

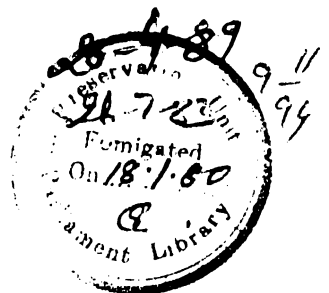
THE LEGISLATIVE ASSEMBLY DEBATES

Official Report

Volume III, 1946

(28th February to 14th March, 1946)

FIRST SESSION
OF THE
SIXTH LEGISLATIVE ASSEMBLY,
1946



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LEGISLATIVE ASSEMBLY

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Deputy President :

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MR. T. CHAPMAN-MORTIMER, M.L.A.

SARDAR MANGAL SINGH, M.L.A.

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LEGISLATIVE ASSEMBLY

Friday, 1st March, 1946

The Assembly met in the Assembly Chamber of the Council House at Eleven of the Clock, Mr. President (The Honourable Mr. G. V. Mavalankar) in the Chair.

MEMBER SWORN :

Mr. Braj Kumar Nehru, M.B.E., I.C.S., M.L.A. (Government of India: Nominated Official).

MESSAGE FROM THE COUNCIL OF STATE

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

"I am directed to inform you that the Council of State at its meeting held on the 28th February, 1946, agreed without any amendment to the following Bills which were passed by the Legislative Assembly at its meetings held on the 8th, 13th and 14th February, 1946, namely :—

1. A Bill further to amend the Workmen's Compensation Act, 1923;
 2. A Bill further to amend the Indian Mines Act, 1923;
 3. A Bill further to amend the Code of Criminal Procedure, 1898;
 4. A Bill further to amend the Code of Criminal Procedure, 1898 (Second Amendment);
- and
5. A Bill to amend the Professions Tax Limitation Act, 1941."

BRETTON WOODS CONFERENCE AGREEMENTS.

The Honourable Sir Archibald Rowlands (Finance Member): Sir, I move:

"That this Assembly do agree with the interim report of the Committee on the Bretton Woods Conference Agreements, appointed in pursuance of the motion adopted by the Assembly on the 29th January 1946."

The issue before the House this morning is a limited and a narrow one and I hope the House will not be asked to sit very long to dispose of it. The point to be decided is whether the House will agree to the rescinding of the second amendment moved by my Honourable friend, Mr. Ayyangar, to my motion on the 29th January. It will be convenient, I think, if I read out the amendments that were moved. As you will remember, Sir, the House censured the Government for committing India to adhere to the International Fund and the International Bank without the approval of the Assembly and it went on to move an amendment to the following effect:

"That in order to determine what steps should now be taken a Committee of this House consisting of nine members be elected to go into this question and report at an early date to this House and pending consideration by this Assembly of such Report no further action be taken by this Government in respect of the said Fund or Bank."

Now the recommendation of the Committee, which is unanimous, apart from the addendum which is not really germane to the point I am putting to the House this morning, is to the following effect:

"We recommend to the Assembly that Government may be authorized to appoint a Governor and an alternate and executive Directors and alternates, when this is necessary, but no further financial commitments should be undertaken by Government with regard to the Fund or the Bank before the matter has been further considered by the Committee. The Committee should be summoned again to have a report from the Governor on his return from the first meetings of the Boards of Governors of the Fund and the Bank; we expect that he may be able to bring additional information bearing on the probable scope and manner of operations of these international institutions in relation to the requirements of this country, which may assist the committee in arriving at a considered recommendation to the Assembly on the question of continuance or discontinuance of membership."

The immediate issue is this: Will the Assembly agree so to modify the second amendment of Mr. Ayyangar, to the effect that Government should take

[Sir Archibald Rowlands]

no further action in relation to this Fund and Bank. The interim report of the Committee recommends to the House that it should so amend it, in order to enable Government to appoint a Governor and Executive Directors to the International Fund and Bank but beyond that it should do nothing pending further consideration by the Committee which should remain in being.

I think it is premature to decide at this stage whether India should continue indefinitely to remain a member of the Fund and the Bank. But it was our unanimous decision in Committee that they should at least take the next step, which was to authorise Government to appoint a Governor to attend the meeting which had been summoned on March, 8, in America.

The first three paragraphs of the report raise issues which are undoubtedly of crucial importance to this country but those issues are, at the moment, not in question. The narrow question is whether India should tomorrow decide to withdraw from the Fund and Bank. And on that point the Committee was unanimous that India should at least take the next step: and that before taking any further steps, the matter should be considered by the Committee which should remain in being and make recommendations to the House.

I notice, Sir, that certain amendments have been moved to my motion.

Sri M. Ananthasayanam Ayyangar (Madras Ceded Districts and Chittoor: Non-Muhammadan Kural): Tabled, not moved.

The Honourable Sir Archibald Rowlands: I am sorry, "tabled". I am a novice in these matters:

I hope they will not be pressed so that we may limit the discussion this morning because I believe that all the things that are sought to be obtained by the amendments are safeguarded by the recommendation of the Committee that no further action, beyond the limited one that they now recommend to the House, should be taken pending further consideration by the Committee.

I may say, Sir, that I have been very impressed by the procedure adopted of referring technical issues to a Committee before they are discussed on the floor of the House. Many of the issues raised are highly technical, and require, I think, prior consideration by a Committee such as has been appointed. Speaking for myself, I think that in spite of a certain amount of "argy-bargy" the Committee has been of extreme value, to me anyhow, as the representative of Government.

