk an independent enquiry, why shirk an enquiry by economists of reputation, integrity and independence of thought? The Honourable Sir Ramunni Menon said that the general view among Indian economists was that the Government's view in regard to the rupee was correct. Well, Sir, I do not know who the economists are who hold this view, but I thought that the general view among Indian economists at all events was that the Government view in regard to this ratio question was not right. I have been reading certain papers which have been written on this question of Indian monetary policy by a very able professor in our University, Mr. Adarkar, who had a very distinguished career at Cambridge, and I think that there was a discussion on this question at the Economic Conference at Agra, and, generally speaking, Indian economists were of the opinion that the monetary policy of the Government of India was not in the interests of the country, that the monetary policy at all events could be better than it is today.

THE HONOURABLE DIWAN BAHADUR SIR RAMUNNI MENON: I do not think that the Conference came to any conclusion on the matter, but I gathered that the general opinion was in favour of the existing ratio. I may have misunderstood the position.

THE HONOURABLE MR. P. N. SAPRU: I had a talk with certain economists who attended that Conference and I rather gathered the impression from that that the general view was that the monetary situation should be reviewed and that the rupee should be either delinked from sterling or the ratio changed to 1s. 4d. I am just giving you, Sir, what an economist of some standing and reputation who attended that Conference told me. I was not present at that Conference myself and I think Sir Ramunni is right in saying that no actual resolution was passed. There is no doubt that one way in which prices can be stimulated is by changing the ratio. The Honourable Sir Ramunni Menon himself admitted that temporary

[Mr. P. N. Sapru.]

stimulus to prices could be given by a change in the ratio. The line that we take is that even this temporary stimulus is worth having, that this temporary stimulus might have eventually the effect of giving a permanent stimulus. Then, Sir, another method which is suggested by Sir Tracey Gavin-Jones in the note which he appended to the Report of the Unemployment Committee is that there should be currency expansion. Well, Sir, I hesitate to speak on that question but he has dealt with that question very exhaustively. Currency expansion has its dangers but it has been adopted by other countries and also by us in India.

The third method by which we might be able to increase the purchasing power of the people is reduction of home charges. I think, Sir, if our home-charges could be reduced more money would remain in the country. It may be the old mercantilist view but it is a view which appeals to common-sense. This money would be available for development. The question of home charges is connected with our financial obligations and the question of Indianisation of the services and the army. It is a vast question and I do not want to go into it but I am just indicating that one method by which the purchasing power of the people could be raised is the reduction of home charges.

Then, Sir, another way in which the purchasing power can be raised is by organising production on a vast scale. We hold, Sir, the view that the State, in a country constituted as India is, should take a more active part in industrial development. We are not afraid, Sir, of State intervention and we think there ought to be more definite planning in regard both to industrial and agricultural activities than is the case at present. Sir, I think about four or five years ago the Government of India sent for Sir Arthur Salter. He came out to this country and submitted an excellent report in which he recommended the formation of an Economic Advisory Council. Now, Sir, I do not know what has happened to that Report. It has been published, but no action has been taken on the lines suggested by Sir Arthur Salter. We are going to have an Economic Adviser but, Sir, so far as the Economic Advisory Council is concerned, the idea of the Council seems to have been dropped by the Government. Sir, I am a very staunch believer in an Economic Advisory Council. An Economic Advisory Council would stimulate economic thought in the country, would act as a centre for the formulation of right views on economic questions. Well, Sir, the question of increased purchasing power is vital for us. 80 per cent. of our people are agriculturists. It affects them. We desire the pressure on the land to be reduced. We know, Sir, that industrialisation is not going to prove a panacea for unemployment. We have unemployment even in highly industrialised countries. If our country becomes highly industrialised we shall have the problem of over-production, the problem which is troubling capitalist Europe today. We know all that, Sir. But what is the alternative to industrialisation? At all events increased industrialisation would make our present lot better. It would reduce the pressure on the land. It would provide more opportunities for our growing population and therefore, Sir, there is need for a more liberal fiscal policy. There is need for a more determined policy of industrialisation.

With these words, Sir, I give my support to the Resolution of the Honourable Mr. Hossain Imam.



THE HONOURABLE MR. J. C. NIXON (Finance Secretary): Sir, you cannot always discover what is in a book from its title. You cannot always discover what my Honourable friend Mr. Hossain Imam is going to say by the wording of his Resolution. He has given us very rich fare today which is not easy to digest at one sitting. In order to pass over all of the ground that he has covered I should require beside me the whole of the Viceroy's Executive Council and besides that a panel of Economics professors. I myself this morning can only browse over the rich pasture but would say in passing that I think he must realise that some of his ideas have been a little distorted by some of his own friends.

I would prefix what I want to say, Sir, by one or two general observations. It has been recognised by associations of the lower classes all over the world that it is no solution of their difficulties to place in their hands larger sums of money than they formerly had if accompanied with that circumstance is a general rise of prices as the result of which they may relatively at the end be worse off than when they started. And inasmuch as prices are liable to rise higher and faster than wages, the lot of the ordinary labourer in the towns is often likely to be worse rather than better. Also inasmuch as industrial prices, prices of manufactured articles, are liable to rise higher and faster than prices of agricultural products, a general rise of prices does not necessarily benefit the cultivator. That, I think is particularly the case in a country like India where the cultivator, owing to his ignorance, is robbed of many of the benefits which ought to accrue to him.

The second general observation which I should like to make is this,—that any interference in the economic machine creates its own repercussions, and owing to the complicatedness of the machinery, repercussions of which only a few can be predicted. The whole thing is an endless chain and we do not really know which is cause and which is effect. But it is dangerous to meddle with any one link in this chain without very clearly foreseeing what are going to be the more immediate consequences. You cannot in fact slow down only one wheel of a clock.

The third general observation that I want to make is that leaving aside the matter of debtors and creditors, the trouble at present in India and in the world generally is not so much the fall of prices as the relatively greater fall of prices in the case of primary products than in the case of secondary products. India does not require a general rise of prices but requires a rise in the value of the primary products of the land.

Then I would add a fourth general observation which is called to my mind by something the Honourable Mover said when he remarked that salaried people and people whom he called rentiers were not concerned one way or another with the prosperity of what he called the producing classes. I wonder if he was a person on a fixed rate of pay in the years towards the end of war, when there was a terrific increase in prices, and whether he would have then said that he was unaffected by the prosperity of the producing classes. Even in the last two or three years—let us leave out the last year, but in the two or three years preceding that—people on fixed salaries or who were living on fixed incomes from securities, owing—if we may put it so—to the plight of the producing classes, found themselves very much better off than before.

But the fact is, my Honourable friend has put his Resolution in the very general form that he has today for the purpose of discussing that all

[Mr. J. C. Nixon.]

engrossing topic, the ratio. The remarks which I propose to make about the ratio will be few. It is a little difficult to follow ratio arguments even by people who are trained in studying theories of exchange. But as far as I can gather, his argument is this. He says that if the rupee were devalued, internal prices in India would, at any rate for the moment, go up. But he also says that besides that effect—but he was not so clear—exports from India would increase. Economists would agree with me that in some sort of sense these two effects are opposed to one another. If internal prices rise proportionately to the fall in exchange, there is no reason to suppose that Indian exports would increase. He went on to a further consequence of devaluation, in order to combat in advance the obvious criticism which my Honourable friend Sir Ramunni Menon made, namely, the increase in our sterling charges, by saying that although the quantity of goods imported into India might diminish by reason of the devalued rupee, their rupee value would go up. He must assume that it would go up so much as to produce not only the same revenue as at present but that revenue plus Rs. 4 or Rs. 5 crores which might be needed to meet our extra remittance charges.

My Honourable friend, with no intention to deceive the House, has been looking on this subject of the rupee ratio on what economists describe as the short-term basis, and on the short-term basis each of those consequences would to some extent—not to the full extent—follow. But no country in the world is really concerned with the short-term results of a policy of this sort. They are much more concerned with what is going to be the eventual position in regard to the situation, and I would mention to the House the example of America and England. England, in competition with America in 1930-31, devalued her currency. There was a competition, let us put it, for currency benefits between Britain and America. Where do they stand relative to one another now? They stand relative to one another now exactly where they started except that during the process the cost of living in both the countries has, unfortunately for some people, gone up.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: What about France?

THE HONOURABLE MR. J. C. NIXON: I have got friends who live in France and if my Honourable friend thinks that the cost of living has not gone up in France, I should like to put him into touch with some of them.

THE HONOURABLE PANDIT HIRDAY NATH KUNZRU: Why did France devalue her currency?

THE HONOURABLE MR. J. C. NIXON: Exchange manipulation, Sir, is a game that other countries can play at. In the last negotiations with Japan, as with the former one, it was necessary for India to reserve to itself the right to take special steps if anything untoward happened to the Yen exchange. I have no doubt that the Japanese themselves also feel at liberty to take any retaliatory measures *vis-a-vis* India if India were to start—better not to use the old word!—playing with its exchange.