I have no hesitation in moving that the House adopt the Report of the Committee.

Mr. President: Motion moved:

"That this Assembly do agree with the interim report of the Committee on the Bretton Woods Conference Agreements, appointed in pursuance of the motion adopted by the Assembly on the 29th January 1946."

Mr. Manu Subedar (Indian Merchants' Chamber and Bureau: Indian Commerce): Sir, I must, in the first instance, remove the complacency with which we are likely to be drawn in by the oft repeated suggestion from the official side that in a very short time, in the matter of weeks, Indians are taking over power. I think we should function as an Opposition and function well during the period that we are in opposition and personally I have not the slightest belief and I do not mind mentioning it on the floor of the House that I have taken a hundred rupee bet that next year this time, if most of us are not in jail, we shall be still opposing this very Government and criticising this very Finance Member

The Honourable Sir Archibald Rowlands: Will the Honourable Member repeat his bet, I will take it.

Mr. Manu Subedar: I will take another bet of Rs. 100 with you.

I say this in all seriousness, because the issues which we have got to face, as I shall presently show, are of the gravest importance not only to the present generation of our country but to several generations to come.

The Honourable the Finance Member has congratulated himself on the unanimity which he has been able to achieve on the immediate step, that is to say the deferment of the withdrawal of India from the Bretton Woods. I do not wish to detract from those congratulations and I must say that he did use a certain amount of tact and courtesy in bringing about this result. But I must make it clear on the floor of the House the differences such as they were and such as they exist and I want to show to the House the background in which we were bound to make this decision.

Sir, in the first instance, I had some of my colleagues questioning the very relevancy of the issue of the sterling balances as far as the question of Bretton Woods is concerned and let me make it clear how and why it is not only relevant but it is the only consideration which dominates the final decision on this issue.

Sir, the Finance Member gave us the figures yesterday in his Budget Speech. The final figure of the sterling balances as on the 31st March, will be 133 million pounds. Expressed in crores it would be the equivalent of about 1,800 crores of rupees. I want the House to note that the sterling outstandings when the war in Europe ended were 1,442 crores: when it stopped with Japan it was 1,489 crores and since then they have grown to 1,800 crores, in other words as much as 300 crores of rupees have been added to what England owes us in respect to the sterling balances after the stoppage of hostilities. This is an astounding position. Whatever may have happened during the war, it seems to me that it was the duty of this Government, (any Government which claims to safeguard the interests of India)—the Honourable the Finance Member said the other day that the decisions were taken independently in the interests of India—I say emphatically that it was the duty of this Government to prevent further accumulation of sterling balances after the hostilities stopped. They did not do so. Even now, Sir, commodities are being taken from this country on the basis that they are being paid for in sterling, the very sterling whose return is problematical, at all events with regard to some part of it and therefore with regard to the last dose or last portion of it. We are being paid in sterling today for goods which His Majesty's Government require from this country and I say that that is no payment at all, because that sterling is not likely, that last dose of sterling which we are still adding is not likely to come to us.

Before India signed on the dotted line and incurred the responsibility for no less than 266 crores as contribution, as ultimate liability in regard to the Bretton Woods, I want this country to consider what is the fate, what is the condition, with regard to the outstanding which have been inflicted on this country. This is all an involuntary loan taken from this country. What is the fate of this outstanding before we incur a new investment or a new liability?

Sir, it may be said that the immediate risk is very small but we all know that when a new company is promoted, when a new bank is established, it is generally suggested that there is no risk, every thing is rosy and the prospects are very good. But we have known them, in spite of all that, to fail. This Bretton Woods institution is in a new direction altogether. It is in the direction of reconstruction of the world, by assisting countries which have been weakened by world conditions and we are called upon to join it. And as soon as we join it, the final liability, should the concern fail at any time, is 266 crores of rupees. It was this which I considered the most relevant and dominating factor of the situation when we were discussing this in the Committee and I still maintain that until we are absolutely clear as to the position of the sterling balances, we ought not to take any further risk in this country with regard to the extensive and tremendous contribution of the order of 266 crores of rupees.

Sir, the Chancellor of the Exchequer recently declared that 7 million pounds per week was being added to the sterling outstandings on India during the whole of 1945, and that 2 million was being added during 1946, per week.

The Honourable Sir Archibald Rowlands: Not today.

Mr. Manu Subedar: Two million per week is being added. In the light of this I do not know where we shall stand as time goes on and in spite of the assurances of the Honourable the Finance Member that next year it would be only 40 crores more, even then I feel that I should not risk this country's money in further accumulation of the sterling balances. If His Majesty's Government have to pay for goods, commodities and services, they should pay by several of the other means which are there and I shall try to show some of them in the course of my remarks.

His Majesty's Government have not treated this country at all fairly in the matter of the sterling balances. I have got here a quotation from Sir John Anderson's speech. He says "Different cases would have to be dealt with independently in the light of their different circumstances." He went on to say,

"If the Governments concerned were prepared to recognise the special features of these accumulations, to recognise that they are not ordinary commercial debts to be dealt with in the ordinary ways applicable to such debts and if they were prepared therefore to recognise our problem and if we are prepared to recognise our problems, there seems to be no reason why a satisfactory arrangement could not be made."

In other words an attempt was made to show that they were not commercial debts and that therefore the obligations normally attaching to commercial debts do not attach to these particular outstandings. To my mind these are not commercial debts. These are very much higher than commercial debts, because goods were taken from this country at controlled prices, commodities were taken which were required for the use of the people of this country and they were paid for at monopoly and controlled prices, very low prices, and they were taken without our consent, they were taken by the use of political power which vests in England and with those whom England plants on the Treasury Benches in this country. They were taken in a manner about which we are bound to feel that it was done in spite of us, against our real interests and without our consent. This involuntary accumulation, involuntary saving, which was forced on this country, is not quite a loan given by us to them. It is not a debt incurred by them to us as all common parlance as between debtor and creditor goes. It was taken in open daylight by the use of political domination and I say that in the dealings between one country and another these accumulations stand highly sanctified they stand much higher: they are sacred obligations of the United Kingdom; Thinking in the light of all this, I am sorry to say that the United Kingdom authorities, their press, their representatives in this country and their statesmen generally, have altogether failed to discharge their normal obligations towards another country placed in the plight in which we are placed. His Majesty's Government's attitude in this matter is such that I can only illustrate it by the Indian proverb which says "Mukhme Ram, bagal me chhuri." In financial matters their outlook towards us has been so heinous and so discreditable that I find it very difficult to restrain myself in using the language which ought to be used. I find it extremely difficult to explain their outlook and their motive; and in contrast stands out the lack of effort on the part of those who have authority in India and who are supposed to safeguard India's true interests in this matter.

His Majesty's Government did various things and omitted to do various other things in regard to these sterling balances. All these were noted in the report of the committee, the interim report which we are considering. First, they went behind our back and negotiated the Anglo-American Loan agreement. Now, I am willing to recognise that the British authorities were quite competent and were within their rights to go to America and negotiate the loan. I will tell you the contrast with regard to this loan and India's outstandings. Lord Halifax and Lord Keynes went there. They said "we have not come haf in hand to beg", but in effect they stayed there for a period of four months; and at the end of it, after prolonged negotiations a preliminary agreement was reached. That agreement has not been ratified yet by the American Congress. It is all right that they want there in their own interests to negotiate a loan which they required. But in doing this they have introduced two clauses

there which are highly detrimental to the real interests of this country; they have done this without any reference to us and I am inclined to believe that they have done this deliberately; they have asked the Americans deliberately to introduce these two clauses in order to strengthen their hands *vis a vis* India so that when the occasion comes they can plead "we would have liked to do this to oblige you and to discharge our proper obligations towards you, but we are sorry we are committed by the Anglo-American loan agreement. We are committed by clause 10(c) and by clause 6/3."

Mr. Geoffrey W. Tyson (Bengal: European): What about 10(1)(c)?

Mr. Manu Subedar: If my friend feels that I am unfair to the United States he can defend them; and if he feels I am unfair to the British, he can defend them; but the thing stares us in the face. I cannot take the time of the House reading these two clauses; otherwise I would show word by word the evil deliberately directed towards India's interests by His Majesty's Government and the statesmen who negotiated this. I will give a brief outline of this clause 6/3. That clause determines the conditions under which America can ask for a waiver of interest on the loan now negotiated. . . .

The Honourable Sir Archibald Rowlands: U. K., not America.

Mr. Manu Subedar: I mean U. K. The U. K. cannot however go to America and ask for such a waiver in any particular year unless it makes a declaration that she has defaulted both in the matter of interest and capital to India on the sterling outstandings which India has accumulated during the war. I cannot think of anything more heinous than this clause nor can I think of anything more objectionable than clause 10(c) by which it is suggested that the claims of India should be scaled down. I will read to this House a quotation from no less a man than Mr. Churchill who expresses after all John Bull's mind more freely and rightly and less craftily than other John Bulls representing it. Mr. Churchill raised the question in the discussion in Parliament on 13th December 1945, and said:

"Many Honourable members have said the American terms are severe; they are even harsh upon a debtor who has reduced himself to his unfortunate plight by his faithful unstinted exertions in the common cause."

See, Sir, the pity which they are trying to extort in the world for the United Kingdom, when they have no pity, no common humanity towards this country in their financial dealings with us. He goes on to say:

"But these considerations apply to other creditors as well as the United States. We are told we owe £1,200 millions to India and £400 millions to the Government of Egypt. No proposal has come from either of those countries similar to the great measure of lend-lease."

Sir, a British official message which I read the other day and about the authenticity of which the Honourable Finance Member promised to ascertain, also said that the Indian sterling outstandings should be treated on the same basis as lend-lease. Do Members of this House realise what an objectionable thing even the very suggestion of this is? The lend-lease claim of America of 12,775 million dollars was fixed at 650 million dollars, including the price of certain equipments which they had got, which the United States had got in the United Kingdom: in other words it was fixed at less than 2 per cent. Is this a proper suggestion to make to this country, I ask? Mr. Churchill made it, and, Sir, the most extraordinary thing is that the then Chancellor of the Exchequer, Mr. Dalton, did not get up in his seat and say that this is not the view of His Majesty's Government, whatever the members of the opposition may say. This is an omission which I say will always redound to the disgrace of Britain in her relations with India. How can His Majesty's Government sit tight and not take the opportunity of contradicting suggestions of this kind not only made in the press but on the floor of the House of Commons? Mr. Dalton whom I had the pleasure of knowing as a student and partaking of the hospitality of his home, is a nice man; but every nice Britisher, when he is very nice, still stands out firmly in his representative capacity for the interests

[Mr. Manu Subedar]
of his country, and I want every Indian to learn the same thing. We have imitated many bad qualities of the Englishman: let us acquire one good quality from them, that is to say, their country first and last, right or wrong, under all circumstances they stand by their country. . .