There are three general conclusions to which I come in considering this subject of exchange. It is well known to economic thinkers and even to

genuine industrialists but of course kept in the background by speculators and by the capitalist classes, that devaluation is a veiled manner of imposing an extra burden on the consumer. The second general deduction which I draw from a study of the exchange situation is this. By no manipulation of exchange can you in the long run affect how much of an import exchanges for a certain quantity of an export. If at the present rate of exchange X pounds of raw cotton exchange for Y pounds, or whatever be the unit, of some import, let us say betel nuts, these relationships will stand whether exchange is at 2*d.* or at 2*s.* The third axiom that I would like to put before the House is an adaptation of a remark by Mr. Bernard Shaw and it is to the effect that we can never make India prosperous by merely calling an eight-anna piece a rupee.

Passing on, Sir, as my Honourable friend did, to the kindred subject of currency, his argument seemed to be somewhat as follows. Government have deflated their currency. They have withdrawn some of their currency from the market, in the process reducing the internal price level, merely for the purpose of keeping the rupee at 1*s.* 6*d.* As a consequence of that process they have had to incur sterling borrowings. I think I have got his argument correct. One consequence of sterling borrowing, he says, is an increase in debt charges, and he thinks that India, by that means is incurring extra expenditure. But he fails to take into account the corresponding amount that we save by a reduction in our rupee borrowings. His suggestion is—which, if I may say so, he did not explain to the House quite clearly—that Government should modify the price level of commodities by manipulating the amount of internal currency in circulation—by the process of inflation. I suggest that the process of inflation or the process of deflation is one which one cannot without disaster carry to any extreme lengths. The limits within which a Government or a Central Bank are at liberty without undue risk to add to the amount of currency or reduce it are restricted by circumstances. And if there is one thing that the present slump has demonstrated in regard to banking practice more than another, it is that although a Government or a Central Bank may make extra currency available to the market, it is not able to make the market absorb the extra currency and therefore it is not able to ensure a corresponding rise of prices. The object of a Central Bank is so to adjust the amount of currency in the market that a slight reduction or a slight addition to that currency will very quickly affect the credit situation. As my Honourable friend himself observed, the first effect of inflating the currency is a gamble on the Bombay Stock Exchange.

He himself remarked that the Government over a certain period had reduced the amount of currency in circulation by, I think he said, Rs. 50 crores; but the more pertinent fact of which I suggest this House should take notice is that during the past five years the currency in India has been expanded by Rs. 80 crores.

**THE HONOURABLE MR. HOSSAIN IMAM:** Total currency or the note circulation?

**THE HONOURABLE MR. J. C. NIXON:** The note currency has been expanded by Rs. 80 crores. The total currency must have expanded by immensely more than that.

THE HONOURABLE MR. HOSSAIN IMAM: Total currency including rupees as well?

THE HONOURABLE MR. J. C. NIXON: Yes. In fact so far as I know there is no reason to suppose that the currency needs of India have not at all times been fully met. Fortunately the matter is now for the Reserve Bank and not one for the immediate attention of Government. In any event, I suggest that in view of the present rates at which Banks are willing to lend money it is a little difficult to credit the suggestion that there is a dearth of currency about. I would admit that these benefits do not leak down to the village. But I suggest that this is not a currency matter at all, but a question of banking facilities, perhaps of banking integrity and certainly of banking habits.

My Honourable friend then dealt with the subject of cottage industries, in doing which he played me, if I may say so, a dirty trick, because he has a Resolution down on the subject which I was depending on my Honourable friend Mr. Clow to answer. But assuming that he will still move that Resolution, I shall not attempt to deal with it here at any great length. The theory, with which my Honourable friend Mr. Sapru apparently agreed, was somewhat like this: that the industrialism of India will not lead to Arcadia but that the rural population needs to be more productive. And I gather, at any rate from the wording of the subsequent Resolution in the name of the Honourable Mr. Hossain Imam, that he considers that the proper manner of dealing with this situation is to put some control on the larger industries for the benefit of cottage industries. I gather that my Honourable friend Mr. Sapru did not altogether approve of that theory. But in any case, if these are the views of the Honourable Mr. Hossain Imam, I hope he will press them on those other representatives of India who, whatever may be their motives, lose no opportunity of castigating Government when they do not intensify the process of protecting large scale manufacture. Certainly, as other countries have exemplified, large scale manufacture is not necessarily a cure for poverty. It is probably true that over a large part of India there is scope for more productive use of the agriculturists' time. There is some truth in the statement that the small agriculturist is worse off and not better off owing to the existence of large scale industry; and certainly if large scale industry is maintained by artificial methods I am inclined to think that he is. On the other hand, personally I am doubtful whether the economy of the nation in the long run is to be improved by deliberately selecting a less efficient method of production in the place of a more efficient method.

Then some of my friends got on to their old subject of planning—that wonderful word! Russia has planned as we all know. Those plans are directed to large scale production. That is the sort of planning with which of course my Honourable friend Mr. Hossain Imam would not agree. Grandiose planning of any sort is at present the pastime of quite a number of cranks. Practical planning, looking ahead as far as one can reasonably see, is the sort of thing any one who has to frame a yearly budget has to do, and it is exactly when the Finance Department start to do that sort of planning that it apparently comes in for most criticism. When the Finance Department decide to look ahead and not to penalise the future

generations in the matter of re-constructing Quetta, the matter calls for criticism. When the Finance Department decide to put aside a revenue equalisation fund and not distribute surpluses in the form of a reduction of taxation, criticism. When the Government of India protests against exasperating the consumer beyond endurance, a hornet's nest. When the Government of India suggest measures to check cut-throat competition in the sugar industry, most of my Honourable friends opposite ask Government to stop this sort of planning. All the Governments in India are planning, Provincial Governments as well as the Central Government. It needed a considerable amount of planning to work out the Lloyd Barrage in Sind, which has taken 10 years to construct. Tube wells all over the eastern United Provinces required, I think the House will believe, very extensive planning. The civil aviation capital programme on which we have embarked is a matter which needs to be worked out ahead in very great detail. In fact, individual bits of planning are the *raison d'être* of most of the Departments of the Government of India. I suggest however that planning on any considerable and sudden scale can really only be done by a form of government following the Dictatorship model. Any considerable planning, such as that undertaken in Russia, or, shall I say, at the moment in America, is really incompatible with democratic government. And even when planning is pursued, it can only be done by demanding a very considerable sacrifice on the part of certain sections of the population; and I observe planning of the type which has been followed in recent years in Russia demands those sacrifices from the peasant classes.

As regards the desirability of increasing the purchasing power of the millions of India there is no difference of opinion between this side of the House and the other. But I for one believe that if a solution were so simple as the Honourable Member believes it is, Governments in the world would not be so perverse as to set themselves against introducing some of these measures in order to achieve prosperity for their peoples. I myself believe that there is no short-cut to prosperity. A country cannot be made prosperous either by currency, exchange or credit tricks.

As my Honourable friend Sir Ramunni Menon stated the problem is not an Indian one at all, it is a world one. The Honourable Mr. Sapru said that Sir Ramunni Menon's sympathies were always with his side of the House and his vote with my side of the House. What he really meant was that Sir Ramunni's sympathies were with the Honourable Mr. Sapru's side of the House but that his intelligence was with my side of the House. I should be wrong to pretend that the Government of India believe they have in their own hands any large or theatrical manner of immediately increasing the purchasing power of India. The purchasing power of India has increased beyond measure in the last hundred years. It has increased phenomenally since the year 1900. I hold that the Government of India have been taking and will continue to take all the practical steps possible to increase the purchasing power of Indians. If the Resolution were merely intended to remind the Governor General in Council that he should not relax his efforts in this direction, I could have accepted it, but inasmuch as it implies criticisms of the past—as my Honourable friend, Sir Ramunni Menon immediately observed—and, if I may say so, extremely doubtful expedients for the future, I am afraid I must oppose it.

\*THE HONOURABLE MR. KUMARSANKAR RAY CHAUDHURY (East Bengal: Non-Muhammadan): Sir, I am not an economist and am therefore not in a position to offer any comment on the currency policy of Government, but all that I know as a layman is that currency is but a token of exchange of the wealth that the country produces. No one can doubt that India is a rich country in agricultural and industrial resources and in man power, but our grievance is that wealth thus arising is not being properly utilised and distributed among all classes on an equitable basis and is being drained out of the country in the condition of pure raw materials and what is called invisible export, and nothing but a change of policy of industrialisation, whether it be urban and more preferably rural, and an equitable distribution of the wealth it produces is necessary. Other countries are adopting similar methods and trying to be self-supporting as much as possible, and I think India being a vast country, rich in many kinds of resources, has greater chance of success in this line. The Honourable the Government Member is quite naturally afraid of interfering with the monetary system as it upsets many calculations, and gave us a long dissertation on what would happen, but all Governments are trying to tackle the problem and we must sooner or later have to do the same. The needs of India have so long been neglected that they should not be neglected any more and it is necessary that her economic policy should be seriously considered in such a way as to take the Indian public into their confidence so as to be assured of their support, for they have reasons to suspect that it is being so long conducted in the interest of Great Britain. The Honourable the Finance Secretary quoted various objections raised by the public against various constructive planning adopted by them; that is quite natural and all criticism should be welcomed, specially so long as the people are not taken into confidence. When that is done and they feel that the Government is theirs and carried on in their interest, they will readily make sacrifices that may be necessary.