The Honourable Sir Archibald Rowlands: Hear, hear.

Sri M. Ananthasayanam Ayyangar: Right or wrong to stand by is wrong.

Mr. Manu Subedar: My learned friend will learn international law in due course. I feel that this comparison between the American loan and the Indian outstanding ought to be kept in mind by Members of this House and by the Indian public. The Indian outstanding is Rs. 1,800 crores, that is to say, 1,330 million pounds. The American outstanding is less than a thousand million pounds. America is a smaller creditor than India and yet in the treatment given to American opinion, to American statesmen, to the American Congress and to the American Press there is a great difference. I cannot but help noticing this difference and I feel that every Indian of every section ought to be alive and alert. Sir, to America this loan of a thousand million, sterling, which has been negotiated but not yet confirmed by the American Congress is only nine days cost of the war. To us 1,800 crores of rupees is 18 years net income of the Central Government before the war. It is no small thing and this is not an issue on which we could sit tight with stray references in the Budget speeches of British Finance Members. This is not an issue which we can permit to slide through. This is not an issue which we can afford, not only in the interests of the present Indian population but several generations of Indians hereafter, to slide or to let the obligations be evaded or to let the debts become stale or otherwise disputed. Therefore we ask for an immediate negotiation. We ask for a request to His Majesty's Government to send representatives here in this country for an immediate negotiation on this, because as soon as we are clear we can proceed and time is pressing as my friend will readily acknowledge. Within 90 days after the fund has begun operations, we have to make certain declarations which are of the greatest importance and if we don't decide within those 90 days many issues which ought to be decided would be left undecided. Apart from this, the Anglo-American Agreement and the obnoxious clauses thereof have been carried out behind our back and His Majesty's Government is still increasing this sum outstanding. There have been repeated and unanimous demands on this subject all over the country—from every section, even from that economic press which my friend brought up the other day in support of entry to Bretton Woods, even that same economic press has with one voice suggested that no further increase or accumulation of sterling should be permitted, even if it is as small as the Honourable the Finance Member said. In spite of this, His Majesty's Government is not proceeding to do this. His Majesty's Government has not indicated any particular time when they will do it. Not only have they refused now. They have not indicated when they would be in a position or when they would be ready. The proposals with regard to the debt should not come, as Mr. Churchill very wrongly says from the creditor. They should come from the debtor and I am waiting for those proposals from this debtor. This is not an ordinary commercial loan. I have described it as very much higher, very much more sanctified. It is a much more sacred obligation. This debtor, when he was in a position of trustee with political power in his hands took this money from this country, without the consent of the people of this country.

Sir, His Majesty's Government have not acted on any of the other reasonable lines on which a debtor should have acted. They have not for example tried to mobilise the resources of His Majesty's Government in this country as Government or of British nationals residing in this country or of British nationals residing in the United Kingdom owning large resources in this country from which they continue to derive large income. They have not taken any reasonable step in this matter and this omission also become particularly suspicious when we find that every section of the British Press has indulged in

provocative and highly mischievous propaganda against the real interests of India and they have suggested that India has overcharged for the goods given, a suggestion which has been refuted by a Parliamentary committee. They have suggested that England is unable to pay—a suggestion which I have tried in my humble way to denounce by putting forward a counter proposal that British assets in this country ought to be mobilised for the repayment of these debts.

Then, Sir, with regard to the press campaign, I could read many extracts. I am not doing it because most of these extracts have been printed even by our Nationalist press and not always without denouncing the implications, the mischievous implications of this propaganda. As if that is not enough, British officials made a declaration the other day. I raised it in a short notice question. It was so damaging and it bore the stamp of palpable dishonesty on the part of any country in her dealings with another country.

The Honourable Sir Archibald Rowlands: We are trying to establish who that British official was. It has already been denied in London, that as alleged in the Press, the India Office has prepared a memorandum altering the composition of the Indian Army. That has been shown to be completely without foundation and I am waiting to see what happens about the other Press reports. I do not think you can build an argument on that.

Mr. Manu Subedar: I was going to give way, requesting the Honourable Member to tell us whether the telegraphic inquiry which he has made has established the authenticity of British officials declaring that Indian sterling debts should be treated on the same basis as the lease-lend.

The Honourable Sir Archibald Rowlands: It is the A.P.A.

Mr. Manu Subedar: The report was by an American agency. I will say this, that the American pressmen are always more enterprising and they scoop out news which the Britisher may try to hide and if that is so I am obliged to the American Press, the Associated Press of America, for having thrown light on the real and secret intentions of British officials towards India which they have been able to tell us and which until this moment has not been denied from London. (*An Honourable Member:* "They have.")

Now, with regard to Mr. Dalton as Chancellor of the Exchequer he had another opportunity in the House of Commons to say something with regard to India's position. He said that the average weekly increase for the last 19 weeks of 1945, was 7 million and that for the first 7 weeks of 1946, was 2 million. Most of these increases represent payments to India for expenditure regarding Indian forces outside. Such expenditure—I want the House to note this language which is not explicit and which is full of deep meaning,—“is no more inflation than any other Government expenditure. It certainly does not impoverish the people of India nor add to the danger of famine.”