THE HONOURABLE MR. HOSSAIN IMAM: Mr. Chairman, the reply of the Honourable Mr. Nixon was so much of a general character that I did not till the end realise whether the Government favoured my case or opposed it. He adumbrated to us certain very good principles, but when it came to translating them into action, I found he was rather trying to avoid the application. I would like to begin with the remarks of our Honourable colleague Sir Ramunni Menon. First of all, he went into the question whether devaluation was the real thing for India or not. As for conjectures and mere expression of opinions are concerned, I am not going to touch them, but when we come down to facts then I am ready to join issue with him. He did not produce any evidence. His presumption was that the rise in price would be temporary. But against that we have definite proofs, as I gave in the beginning, of the continuous rise in prices in England, in the United States of America, in Japan, to show that the rise was permanent and one for which all these countries were prepared to work. I do not think even Sir Ramunni Menon would attribute so much wisdom to the Government of India as to say that the rest of the world does not know this game and every one is a fool excepting the Government of India. America, a country which is famous for its wideawake and get-rich-quick methods, even they have gone in for devaluation. The latest recruit to

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\*Speech not corrected by the Honourable Member.

the cause of devaluation is France, which held out and carried on a policy of stable currency as long as it was humanly possible for them to carry on.

**THE HONOURABLE MR. J. C. NIXON:** France was one of the first, not one of the last.

**THE HONOURABLE MR. HOSSAIN IMAM:** France was one of the first in the beginning, when they devalued to one-fifth of their former value. But then when they stuck to the gold at one-fifth of the pre-war value, it was 25 francs to the £, and they stabilised it at 125. Well, even that was not good enough. In the end they were not able to maintain this, and within the last few months they had devalued again by nearly 40 per cent. That shows which way the wind is blowing in the independent countries and how the wind blows here. Even our mentality is dulled and we do not realise what is good for us. Then, Sir, he described the cause of the slump—that increased production and impediments of the Governments of the world in international trade is the cause of depression. Now, Sir, as far as increased production is concerned, according to the economic theory that cost of production equals the consumer's income there ought not to have been any difficulty. If you produce more and the wants of the world are unsatiated, you create purchasing power for the consumer, but that does not happen. Sir Ramunni Menon is perfectly right that to some extent this was brought about by increased production. But the reason is not the mere fact of increased production, the real reason is the increase in the share which goes to capital, than the share which goes to labour. Efficiency and false economy is made a bogey to increase the capital expenses of industries and wage bills are reduced. All the trouble in the capitalist

**I P. M.** economy is due to the fact that the share of the workers is being reduced per capita of the product. At the present moment, Sir, we have two systems of economics working in the world. You have on the one side the Soviet system where there is no capital and on the other hand you have the capitalist system. Now, the main cause which will bring down this capitalist system is its avidity to devour as much of the cost of production as it possibly can. I venture to say that the most economic and efficient production is only that which gives a greater proportion to the worker and not that which gives less, it does not matter what the cost comes to. The business of the Government is to make a better distribution of the wealth of the nation and it is not the business of the Government to help wealth to become bigger and bigger in some hands and allow the other side to get poorer and poorer. This is what happened in France before the revolution and this is what is happening in the whole world, I am not blaming the Government of India as the only culprit. The present capitalist economy is serving its allotted span and all the nations of the world are paying homage to it.

Sir, then the other argument of Sir Ramunni Menon was, that we have been too long on this system and it is too late in the day to amend it. I had heard, Sir, that it was never too late to mend but we have now been told that even mending is barred by limitation and that the period is 10 years. Well, Sir, as I said in the beginning, France is a new recruit to devaluation. After its first devaluation it has again brought down the value of the franc by nearly 40 per cent.

Then his third argument was—and this was repeated by the Honourable Mr. Nixon—that on account of devaluation we should be called upon to

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impose more taxation to meet the additional expenses. I had tried to anticipate part of this by stating that our customs income will rise. Well, Sir, the Honourable Mr. Nixon tried to cloud this issue by bringing in the question as to how we will be able to maintain the present state of importation. There is no doubt about the fact, that if there is a devaluation the imports might be reduced to a certain degree but it is a well-known factor that the price rise and the exchange devaluation never correspond and there is a distinct lag between the two. If you study devaluation of the sterling from 1931 up to the present time you will find that in terms of gold, it has caused a fall in prices, and a rise in the sterling prices. It is possible, Sir, that with the fall of 20 per cent. in the exchange value you may have a rise in price of 10 or 12 per cent, but never of 20 per cent. And that is the point where an equilibrium is established between a falling exchange and rising prices. It is a very well-known thing, Sir, that prices and exchange falls do not go hand in hand. There is a great deal of difference left which is called the balancing of the two.

Now, Sir, my point is that the prices of Indian commodities, of the primary products as the Honourable Mr. Nixon puts it, is to a great extent fixed by the prices that the articles or similar articles command in the world market. As I illustrated in the case of cotton, Sir, the Honourable Mr. Nixon doubted how we could have both the opposite results, *i.e.*, a rise in prices and an increase in export. My reply is, I am now selling my cotton at 6d. per lb. at Manchester getting at 5 annas 2 pice per lb., leaving aside two pice for the cost of carriage and profit to the dealer. Then I will be able to sell cotton at 5½ annas and still be able to sell it in England at less than 6d. So we will have a greater market by our reduction of prices in the English market. At the same time we will have a rise in terms of internal currency. It is exactly what is happening in Japan. In spite of their buying raw material from India they are still able to sell cheap. With the two drawbacks of purchasing cotton at higher cost and paying high taxation to the Indian Government it is able to sell things at a cheaper price than other people are able to do in the Indian market. That shows, Sir, that instead of causing hardship there is some sense in this.

The Honourable Mr. Sapru made a very good suggestion, Sir, that the Government of India should submit the question of the exchange ratio to an independent body of experts. Sir, in the course of my study of economics I have come across a table which is very instructive and this table was given, Sir, by a very great authority on finance, an English authority on finance whom I think Sir James Grigg knows and respects. This gives, Sir, the Calcutta index number of prices and the United Kingdom (Statist) Index of prices and exchange ratio. This I think will carry conviction. This list was prepared by a very high authority in finance and it was not made in support of devaluation, let me tell you. Taking July 1914, as the basic year of the Calcutta index number and the United Kingdom number as 100, he traces the course of prices in India and the United Kingdom. In 1914 the exchange was 1s. 4 1/16d. We find, Sir, that in 1919, the Calcutta index number rose to 198 whereas the United Kingdom index number had gone up to 242—the exchange in that year was 1s. 8 15/16d. Now, Sir, there was a fall in 1922. Our prices were 18 points down to 180, whereas English prices



had tumbled down 88 points to 154, and at that time the average exchange rate was 1s. 3 19/32d. In 1924 we find, Sir, that while our prices fell from 180 to 177, the prices in England went up 10 points from 154 to 164—and at that time the exchange rate was 1s. 5½d. That shows, Sir, in a very convincing manner, that exchange does have an effect on the rise and fall of prices inside a country. The Honourable Mr. Sapru said that the question should be submitted to an independent enquiry. This has not been replied to, probably because the Honourable Sir James Grigg is convinced without reason that we should keep our hands off the exchange. I think his services are more required in other parts of the world than in India. France should have utilised his services instead of his being in India.

Last year the Honourable Sir James Grigg expressed horror in the other place at the very idea of expansion of currency. It was left to another Sir James, Sir James Taylor,—whom we welcome as Governor of Reserve Bank—to expand the currency enough during the last four months to satisfy Indian opinion. I gather that at the present moment even the Finance Department does not look at it with that terror which it had for it during last February and March. Even a talk of expansion was enough then to bring before the Finance Member's eyes the mental picture of the tumbling down of the Empire. The Honourable Mr. Nixon showed solicitude for the primary producers but did not give us anything definite as to how he proposed to do that. The way which I suggested is the one which is being adopted by all the countries of the world. It seems that monopoly of currency wisdom has descended only on the Finance Department of the Government of India, and all the rest of the world are fools. He quoted a very good sentence of Bernard Shaw "that it is no good calling half a rupee a rupee". I ask him whether he is right in calling a rupee as worth 18 annas? That goes against him. At the present moment he is calling a rupee as worth 18 annas. I am really surprised at the currency statistics which the Honourable Mr. Nixon quoted. I cannot find it in the books. He has said that currency has been expanded by more than Rs. 90 crores in the last five years. I am sorry to say that from the Report of the Controller of the Currency I only find that there was a contraction of Rs. 12·68 crores in 1932-33 to 1934-35 and during the two years that the Reserve Bank has been operating, our information is that up to the 30th November, 1936, they had maintained equilibrium and they had not expanded currency by anything. I treat the rupee and currency notes together. Rupees in circulation have gone back and been replaced by notes, without increasing currency absorption.