Sir, he missed his opportunity to make this position clear once for all and to acknowledge that the views of the press, the views of the opposition and the views of Mr. Churchill were not the views of His Majesty's Government and that immediate attempts should be made to put proposals to India of what England wants to do with these sterling outstandings. He did not do any of these things and he has trotted out the obsolete fallacy that the sterling outstandings and the manner in which they were built up did not add to the inflation of this country and of the evil arising out of inflation, the tremendous sufferings of the whole section of the population who have got limited incomes and the sufferings of those who were right at the bottom who have been actually physically killed on account of the rise of prices. Sir, he missed his opportunity and I am very sorry that he did so because the issue of India's sterling balances involves England's good name for justice, fair deal and honesty. And I use the word 'honesty' designedly.

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Now, Sir with regard to the dollars and with regard to the mobilisation which I have suggested and which I could not get Members of the Committee to accept as part of this report. With regard to the mobilisation of British assets in this country, may I take one more minute of the time of the House to indicate the justice of this suggestion? If the United Kingdom is really desirous of meeting us on fair ground, is there any reason why the assets belonging to His Majesty's Government in this country should not be transferred to the Government of India. I understand some such transfer is being negotiated, but we are always worried and apprehensive as to the value and the price at which such transfer will take place. For example, I am told that certain assets will be transferred to us at 50 per cent. of the book value incurred. I do not say that all of them would be bad at 50 per cent., but I have not the slightest doubt that some of these war creations had inflated value when they were created and are incapable of being put to any useful purpose after the war and would be just like the white elephants thrown on this country on the basis of 50 per cent. It is for those who have the control of India's finance to see that India's finances are safeguarded. We were told that we are paying 2 crores each for the cruisers. I am glad that India's navy is being expanded. But I fear these cruisers are of the same class as those which America wants to use in making the experiment with the atom bomb on water and to blow up.

The Honourable Sir Archibald Rowlands: No, Sir, India need not buy them if she does not want them.

Mr. Manu Subedar: Why don't you leave the decision to the Government which will come in within a few weeks?

The Honourable Sir Archibald Rowlands: I am quite content to do that.

Mr. Manu Subedar: May I say that it is not a new thing in the history of India where obsolete implements of war have been transferred at full value to this country?

The Honourable Sir Archibald Rowlands: The only reason why this preliminary negotiation has taken place was because there is a large number of competitors and there is a limited supply of equipment; the price is very much less than the full cost, but it is quite open to the next Government to call the deal off.

Mr. Manu Subedar: I am glad to receive the assurance that India's interests in this matter are not so terribly let down.

The Honourable Sir Archibald Rowlands: They never are.

Mr. Manu Subedar: But I feel that if England, as an honest debtor, was anxious that she should take such steps as were within her power, she ought not to have hesitated hitherto and she ought not to hesitate after the Honourable the Finance Member sends down the report of this debate to immediately take steps of mobilising British assets. It will be recalled in this House that dollars and dollar securities belonging to us were mobilised while the cash-and-carry business was going on and America would not give anything to England unless she produced dollars. I had to sell off my dollar securities which I had in my possession at that time. I have been asking myself why is it not reasonable that the assets of absentee Britishers who are sitting in London—and the majority of assets in this country do belong to absentee Britishers, that is to say, those who have become big and senior and who have just retired and who hold considerable shares in this country—should not be mobilised by the British Government. They should not be given sterling and the rupees so realised may not be returned to circulation and the inflation which the sterling balances have caused should be put down. I am surprised that even the mention by me of this mobilisation thing was resented in British quarters. We have come to this position that we cannot even point out a reasonable step to the British Government and those who represent them in this country.

The Honourable Sir Archibald Rowlands: Who are they?

Mr. Manu Subedar: I will tell you in private.

Dr. Sir Zia Uddin Ahmad (United Provinces Southern Divisions; Muhammadan Rural): The billionaires who have taken away the money of the poor people.

Mr. Manu-Subedar: Now, Sir, it was resented when I made the suggestion and I am making that suggestion again as the only fair and proper thing for the United Kingdom to do that instead of talking of scaling down, do the honest thing. Put down what you have got in the first instance and then come and tell us what your genuine difficulties are. It is not merely the assets of the Britishers in this country, but, I think, as a matter of settlement there should be no objection not only to the transfer of further ships, mercantile marine and other things, but there should be no objection even to Indians possessing properties in the City of London. I do not see why the Savoy Hotel and the great Cinema on the Kingsway could not belong to an Indian Corporation if England wants to do the right thing. They are constantly putting forward their inability to pay. But if they have the will and the desire to pay, here is my suggestion. Now that we have made this suggestion, I trust the Honourable the Finance Member will pursue it and will induce His Majesty's Government to do the right thing by this country.

Sir, I want to make one very small statement with regard to the discussion of the dollar position. The dollar position arises in respect of 10(a) of the Anglo-American-Loan agreement. Now, the Honourable the Finance Member made a statement yesterday with regard to the dollars and pointed out that the amount of dollars which would stand to the credit of this country, if the whole matter were investigated, would be extremely small. The investigations which he mentioned were the investigations of the Reserve Bank. May I express my severe disappointment with regard to the statistical basis on which these statistics are collected? The Reserve Bank claims to be the adviser of the Government, but they are led by the Government. I have had occasion to know on previous occasions how the Reserve Bank's findings were not altogether correct because we lack in this country that fundamental statistical basis. Have we not seen the fumbling of the Honourable Secretary for the Agricultural Department with regard to cattle, the Honourable Secretary for the Food Department with regard to food production or food export? Have we not seen the entire statistical basis as unsatisfactory? I explained to myself the inadequacy of the dollars accruing to India, as pointed out by the Honourable the Finance Member on account of this statistical inadequacy. But if that was not so, then I say, Sir, there has been financial jugglery in this matter. I had occasions to discuss this matter with outstanding American businessmen, American bankers and I am reading from high class journals which America produces and they estimate that between 900 millions and 1,000 millions worth of dollars accruing to India have been taken away by the United Kingdom for their own use, to the detriment and denial of this country's use. I have great belief in these statistics.