THE HONOURABLE THE CHAIRMAN (SIR PHIROZE SETHNA): Will you please bring your remarks to a close?

THE HONOURABLE MR. HOSSAIN IMAM: At the present moment, Sir, the reply of the Honourable Mr. Nixon was rather vague. In the long term he is prepared to accept my Resolution, because that is the policy which he has adopted, but if it is short term he is not prepared to accept it. Do I take it that this is his reply to my Resolution?

THE HONOURABLE MR. J. C. NIXON: No.

THE HONOURABLE MR. HOSSAIN IMAM. Then he is definitely against any measure to increase purchasing power. If that is the policy of the Government, then we have no alternative but to press the Resolution.

**THE HONOURABLE MR. J. C. NIXON:** I have very little to say, Sir. When my Honourable friend makes quotations of index prices, I think he must bear in mind what I said during my speech. I said that the real trouble with the world was the differing falls and differing rises in the prices of primary products and the prices of manufactured goods. Inasmuch as England is a manufacturing country and India is a country more particularly interested in primary products, that variation between price indices is natural and the sort of thing that one would expect.

I will supply the Honourable Member personally within a few days with the figures, year by year, leading to my assertion that the currency has been expanded over a period of about five years by Rs. 30 crores.

The real objection that I have—as I said before—to accepting the Honourable Member's Resolution is the implied criticism in it. I can show that that criticism exists by referring to the remarks of the Honourable Kumarānkar Ray Chaudhury who said that the needs of India had been neglected. Again, he said that we had dealt with the currency and credit situation in the interests of Great Britain. My Honourable friend Mr. Mahtha said that the object of the Resolution was to rouse Government, to the realisation of its shortcomings.

But, Sir, when my Honourable friend Mr. Hossain Imam comes out into the open and speaks like a Socialist, I find him accepting all my arguments. I would ask him who were the people recently in the gold block countries who objected or put up an opposition to devaluation. He will find, if he makes enquiries, that it was not the capitalists, and not the rich men, in France and such like countries who objected but it was the left wings of each of the Legislatures who opposed devaluation. I feel somehow, knowing some of the principles for which my Honourable friend stands, that it is a little disappointing to find him lending his authority to this exchange agitation, and I cannot help feeling in the heart of hearts of me that it is either due to some confusion of thought or some confusion of principles.

He asks me to reply explicitly to the suggestion of the Honourable Mr. Sapru as to why the exchange ratio should not be submitted to the investigation of some independent body. The House knows that it is a statutory obligation on the Reserve Bank to submit a report on this subject. Since there is a statutory obligation on some well qualified body to report in this matter, I have not any intention, and the Government has not any intention, of taking the matter out of their hands. I would remind the House that the Reserve Bank are asked to report on this matter—I have not got the exact words before me but this is the purport—when international financial circumstances are clear and stable." The two words "clear" and "stable" are certainly correct.—I personally am by no means surprised that the Reserve Bank has concluded that the international financial situation at the moment is anything but clear and stable.

**THE HONOURABLE THE CHAIRMAN (SIR PHIROZE SETHNA):** The Question is:

"That this Council recommends to the Governor General in Council to take practical steps in all possible directions to increase the purchasing power of Indians".

The Motion was negatived.

The Council then adjourned for Lunch till a Quarter to Three of the Clock.

The Council re-assembled after Lunch at a Quarter to Three of the Clock, the Honourable the Chairman (Sir Phiroze Sethna) in the Chair.

ARYA MARRIAGE VALIDATING BILL.

THE HONOURABLE MR. P. N. SAPRU (United Provinces Southern: Non-Muhammadan): Mr. Chairman, I move:

"That the Bill to recognise and remove doubts as to the validity of inter-marriages current among Arya Samajists, as passed by the Legislative Assembly, be taken into consideration."

Sir, this is a non-controversial Bill. In the other House it was allowed to go through as an agreed measure and I would like to congratulate the father of this Bill who is a Member of the other House, Mr. Ghanshyam Das Gupta, on what he achieved there. The Arya Samaj, as the House knows, is a protestant movement in Hinduism. Its founder was Swami Dayanand Saraswati, one of the greatest Hindus of all ages. The Arya Samaj has today many adherents. It attracts also many people who are not exactly its adherents. They do not accept its theology but they admire its educational and social work. The Arya Samajists do not believe in caste in the sense in which our orthodox Hindu friends believe in it. They think that all men by birth are Sudras. It is only by work—*Karma*—that they become Brahmans. Sir, inter-caste marriages among the Arya Samajists are getting common. The Samaj is also a proselytising faith. Therefore, inter-religious marriages are not uncommon among the Arya Samajists. Now, the Bill only affects the Arya Samajists. It does not affect any one else in the Hindu community, and the Arya Samajists want a disability from which they are suffering to be removed. It is a very small Bill and there is only one important clause. The Bill says that a marriage between Arya Samajists shall not be invalid by reason only of the fact that the parties at any time belonged to different castes or different religions. The clause says nothing about any other disability affecting the marriage. A marriage invalid because of any other disability is not validated by this clause. Of course the amendment which stands in the name of the Honourable Mr. Hossain Imam has not yet been moved. I do not know whether he will move it, but I would say that in view of the wording of the clause the amendment is unnecessary. The Bill was an agreed measure in the other House and I hope that this House will accord to it the support which the other House accorded to it.

The Motion was adopted.

THE HONOURABLE THE CHAIRMAN (SIR PHIROZE SETHNA): The Question is:

"That clause 2 do stand part of the Bill."

\*THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa: Muhammadan): Mr. Chairman, I rise to move:

"That to clause 2 of the Bill the following proviso be added:

'Provided that nothing in this section shall of itself invalidate a previous marriage.'

This amendment has been moved by me to remove a doubt which exists in our minds that perhaps this Bill might be used, though that

[Mr. Hossain Imam.]

may be from the intention of the framers, to hide a purpose for which no decent man would allow the law to be used. I refer to a standing shame of India that there are people who use conversions merely to hide immoral desires, and as far as that desire is concerned it is damnable and I do not think any party in the House, Hindu, Muslim or Christian would give their support or sanction to it. If, Sir, my doubts are groundless I might be prepared to reconsider the question.

Sir, I move the amendment.

**THE HONOURABLE SAIYED MOHAMED PADSHAH SAHIB BAHADUR** (Madras : Muhammadan): Sir, I would give my support to the amendment and my reasons are the same, that we should discourage all such attempts at these things when we find that conversion is sought merely as a device to secure divorce from the former husband. (*An Honourable Member*: "How will this secure that?") Because under the clause under consideration it seems as though people who might be parties to the marriage, whether one or both belong to a religion other than the Hindu religion, if they get converted to Arya Samajism and then contract a marriage, then the former marriages become invalid. Therefore there is a doubt in the minds of people which affects not only the Arya Samajists but also people outside the pale of that faith. I should therefore very much like this doubt to be cleared, and if the clause does not clear that doubt it would be better to have this proviso added to it, in order to clear the air and put this matter beyond all doubt, that the mere fact of a marriage contracted under the provisions of this Bill will not go to invalidate a previous marriage.

**THE HONOURABLE MR. A. DEC. WILLIAMS** (Government of India : Nominated Official): Sir, I think there is very little question that the amendment is unnecessary. Clause 2 of the Bill seems to have been very carefully drafted. Indeed, the Bill has been to a Select Committee. We must presume that they devoted care to this question of drafting. The Official Draftsman as usual was at the Select Committee and it seems to me that the words of the clause are very clear. The use of the words "by reason only of the fact" certainly preclude any interpretation against which the proposed amendment could be a safeguard. There is little question that the amendment is already covered by the clause and if the amendment is put into the clause there is another danger—the danger that the courts, seeing that the obvious sense of the amendment is already contained in the clause, will feel constrained to attach some meaning to it other than the meaning intended; the courts in fact will not wish to hold that the proviso is meaningless. I think there is very little question that the clause as drafted does contain the intention underlying the amendment. I am convinced that the amendment is unnecessary; and there is the danger that some further meaning may be imported which was not intended by the Mover of the amendment. I therefore do suggest that the Honourable Member should not press it.

**THE HONOURABLE MR. HOSSAIN IMAM**: Is the Honourable Mr. Padshah satisfied with the reply?

THE HONOURABLE SAIYED MOHAMED PADSHAH SAHIB BAHADUR: I am not quite satisfied, because I find that the amendment is necessary.