The Honourable Sir Archibald Rowlands: Complete nonsense.

Mr. Manu Subedar: I put a question to the Honourable the Defence Secretary the other day asking him the number of American troops in this country. It was given to me as 140,000 at its maximum. I know the G. I.'s, that is the common American soldiers and what they were doing in the bazaars of this country. I am not referring to some of the other things which they were doing. But I will refer to the extensive purchases made by all classes of Americans in this country and I have been calculating that even if we give them an expenditure of two to three dollars a day on all extravagances and if we give them a thousand days in this country, the figure would be a very huge figure and the figures given by the Honourable the Finance Member yesterday seem to be astounding, unless as I suspect the currency for the use of the American

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soldiers was given to the American Government by the Government of the United Kingdom against dollars which they took over.

The Honourable Sir Archibald Rowlands: No, Sir.

Mr. Manu Subedar: If that was done, then I say it was a trick, a bad deal for this country and these dollars really and truly belong to us. The expenditure of that money caused inflation in this country and I am unable to ask for a share of these dollars when we want to make essential purchases in the United States. Sir, with regard to India's position in the matter of dollars, I cannot go to a better authority than Lord Keynes, and may I incidentally say that Lord Keynes was my tutor in London. He is fighting hard for the interests of this country, and I trust he will recognise when the time comes that I am fighting for the interests of my country. Sir, Lord Keynes, in the discussion in the House of Lords, described India's position dealing with sterling area. Lord Keynes then said:

"It would be very satisfactory if we could maintain the voluntary war time system into 1947, but what hope is there of the countries concerned continuing such an arrangement much longer than that. Indeed a danger is that those countries having dollar and gold surplus, such as India and South Africa would prefer to make their own arrangements which would leave us with the dollar pool which is a deficit pool."

In other words, with regard to dollars, our position, as described by Lord Keynes, in December 1945, was that India was considered a surplus country in the matter of dollars, and yet the Honourable the Finance Member appealed against the withdrawal from the dollar pool because he said it was operating to India's disadvantage.

The Honourable Sir Archibald Rowlands: Yes, it is, Sir.

Mr. Manu Subedar: In describing in his budget, the question of dollars, he referred to the 'agreement' which was reached in the beginning of the war. May I know who were the parties to this agreement by which the dollars accruing to India were got hold of for the pool and sent to the pool. Is it not Dr. Jeykyl and Mr. Hyde? Is it not an Englishman in this country and an Englishman in the other country? Is this called an agreement? Are you going to hold us to something which you fix for yourself amongst yourself and to your advantage? This is a position which is extremely unsatisfactory.

Now, Sir, I would like to say something with regard to the merits of this question, India's place in the Bretton Woods.

Dr. Sir Zia Uddin Ahmad: Come to the point.

Mr. Manu Subedar: It will be very much to the point and I am sure my Honourable friend will be delighted. I must express my severe disappointment at the way in which the Government treated my request for information. I asked for materials on the basis of which this Government had come to this very important decision. I had expected that all the relevant issues which affect India's going into Bretton Woods, that is, all relevant economic issues would have been very carefully gone into and there would have been full and extensive reports available on the subject. I was told that a certain amount of material was available and would be sent to me, but I found it very inadequate. It is a matter of opinion, and I do voice my humble opinion that the decision on this very large issue was not taken by our Government with that degree of careful examination of the relative connected problems which it deserves. Then, Sir, I thought that such material may be included either in the correspondence with His Majesty's Government or in the correspondence with the Reserve Bank, both of whom have been acknowledged to be parties whose opinions carry great weight with the Government of India. I made a request that "in view of the importance of the subject and the responsibility thrown on the elected Members of the Assembly by the House, you will appreciate how important it is for us to see the whole position as the Government sees it, and how important it is for us

to secure the same view of this problem as Government had, because the Government was inviting us to endorse the decision which they reached and I think we are entitled to see the material on the basis of which this decision was reached". Sir, when this material could not be made available to us, I made a further appeal

The Honourable Sir Archibald Rowlands: May I ask the Honourable Member what material he asked for and which he did not receive?

Mr. Manu Subedar: I asked for correspondence with His Majesty's Government and with the Reserve Bank of India.

The Honourable Sir Archibald Rowlands: That was the second stage that material on which the Government had arrived at a decision and for which he asked, and did not receive?

Mr. Manu Subedar: If the Honourable Member will bear with me for a few minutes, he will see my point. With regard to this correspondence, "in view of the importance which we attach to this question because of its bearing on the life of the people of this country for the next few generations, would you not secure the necessary sanction of His Majesty's Government, as well as of the Reserve Bank to make this correspondence available to us in order to enable us to see the same problem in the same light in which the Government see it and to come to the same conclusion which the Government had formed, if after examination we were satisfied". I am sorry to say that the Honourable the Finance Member did not feel himself in a position to make this correspondence available to us on the ground that it was confidential.

The Honourable Sir Archibald Rowlands: There was no correspondence on Bretton Woods, no sort of pressure was brought by His Majesty's Government to bear on the Government of India to adhere to Bretton Woods. It was left entirely to the free choice of the Government of India. There was no correspondence; and if there was any correspondence between two Governments, in so far as it could be made public, I would have done so.

Mr. Manu Subedar: My reply is I wanted the correspondence with regard to Bretton Woods, before the conference met before July 1944, and on sterling balances right from the date the sterling balances arose. I regard both these two as connected and inextricably mixed up. And, as I said, the Finance Member did not feel that this correspondence, being confidential, could be made available to members of the Assembly Committee.

Then, Sir, what I felt was that Government had not gone very deeply into the issues connected with it, such for example as the gold par of exchange. Rightly or wrongly, whether other countries in the world regard it as a defect

12 noon. or as a merit, millions of people in this country are interested in gold and silver, and I did feel that this was an issue, at all events, in which Government should have very carefully prepared the ground. Sir, I asked for, but I have not yet received, from the Secretary of that Committee, the position of law in America, the law in the United Kingdom and the position of the present law in India by which the par of exchange, not as expressed in any currency but in gold, could be found. As I have not received that information I have ventured to make my own calculations and I find that the position as it stands today is this. If we join this Fund and particularly the Bank, 80 per cent. of the extra liability would be payable in gold or in American dollars, but from India practically in gold; and in case we have to pay 80 per cent. of the liability in connection with the bank in gold—and that would be to the extent of about 100 crores of rupees—we would have to pay that gold, as matters stand today, at Rs. 42. Gold which India purchase at Rs. 78, Rs. 78 and Rs. 84 would have to be transferred from this country back again at Rs. 42. This, Sir, seems to be a somewhat unsatisfactory position.

Then with regard to trade balances nothing had been worked out. This country, threatened with a famine and with an enormous amount of purchases both for consumer goods and capital goods going on, is likely to have an adverse

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trade balance for the next few years. I would have liked to see and I would still like Government to give us these figures. Indeed they have promised it; and in fairness to them I must say that they said they had now initiated several of these inquiries and in due course all this material will be collected and laid before this Committee.

Then with regard to wages and prices, the issue of prices is the most important; and to my mind, whether we join Bretton Woods or not, there is no issue which is so important as the issue of price-levels in this country. Sir, I will give the House a very sketchy picture of the price-levels in different countries. In 1939 the U. S. A. had a 101 basis, and the price-level there today is 138, so that the rise is only 37 per cent. in the U. K. it was 106 and now it is 174.—a rise of 68 over the 100; in India it was 109 and now it is 282 a rise of 173 per cent. Sir, when a country has got a price-level so very high the normal course would be that others will export to this country and this country will be unable to export to others. A country which is in this plight cannot lightly enter Bretton Woods as, I am afraid our Government decided to enter. And in case they decided to enter Bretton Woods they should have simultaneously taken steps to bring down the level of prices in this country. They should have taken those very deflationary steps which the Finance Member told this House were an object of danger to this country. I say the danger is greater under the inflation which you have kept up and which you have caused. It is a certain amount of deflation which we now need. It was necessary before you joined Bretton Woods and it would be necessary to consider this matter in detail; and I will not take the time of the House on this any further.

Now, Sir, on the issue of prices depends the issue of wages. We have not only a strike fever throughout the world but we have in our own country a very very delicate position when postal employees and the railway employees have threatened to go on a general strike. We have in every other industrial concern the same sort of situation, and it is not a situation which we can contemplate lightly I ask whether in this Government there are no people capable of taking the whole view of the situation as I am briefly indicating should be taken.

The worst of the position, however, is with regard to the continued operation of section 41 of the Reserve Bank Act. My Honourable friend there has moved an amendment calling for an assurance from the Finance Member that in the course of this session he will bring the necessary legislation to break the link between the rupee and the sterling on one side, that is to say, to prevent rupees being paid out against the tender of sterling as they have been done in the past. Sir, my Honourable friend rolled off a few assurances in the course of his budget speech yesterday and was cheered by various parts of the House. I who have noticed assurances given by British Finance Members in this House over and over again and their non-performance and non-fulfilment was a little more cautious. I want to read here an assurance which was given by no less a person than the Honourable Sir George Schuster in 1933, who said:

"My Honourable friend Mr. Neogy quoted from what I myself said at Simla on this matter where I pointed out in the simplest possible terms that we want to create a position where the Government, as the chief user of money in the country, would not itself be the authority which has the control of the creation of money. When it wants to get money it ought to go to an independent authority and make out its case, just as any private individual has to do. It ought to maintain a sound position and not be able to reinforce its position by turning on the printing press in case of need. That, Sir, put very simply is the essence of the position, and what we have felt is that unless you set up a bank on a shareholder basis you cannot be assured of creating and maintaining that position."

After I have read this quotation and in the light of what has been going on in the last five years the House will recognise that this undertaking which ought to be solemn and sacred—an undertaking given on the floor of this House by a British Finance Member—has been wantonly broken. It has been broken in spite of our protests; its breach is still continuing in the operation of section 41, and we are still crying in the wilderness.

Sir, this is the position which aggravates the background in which we are called upon to make a decision with regard to these international organisations. Sir, I am not satisfied with regard to India's participation in anything international as we are today. So long as our status at home is defective I do not see what possible status we can carry abroad. We had the case of the U. N. O. in which, as I pointed out last time, little Holland and Peru from South America got a seat in the executive but not India which was the fourth or fifth country in the contribution list. When it is a question of contribution we are always very high up in the number; when it is a question of getting a reward and the like and corresponding status in the executive bodies of these things we are nowhere. Sir, the latest example of this is what my Honourable friend told us yesterday—and that was the first time we in this House and the whole country heard about it—about India going to send a contingent in Japan; and he said that this will signify India's improved international status.