THE HONOURABLE SIR DAVID DEVADOSS (Nominated: Indian Christians): Sir, the amendment is unnecessary. This is only an enabling provision. If we read it carefully, all it says is:

"Notwithstanding any provision of Hindu law, usage or custom to the contrary no marriage contracted whether before or after the commencement of this Act between two persons being at the time of the marriage Arya Samajists shall be invalid or shall be deemed ever to have been invalid by reason only of the fact that the parties at any time belonged to different castes or different sub-castes of Hindus or that either or both of the parties at any time before the marriage belonged to a religion other than Hinduism".

This does not at all invalidate a marriage validly contracted. This is primarily intended for validating the marriage of Hindus who profess the Arya Samaj religion. Arya Samajists call themselves Hindus and it provides for the validation of marriages between sub-castes, because according to strict Hindu law, a valid marriage cannot be contracted between different castes. This Bill says that the marriage between sub-castes should be valid. The words:

"By reason only of the fact that the parties at any time belonged to different castes or different sub-castes of Hindus or that either or both of the parties at any time before the marriage belonged to a religion other than Hinduism"

do not mean that a person who is party to a subsisting marriage can become an Arya Samajist tomorrow and then contract a second marriage. Take the case of a Muhammadan. A Muhammadan can get a divorce by saying *talak* three times. Take the case of a Christian. Supposing he wants to get rid of his wife. Can he become an Arya Samajist for that purpose? I do not know what the ceremonies of initiation are. But supposing he says, "I have become an Arya Samajist". Can he say that he can marry again?

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: There is no initiation ceremony in the Arya Samaj.

THE HONOURABLE SIR DAVID DEVADOSS: I am very glad to hear it. All that he says is, "I am an Arya Samajist". Can he get rid of a Christian wife by becoming an Arya Samajist? This does not at all provide for it. I do not think in the circumstances that this amendment is necessary. As the Honourable Mr. Williams has rightly observed, the courts would attach some meaning to it and I am afraid that if this Bill is passed into law the effect of that would be nullified by this amendment. There must be some meaning attached to words in a legislative enactment which are solemnly introduced by means of an amendment. The courts would ask what is the idea? Would they say all this is taken away by the effect of the amendment? We must give some reasonable construction to the words in a legislative enactment. I think, taking everything into account, the amendment is unnecessary, if not injurious, to the Bill itself.

THE HONOURABLE MR. P. N. SAPRU: I have got very little to say by way of reply to the Honourable Mr. Hossain Imam. I agree with him that we ought to discourage fraudulent conversions. I would say that so far as fraudulent conversions are concerned, this Bill will not encourage and the present absence of this Bill does not discourage them. We are all I

[Mr. P. N. Sapru.]

think at one with the Honourable Mr. Hossain Imam in condemning fraudulent conversions and religion being used as a cloak for immorality, fornication and adultery. Well, Sir, so far as the legal position is concerned, it has been explained very clearly by Mr. Williams and by Sir David Devadoss. The Bill only removes a disability which exists today. If a marriage is invalid for any other reason, it will not validate that marriage. Supposing a Muhammadan woman has a husband living and she becomes an Arya Samajist and she marries again in the Arya Samaj form, then according to my interpretation of the clause as it stands in the Bill, she would be committing bigamy and the marriage would be invalid. Sir, there is a Shariat Bill in the other House promoted by Mr. Kazimi. I think it will help to remove many of these difficulties. There is no reason why our Hindu friends should not lend their support to it. I hope, Sir, in view of the explanation that I have endeavoured to give to the House the Honourable Mr. Hossain Imam will see his way not to press the amendment.

THE HONOURABLE MR. HOSSAIN IMAM: Sir, I would like the permission of the House to withdraw the amendment in view of the assurance given.

The amendment was, by leave of the Council, withdrawn.

Clause 2 was added to the Bill.

Clause 1 was added to the Bill.

The Title and Preamble were added to the Bill.

THE HONOURABLE MR. P. N. SAPRU: Sir, I move:

"That the Bill to recognise and remove doubts as to the validity of inter-marriages current among Arya Samajists, as passed by the Legislative Assembly, be passed."

The Motion was adopted.

#### CONTROL OF COASTAL TRAFFIC OF INDIA BILL.

THE HONOURABLE MR. P. N. SAPRU: Sir, I move for leave to introduce:

"A Bill to control the Coastal Traffic of India."

THE HONOURABLE THE CHAIRMAN (SIR PHIROZE SETHNA): The Question is that leave be granted to introduce:

"A Bill to control the Coastal Traffic of India."

The Motion was adopted.

THE HONOURABLE MR. P. N. SAPRU: Sir, I introduce the Bill.

THE HONOURABLE MR. HOSSAIN IMAM: Sir, I do not intend to move the Resolution\* standing against my name. I have informed the Government Member.

\*"That this Council recommends to the Governor General in Council to consider the possibilities of helping the cottage industries by imposing excise duties on large scale mechanised industries that compete with them".

## RESOLUTION RE TAKING OF STEPS FOR STARTING STEAMER LINES OVER THE RIVER SYSTEM OF BENGAL.

\*THE HONOURABLE MR. KUMARSANKAR RAY CHAUDHURY (East 3-5 P. M. Bengal: Non-Muhammadan): Sir, I beg to move:

"That this Council recommends to the Governor General in Council to take steps for the starting of steamer lines over the river system of Bengal in conjunction with the Eastern Bengal Railway system with a view to make it a profitable concern".

The Bengal District Administration Committee of 1913-14 described Bengal as follows:

"Communications are more precarious, more scanty and more inefficient than those of any part of India known to us. Traversed by mighty rivers and tributary streams, visited by abundant rains, these eastern districts are mainly a water country which yields rich harvests of rice and jute to a teeming population, partly concentrated in a few towns, but mainly scattered over a number of villages. In the rains vast tracts of the country are completely submerged and only a few of the more important roads are out of water. Boats are the ordinary means of transit and markets spring up on the banks of the waterways".

The Road Development Committee at page 14 of their report also say:

"In Bengal and Assam the country is almost impassable during the heavy rains and the network of waterways would make the cost of bridged roads almost prohibitive while the waterways themselves provide an alternative system of communication. The old system of communication prevailing in Bengal was by means of these waterways and wherever that was not available, feeder communications by means of what were called halats or subsidiary canals and not raised roads were constructed. These served not only as a means of communication during the rains, but as feeder <sup>ways</sup> to clear up the accumulating waters of the rainy season as quickly as possible instead of locking them up as in the case of the roads subsequently constructed by the British Government".

This river system served as a means of communication not only in Bengal but was the main artery of communication between Assam and Bengal on the east, between Bengal, Bihar and the United Provinces on the west, and by the Buckingham canal between Bengal, Orissa and Madras on the south. The diversion of the waters of the Ganges and Jumna and other rivers of India by an intensive policy of canalisation without utilising those canals as means of communication as could easily have been done and the construction of roads and railway lines have destroyed this easy and the most cheap mode of transport available to the country and jeopardised the health of the people thereof, so that malaria has extended its ravaging grip over the entire length and breadth of Upper India wherever the system of canals has been introduced as also in the lower provinces of Bengal silted up river-beds and water-logging has followed in its train.

Sir, the development of railways being a Central subject and the Government of India having also taken up in its hand the development of the arterial roads between the provinces, it is they who are therefore responsible for bringing about this state of affairs in the country, and it does not lie in their mouth now to say that this is a provincial question to be dealt with by their depleted revenues.

Sir, this question of the development of the waterways is an old one and had been brought before the Legislature several times before. On a previous occasion "the debate on this subject was not pursued because the report of the Agricultural Commission" was awaited. That Commission recommended to the earnest consideration of the Bengal Government the

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"Speech not corrected" by the Honorable Member.

[Mr. Kumarsankar Ray Chaudhury.]

desirability of appointing a committee of experts, one of whom should be familiar with the management of the deltas of large rivers such as the Mississippi, to report upon the advisability of setting up a Provincial Waterways Board. They also pointed out that the Irrigation Department of the Government of Bengal had not been competent to deal with the questions of navigation and drainage. They therefore recommended the creation of a separate department in Bengal to be called the Waterways and Navigation Department. These duties were however all thrown upon the Bengal Government, but there was one recommendation made to the Government of India, *viz.*, that the Council of Agricultural Research should take up the question of research about the eradication of water hyacinth as one of their first questions and I would ask the Honourable Member in charge to enlighten us about what has been done by him in this matter.

On another occasion when the matter came up in the Council of State for discussion Mr. McWatters had to admit the necessity of a Central organisation and it was stated that the Waterways Committee which existed in Bengal should be expanded and developed and that opportunity should be taken to enlist upon it representatives from other adjoining provinces where subjects came under discussion in which more than one province was interested. But when the Mover of the Resolution pressed upon him the question of a Central Committee being appointed on the analogy of a Central Committee for Roads, he said :

"The development of roads in one province has an intimate connection with the development of roads in other provinces. The arterial communications cannot be developed in one province and neglected in another without affecting the value of the whole scheme and therefore there is as regards roads a strong case for co-ordination. In the second place, in connection with roads there is an extra problem due to the development of motor transport and the still greater developments which we expect in the future. It was felt desirable that these users up of the road should be made to pay something more for their upkeep, and this could only be done by the imposition of a petrol duty which was a central subject".

The Government have themselves, as I have shown before, been responsible for the destruction of the arteries of India and I wonder what contribution do they get from the Steamer Companies for the using up of the waterways of the country which are deteriorating day by day through their neglect and that of the Government.

So far as the creation of committees are concerned, it is all right according to our old adage of "a fool must be filched of his wealth in any case". The Waterways Committee of Bengal which was already there has been expanded. The Grand Trunk Canal Committee held its protracted sittings all right and the Government could find money for all that, but when the question of putting their recommendations into effect came, then of course there was no money available in the hands of the Bengal Government—thanks to the provisions of the Government of India Act.

The Acworth Committee long ago pointedly drew attention to the necessity for the creation of an office in the Government of India, namely, a Member for Transport. Sir George Godfrey representing the Bengal Chamber of Commerce also said on the last occasion in this House :

"If he had proposed that there should be created a central ministry of transport to take charge of railways, roads and inland waterways, I might possibly have welcomed it because I do consider that the maintenance and development of inland water traffic is of the greatest importance to the country. It is greatly to be deplored that many of the old natural waterways are fast dying . . . . . Unfortunately the



Government of Bengal is in such a financial condition that there seems very little prospect of their being able to undertake that scheme in the near future . . . . and the Government of Bengal is faced with a rapid deterioration of the existing routes and the impossibility of raising money to construct the new route".

If there had been a Central Ministry of Transport upon whom fell the duty of taking charge of all measures of transportation, namely, railways, roads and waterways, one cannot but help thinking that such a Ministry would have faced the situation and would have said that the problem is of national importance—a great deal more than provincial—feeding as these do the great port of Calcutta. As I say, I feel that a Ministry of Transport would have taken upon itself to come forward with financial schemes, causing neighbouring provinces to co-operate and bringing about co-operation between the central finances and provincial finances. But now that the Ministry of Transport is about to come into existence, I am sorry to find the same Chamber of Commerce suggesting and pressing for the omission of the inland waterways from the portfolio of that Minister and I am almost afraid that their objection will ultimately prevail.

Sir, on that occasion I also moved on the same day the present Resolution of mine in a somewhat wider form, and as that is not the case on the present occasion, I felt myself compelled to dilate upon the matter and to stray beside my point to some extent. Sir Geoffrey Corbett in replying to my Resolution raised several objections. He said, section 51 (e) of the Indian Railways Act permits a railway to provide any other means of transport to or from a railway system only as part of a journey where it is required only for the reasonable convenience of the public, that is, if sufficient services are provided from other sources, it would not be justifiable under the Railway Act for the Governor General in Council to sanction the provision of services by a railway company. This, I submit, is too narrow a construction of the section and is not warranted by its actual interpretation, for he himself drew the attention of the House to the fact that "forty years ago there were a certain number of services run by the railways in Bengal; the most important, I think, were Goalundo to Naraingunj and Goalundo to Serajgunj". Now, Sir, both these lines when they were established did not connect a railway system existing on both sides of those services and continued to be so for a long time afterwards. The next objection raised was that these steamer lines proved unremunerative in competition with private enterprise, but the Honourable Member gave us no figures. I had tried to ask some questions for the details, but the Honourable the President has thought fit to disallow questions. I then wrote to the Secretary of the Railway Board to give me the details, but he also has not vouchsafed any answer to my letter yet. But the next ground urged by the Honourable Member took away all his points from this second objection when he stated that if State Railways were allowed to extend their activities over these public highways, they might ultimately with all the resources of the State behind them destroy private enterprise. So it was not because the steamer lines were unremunerative but because they would kill the British Steamer Companies that they were handed over to them upon terms and conditions most of which were most flagrantly broken by the steamer companies in spite of the grave objections of the railway authorities which the Government do not dare to disclose. And to crown all, the unremunerative railway system had been taken charge of by Government to the great relief of the private company by which it was being run and is being all along run at a considerable loss to Government, while the steamer

[Mr. Kumarsankar Ray Chaudhury.]

companies are carrying on their business at great profit to the shareholders and by fair means and foul, like a Loch Ness monster, rummaging the waters of Bengal, killing and devouring all private enterprise.

The next point raised was want of funds. I do not think the Government was serious when it said that the employment of pilots and other people stood in the way of opening steamer services. But the supply of capital to be employed in opening such lines is no doubt an important matter. The Central Government has taken upon itself the charge of supplying quicker means of communication and transport to the people of India and has invested large funds for the construction of railways in the different provinces. Bengal, unhappily circumstanced as she is, stands at a disadvantage so far as railway construction is concerned. Only the other day, in reply to a question of mine, a statement was laid on the table of this House showing how 5 or 6 railway projects had to be abandoned on account either of heavy cost necessary for constructing bridges or of the line traversing across the country in such a way as materially to affect the health of the countryside. But on the contrary, she has got her natural means of communications through the rivers which are being neglected by the steamer companies and brought to a state of ruinous condition, although they are earning huge profits out of it. Nor can private companies be expected to do the needful in this connection. Moreover, the money required to resuscitate the dying rivers and to keep them in good condition has to be recouped by some means or other which can only be done by taking the transport over them under Government control and this can best be done by the Member in charge of transport of the Government of India in order to avoid duplication, and I hope the other provinces cannot justly grudge the diversion of railway funds to communication on the inland waterways of Bengal, when Bengal has not its just share of the capital invested in railways in the other provinces.

With these words, Sir, I commend my Resolution to the acceptance of the House.

THE HONOURABLE SIR GUTHRIE RUSSELL (Chief Commissioner of Railways): Sir, I must admit that the first part of the Honourable Member's speech entirely fogged me. As I read the Resolution, its object is that the Eastern Bengal Railway, by starting steamer services, should improve their financial position. For a quarter of an hour the Honourable Member discussed improving waterways in Bengal and digging, as far as I can make out, canals. That, I believe, is a purely provincial subject. But I feel gratified that he has paid the Railways a compliment. Apparently he thinks the Railways could run better steamer services than private interests. Whether this is his actual opinion or not, I do not know. But I think I can take it that it is so. I am afraid, however, that the only justification for Railways running steamer services is if they are going to be remunerative or if the existing services are not meeting the needs of the public. The Eastern Bengal Railway did run steamer services on the rivers of Bengal. Admittedly, that was 40 years ago. Conditions may have changed, but I think the conditions now would be even less favourable to Railways than they were 40 years ago. During these 40 years private interests have improved their services and I believe that they are giving a reasonably efficient service. But let us assume for the sake of argument that it was decided as a matter of policy that the Eastern Bengal Railway should run steamer services, how are they going

to do it? We can open new services, but as steamer services have been in existence for 60 years I do not think there are many places left to exploit. Secondly, we could start services in competition with existing services. Now, existing services would obviously object to this and it really comes to this that public money would be used to fight private interests. The net result would be a rate war, and a rate war cannot be in the interests of anybody, certainly not in the interests of the steamer services and certainly not in the interests of trade. The other point is, are the present services giving a reasonable service to the public? Well, as we all know, any transport service makes a very good cockshy, but I do not think you can take all that is said against a transport service as a true measure of the efficiency or inefficiency of the service. But it may give you some idea, and on this basis I do think the steamer services in Bengal are meeting the reasonable needs of the public.

Then of course there is a third possible course that might be adopted and that is for the State to buy up the existing services. Now, that would cost a very great deal of money and surely that money could be more usefully utilised by improving communications where there are no communications or for improving our services where these already exist.

The object of the Resolution as far as I can make out is to improve the finances of the Eastern Bengal Railway. Admittedly the Eastern Bengal Railway is not paying its full interest charges. In other words, it is not really a paying concern. But we have already tried steamer services. These were a failure. Surely it is not going to improve the situation if we increase the capital of the Eastern Bengal Railway, increase their interest charges, with what is going to be an unremunerative concern. In fact, Sir, I think the last state would be worse than the first.

I have said nothing about the development of rivers and canals in Eastern Bengal because, as I have said, it is purely a provincial subject and does not I think come within the terms of this Resolution.

Sir, I oppose the Resolution.

\*THE HONOURABLE KUMARSANKAR RAY CHAUDHURY: Sir, the Honourable Chief Commissioner of Railways has said that the opening of steamer companies will bring in a rate war. Rate wars have been prevalent from before and it is rampant between Indian and British companies running in competition. Just before I moved my Resolution another Bill has been introduced to prevent rate wars. So I submit that that need not stand in our way. The Honourable the Chief Commissioner has admitted that the E. B. Railway is not working properly and it is running at a loss. Should not this motion be adopted to recoup this line? He says the opening of steamer companies will be unremunerative, but he has not said whether the present steamer lines are being run at a loss. If they are making profits, I do not see why if they start similar companies or buy up the existing companies that will bring about a loss to Government.

THE HONOURABLE SIR GUTHRIE RUSSELL: Sir, the Bill the Honourable Member referred to is for the control of coastal traffic. It has nothing to do with river traffic.

THE HONOURABLE THE CHAIRMAN (SIR PHIROZE SETHNA): The Question is:

"That this Council recommends to the Governor General in Council to take steps for the starting of steamer lines over the river system of Bengal in conjunction with the Eastern Bengal Railway system with a view to make it a profitable concern".

The Motion was negatived.

### RESOLUTION *RE* SCHEME OF PENSIONS AND GRATUITIES TO THE FAMILIES OF GOVERNMENT EMPLOYEES.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab: Non-Muhammadan): Sir, I rise to move the Resolution which stands in my name:

"That this Council recommends to the Governor General in Council to institute a scheme of pensions and gratuities payable to the families of all officers and servants of the Government of India in the event of the death of such officers and servants whether before or after quitting Government service".

Sir, this Resolution has already been moved in this House in 1924 and then in 1931 and 1932. In the year 1924 the Honourable Mr. Vedamurti moved a similar Resolution regarding the substitution of a provident fund for the existing pension system. That Resolution was passed as amended by the Honourable Mr. Khaparde—

"to consider the possibility of substituting either wholly or in moiety or in such proportions as may be found desirable a scheme of a contributory provident fund basis for the existing pension system for all Government employees Gazetted and non-gazetted, under the Government of India and the Provincial Governments and Administrations".

And the Resolution, as so amended, was accepted by the Government. The need of my moving this Resolution is that the duration of the life of Indians is progressively becoming shorter. To prove this I would cite the figures which were given by the Honourable Mr. Vedamurti in 1924. The average duration of life in India in 1924 was 22.59 for males and 22.36 for females, while in England the corresponding figures were 50.02 for males and 46.4 for females. Sir, in the pre-British period in India, the average life of a person was 100 years. (Laughter.) As far as the Punjab is concerned, that was the average life but after the starting of the British rule the average life came down to 75 to 80 years. I can say that my own uncle died at the ripe age of 86 years and in that age he was so strong he could fight a bear and that with success.

THE HONOURABLE MR. BIJAY KUMAR BASU: Was it the average age?

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: The average age was between 75 and 80. My uncle's age was 86. So I am not taking 86 as the average, but only 75 to 80. Sir, since the standard of living in India has increased and the amenities of life have swelled up, people have got accustomed to luxurious habits, the average life has then gone down and the result is that the number of people who die before earning pensions has considerably risen. It is therefore necessary that those people who have done loyal service to the Government must be helped when they die before they earn their pensions, so that their families may not be left destitute, and that some relief should be given to them. Sir, for the Indian Civil Service, Indian Civil Service Family Pension Rules and the Provident Fund Rules have been introduced, and under these rules if an officer of that service dies before earning a pension a gratuity or a family

pension is given as is detailed in the rules, which I have before me. The book I refer to is the India Office List, 1986, pages 146 and 446 and 452. I wish that similar rules are adopted for the other services than the Indian Civil Service. I need not repeat the arguments which were put in favour of this Resolution at the time when these Resolutions were moved in this House a few years back. But, Sir, even the Government will realise that, as was defined by the Government spokesmen, this pension is regarded as deferred pay. When this Resolution was moved in this House previously our Honourable President, Sir Maneckji Dadabhoj and our Honourable Chairman now presiding supported that Resolution, and as our Honourable Chairman is an expert on insurance matters and is as expert as an actuary, his opinion carried great weight. It is now a fact that most of the people die before earning pensions and a great hardship is being caused to the families which are left destitute. This is a humane Resolution and asks, for active sympathy and not lip sympathy, I hope that the Government will be able to accept this Resolution and to devise any means which they consider fit. I am not limiting them to any particular method or particular proportion of the salaries in pensions, but leaving the matter entirely in their hands, so that those who have served the Government well should in return get help for their families when they are left destitute. With these words, I commend this Resolution for favourable consideration of this House.

**THE HONOURABLE THE CHAIRMAN (SIR PHIROZE SETHNA):** Before I read the Resolution, I should like to ask the Honourable Mover, because he has quoted me, whether he means to imply that on the previous occasion I said that the expectation of life today is shorter than what it was before in India.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS:** What I said was that your goodself supported the Resolution and I did not go into the details. If you like, I can—

**THE HONOURABLE THE CHAIRMAN (SIR PHIROZE SETHNA):** All I want to know is if I said that the expectation of life today was shorter than before.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS:** I do not think so, Sir.

**THE HONOURABLE MR. J. C. NIXON (Finance Secretary):** Sir, the matter which forms the subject of the present Resolution has been before Government for a very long number of years. At least 16 years ago when I was Under Secretary in the Finance Department, the matter was under the consideration of that Department and I myself played some part in the calculations done on that occasion. I came back to the Government of India in about the year 1931 and was working with the Honourable Mover of this Resolution on the matter of attempting to reduce the expenditure of the Central Government. Even at that stage a certain number of problems were thrown at me in regard to schemes on the lines of the suggestion of the Honourable Mover. I had at that time to turn to the officers who were sending me these problems to say that it was rather an inappropriate time to ask someone to work out schemes for increasing expenditure at the same time as I and the Honourable Mover of this Resolution were engaged in trying to find ways and means of reducing existing expenditure.

[Mr. J. C. Nixon.]

The matter has also come before both Houses, I believe, in the course of the last 10 years or so on more than one occasion. And indeed this House has in the past been given some sort of hope that Government would, or would be able in due course to, work out a scheme suitable for meeting the circumstances. I am afraid that now I must take away that hope altogether. During the last year or so we have been over the whole field again and we have come to the conclusion that there is nothing both acceptable and suitable to the circumstances to be done.

Provident Fund terms are given, as the House probably knows, to employees of the Railway Department of Government, and it is also the normal practice of business concerns to pay deferred benefits to their employees in the form of a Provident Fund. Those terms are given, I understand, in order to facilitate getting rid of superfluous men. On the other hand, the ordinary practice of Government and of *quasi*-Government bodies is to engage their officers on pensionary terms, the supposition being that that sort of service is more consonant with security of tenure. Incidentally in speaking of pensions I would like to allay the misapprehension if the Honourable Mover of this Resolution has succeeded in conveying it when he said that most people, presumably in government service, die before earning their pensions. As the person responsible very largely for paying them, that statement, I might almost say unfortunately, is not true.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: On a point of explanation, Sir. What I said was that their number was on the increase.

THE HONOURABLE MR. J. C. NIXON: I beg your pardon, then I must have misunderstood you. I thought I took down what you said: "Most people die before earning their pensions".

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: I said: "More people die".

THE HONOURABLE MR. J. C. NIXON: There is always a certain amount of controversy, Sir, between people who are on pensionary terms and people on provident fund terms each accusing the other of being the better off. Of course each would like to have the advantages of the other for each system has some advantages and some disadvantages. At times of high interest rates it is probable that the man on provident fund terms is intrinsically better off than the man on pensionary terms. The probability is that when rates of interest are low, as they are at present, the pensionary officer is in a better position than the man on provident fund terms. In any case, there is always a danger in paying a Government official when he retires a lump sum as it is well known that all we Government people are very simple souls and are very liable to have our money filched away from us in some manner or other and be left destitute!

The Honourable Member referred to certain existing family pension funds and particularly to the I. C. S. Family Pension Fund. I think he mixed up the I. C. S. Family Pensions Fund and the I. C. S. Provident Fund. But, I would like to acquaint him in regard to them both that I pay for them. There is in the case of the I. C. S. Family Pension Fund a comparatively small contribution by the State but the other family pension funds run by the Government are funds which are completely

self-supporting. They are run on an insurance basis from the subscriptions of the contributions.

I confess that it does seem hard when a man has done many years of pensionable service and dies either just before earning his pension or just after earning it. We did, as I say, devote many years to trying to devise possible schemes to meet this state of things. There were three main lines on which our minds were working. One was to turn over altogether from pensionary terms to provident fund terms and to have a contributory provident fund. If a man died at the end of 10 years' service, whatever sum he had put in himself together with the Government contribution would go to his family. The second scheme which we investigated was one also of getting rid of pensions altogether but guaranteeing a man upon death or retirement a lump sum ordinarily represented by so many months' pay at the time. And we also investigated a third scheme where the pension was not entirely washed out but a proportion was taken away and converted into a lump sum payable either on death or retirement. The third system is one which is kindred to the system current in England. The only trouble is that, owing to the fact that the expectation of life in India is confessedly not as long as it is in western countries, the amount by which you have to reduce the pension in order to obtain relevant lump sum payments is much more than it needs to be in England.

Well, as I say, we worked out schemes on each of these lines. But we imposed one condition and that was that the alternative schemes should not cost more to Government than the present pensionary scheme does. And having worked this out in very considerable detail we sent the schemes round to Provincial Governments (who are mainly concerned in this matter inasmuch as they employ a much larger number of people than we do) and asked them to take into account the wishes of the services and say whether they would like a change over to one or another of these systems. I believe I am right in saying that the Provincial Governments were unanimous in declaring that none of these schemes were of any use to any of their Government servants. It is no secret to the House that Government are not in a position forcibly to make a major change in the conditions of service of Government people. We could not force people to become subject to completely different conditions. For present incumbents we could only make a change if they were willing to accept it. And certainly into none of the schemes that we put before them were they willing to exchange, and I am afraid it is a fact that must be faced—a fact which is pretty well known to insurance companies—that it is only a small proportion of people who are prepared to give up present benefits for future ones.

But, Sir, none of these propositions apparently would have been acceptable to my Honourable friend Rai Bahadur Lala Ram Saran Das. He according to the terms of his Resolution apparently does not want any of the present pensionary benefits of Government servants reduced. He wants them to continue in receipt of all this but in addition requires that the relatives of those that have the misfortune to die in service should obtain benefits also. Of course, that is going to cost us more. But he goes further than that. Not only if a man in service dies should his family be eligible for pensions or gratuities but even when a pensioner dies his family should also be eligible. Well, Sir, this sort of thing obviously is going to cost a lot of extra money and it seems to me to be a strange proposal to emanate from an Honourable Member who a few

[Mr. J. C. Nixon.]

weeks ago advocated in this House a cutting down of the cost of the Services by lopping 10 per cent. or so off their pay. It is a mistake, Sir, to believe that because a man in service dies and does not earn a pension that Government thereby makes a profit out of him. The pensionary bill presupposes a certain number of Government servants dying every year and certain others not living through the full length of life. We do not make a profit out of it.

Then again, Sir, in order to work out the possible liabilities that may be involved in a scheme such as is in the mind of the Honourable Member we should need a great deal of actuarial statistics. He seems himself to have more faith in the existence of accurate actuarial material in India than I have. But I think he must have made a mistake in reading some of it if he really does believe that the average expectation of life in India is decreasing, because, as far as I know from talking to people in the insurance line, the contrary is the case. However, I would state that the actuarial material at our disposal is not sufficient to allow us accurately to estimate what this sort of liability might mean to us.

There is another uncertain element in this question. In order to ascertain our liability we should have to make certain assumptions about long term interest rates—a particularly uncertain factor at the moment. Further still, Sir, I suggest that it is a particularly dangerous process for a Legislature to undertake that type of liability which will not fall on the estimates during their time but will fall with all its force on a generation or so ahead.

And finally, while I am on this subject, I would point out to him that, as I said before, the main body of Government servants who are interested in this proposition one way or the other are people who are serving Local Governments.

I have to say quite frankly that Government are not prepared to spend more on the Services by virtually revising their emoluments. The leave terms of Government servants in India are more generous than they are in any country in the world. There are more public holidays in India than I suppose there are in any other country in the world. The salaries, I think, I can say, in all grades and other conditions of service of Government officials are above, and in some cases well above, market rates in India. And finally, there is no dearth of applicants for Government service on the present terms.

As a matter of fact, Government did consider two alternatives, (1) of making all Government servants compulsorily contribute to a provident fund with nothing contributed by Government except interest on the money and (2) of requiring all entrants to Government service compulsorily to take out insurances. The second idea has its attractiveness, but as most Honourable Members know, it is not difficult to encumber an insurance, while another difficulty from the point of view of Government is that we can hardly, in the present circumstances of India, encourage Government officials to take out policies with some of the existing companies, and we should have to undertake the somewhat undesirable and invidious task of trying to discriminate between companies. There would also be open the alternative of State insurance—to insist that all Government servants should insure with the Post Office Insurance Fund, but I think there are plenty of interests in India at the moment who would not encourage that idea. As regards compulsory subscription to the provident fund, my



Honourable friend Mr. Hossain Imam pointed out that there was a certain amount of cost and risk involved in that, and he suggested that we in the Centre should try and get out of such liabilities. It is true that even Provident Funds involve Government in expense, both of management and sometimes in the matter of interest. But neither of these conditions could be imposed forcibly on the existing personnel.

I suggest too, Sir, that the making of provision for one's family after death is really no different an obligation from that of educating your children or arranging for medical attention for your wife and children, and for that matter, even in obtaining clothes and food for your family. I do not think that Government will ever assume full responsibility for providing all the social necessities of Government servants.

Government servants at present have certain opportunities. When a Government servant retires on pension, he is permitted to commute a portion of his pension into a lump sum. During the course of his service he is permitted voluntarily to contribute to a provident fund. He can take out, if he wishes, a voluntary insurance either in the Post Office Insurance Fund or in an Insurance Company. And further than that, Sir, we do provide every year in our Budget certain sums of money to constitute a compassionate fund, which we use perhaps a little stingingly, for relief of the very worst of the type of case in the mind of the Honourable Member. The amount which we set aside at the moment is Rs. 50,000 for employees of the Posts and Telegraphs Department, and Rs. 40,000 a year for the Civil Departments. We do not restrict the cases, which we may meet from this fund, to people who die actually in Government service. We do, at times, consider people who have only just recently gone on pension and who die very soon after getting their pension. I admit that we weed out a number of cases that make applications to that Fund, but I have no reason to believe that the really deserving cases are not at present sufficiently dealt with through the existence of the compassionate fund. Further than to continue that principle and to augment it when they are able and when it is found necessary, I am afraid Government are not prepared to go.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Sir, I have heard the Honourable the Finance Secretary with great attention and I am glad to learn that I was wrong when I said that the average life was on the decrease. He says it is not on the decrease. If so, it will not cost the Government so much as it would have otherwise. Sir, I had the pleasure of working with the Honourable Mr. Nixon on the Retrenchment Committee and there his advice was always very valuable. But I will remind him that that Committee never desired to reduce the scale of pensions. That was never contemplated even. But all the recommendations which the Retrenchment Committee made and which were then partly accepted by the Government have now been substantially changed. Many recommendations which were then adopted have been now turned down and thus expenditure has been increased. Sir, I did propose a cut in salaries because I thought that the people who have got a fat salary could, at the time of economic depression, manage to live on a little less salary. But in the case of widows and orphans, who are left entirely destitute, it is very difficult for them to find money even for their existence. It is therefore very necessary that Government should look after particularly the orphans and widows of persons who die before earning pension. The Honourable Mr. Nixon observed that the various unions or associations of employees to whom the various schemes were referred

[Rai Bahadur Lala Ram Saran Das.]

did not approve of any of them. I might mention that while replying to Mr. Khaparde's Resolution on the 3rd March, 1932, the Honourable Mr. Brayne observed that the employees preferred the Railway Provident Fund system. So, I have not either followed the Honourable Mr. Nixon carefully or he is not aware of this statement of the Honourable Mr. Brayne's. There are more people now who die before earning their pension and it is necessary that some money should be found for their destitute family. We are not pressing for expenditure, Sir. I might mention that the little skirmish now in Waziristan will cost Government at least a crore of rupees, if not more, and the Government will easily find that money, without increased taxation because they must as this is not a question of their pleasure but a question of necessity. But when that much money is required for the Frontier skirmishes and little expeditions, Government can easily find money. I do not say to give them lump sums.

4-5 P.M. Give them some sort of monthly allowance, so that the money involved may not amount to so much as to discourage Government from taking on the responsibility. This, Sir, is a very reasonable Resolution and it is in the interests of the services. As the standard of living has gone up generally, the people who retire do not possess much money and they do not leave decent sums of money behind as they did in the past. So I consider that it is essential for the Government to protect these orphans and widows of their loyal servants who have been left to their care by Providence.

THE HONOURABLE MR. J. C. NIXON: There is not much I need say. The Honourable Member said that Mr. Brayne in this House in 1932, or thereabouts stated that Government servants at that time would have been willing to accept railway provident fund terms. That is true. As rates of interest were then they would have been willing to accept it. But I am pretty certain if you made the same offer to them now they would turn it down, as I myself should.

Then the Honourable Member also stated that more people died before earning pensions now than formerly. I have no doubt that that also is true, but it is because more people are in Government service. But there is no reason to believe that a bigger proportion of people die before earning pensions now than previously.

I am rather sorry that the Honourable Member did not try and explain to the House his inconsistency in advocating a fortnight ago a 10 per cent. cut in pay and his present suggestion that we should undertake an additional obligation on behalf of the public services.

THE HONOURABLE THE CHAIRMAN (SIR PHIROZE SETHNA): The Question is:

"That this Council recommends to the Governor General in Council to institute a scheme of pensions and gratuities payable to the families of all officers and servants of the Government of India in the event of the death of such officers and servants whether before or after quitting Government service".

The Motion was negatived.

THE HONOURABLE THE CHAIRMAN (SIR PHIROZE SETHNA): This concludes the non-official work of the Council during the current session. We will now adjourn till tomorrow to take up the remainder of the official work.

The Council then adjourned till Eleven of the Clock on Thursday, the 8th April, 1937.