The Honourable Sir Archibald Rowlands: It was announced in the papers several times.

Mr. Manu Subedar: He claimed that it will improve India's international status. Now, Sir, I know that it will put a hole in our pocket. He has not mentioned, unfortunately, in great detail, though it may be contained in the detail books which I have not yet perused, he has not mentioned how much the damage will be. But the position is that we always pay. We are dragged in the chariot-wheel of Britain and we are made to contribute heavily, but we do not get our wherewithal and we do not get good and fair treatment nor do we get proper representation. The position which I am taking today is still exactly the position which Sir Jeremy Raisman and his non-official advisers took in July 1944, namely that so long as India's sterling balances are not satisfactorily settled, satisfactory to this country, India should have nothing to do with these International organisations.

The Honourable Sir Archibald Rowlands: Will you excuse my interrupting? That is not the position at all. India attempted to get the balances settled through the Fund, but that was not accepted.

Mr. Manu Subedar: Sir, I have already taken much time and I would not like to take more time of the House, but I will read from Sir Jeremy Raisman:

"India should participate in the scheme, provided. . . ."

I want the House to note all the provisos

". . . provided her special requirements were taken into account, and that certain important aspects of her economy were safeguarded, such as her right to pursue domestic policies of expansion, her quota and voting right. . . ."

And now I want the House to mark the words

". . . and a satisfactory solution of the sterling balances."

Sir, this is the same position which I am taking and now that my Honourable friend has interrupted me, may I ask him what he has been doing since July 1944, since the time of the last conference in order to press for the satisfactory solution of the sterling balances?

The Honourable Sir Archibald Rowlands: As I was not a member of the Government of India in July 1944, I cannot say.

Prof. N. G. Ranga (Guntur *cum* Nellore: Non-Muhammadan Rural): There was Sir Jeremy Raisman. What was he doing?

Mr. Manu Subedar: I want to know what Government of India what the chain and the link of the British Finance Members have been doing with regard to this very problem on their own profession and in the terms which I have read to this House in their own words? What have they been doing? I am sorry to say that active steps have not been taken, active steps of the kind which any Indian section in this House, even the most moderate Indian who is sitting in this House, would have pressed with all vigilance and assiduity.

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Then, Sir, indeed I am glad to say that we are assured that the Government of India have now instituted a proper enquiry, and India's case for sterling balances is being prepared. Are we still preparing India's case for sterling balances?

The Honourable Sir Archibald Rowlands: Bringing it up-to-date.

Mr. Manu Subedar: Thank you, Sir. Why has not India's case for sterling balances been proclaimed from the housetop, from every newspaper, sent down to every country in the world?

What is India's case for sterling? As I mentioned these are sacred obligations, you took them by force, you took them without our consent, you took them when we needed them most, and you are evading, you are not giving the proper answer. Your behaviour as debtor to the creditor is not reasonable, because the creditor, for the time being, is politically under you.

The Honourable Sir Archibald Rowlands: Are you addressing the Government of India or the United Kingdom?

Mr. Manu Subedar: This is what I would say to them. Sir, I feel that England's hands are not clean in her financial deal with regard to sterling balances.

Mr. Ahmad E. H. Jaffer (Bombay Southern Division: Muhammadan Rural): They never were.

Mr. Manu Subedar: I feel, Sir, that they have not given a good account of themselves, and they are still doing, to use a mild word, hanky-panky.

Sir, the debtor is ruling the creditor. India has been for such a long time a debtor country that it is not easy—my Honourable friend must realize that—it is not easy for us to feel very happy in the position of a creditor which is somewhat unfamiliar and somewhat unusual. We are bound to be extremely sensitive and apprehensive with regard to this issue, and we are bound to point out that timely and proper action must be taken both in London and in New Delhi for this purpose.

Sir, what is the debtor doing, the debtor who is ruling the creditor for the time being? What is he doing? He is canalizing orders towards himself; he is using India's economy for the advancement of British interests: Motor cars made in England are being offered to us at a very highly inflated value, but this same country is buying hides, tea, groundnuts, rubber, jute and various other things at controlled prices, in some cases even at monopoly prices. Sir, the debtor and the creditor position is one which I should like to see ended very soon. I should like to see England make an honest attempt to hand over what she can, and I would like all the things which can be reasonably and properly given without breaking down England's economy to be handed over to this country against the debt which they have forced on us.

I do not know what is the final policy still of this Government as well as of the United Kingdom Government. I regret very much my inability to make a distinction between the Government of India and His Majesty's Government. I have honestly tried and I am sorry to say I have failed and I do not know what their policy still is. Take the newly imposed bullion duty. Is this also a part of the general policy of the United Kingdom.

The Honourable Sir Archibald Rowlands: So far from consulting them, I have never even told them about it.

Mr. Manu Subedar: Sir, I honestly regret that much as I try to think that this Government functions independently without any reference to London, I am unable to bring myself to that belief. I am very sorry for it, but this is the position. . . .

Mr. M. Asaf Ali (Delhi: General): Why do you regret it. Constitutionally you are right.

Mr. Manu Subedar: I am sorry because I have to say something in very flat contradiction to the Honourable the Finance Member. Something is going on, and it is part of the whole general game, that this country which is momentarily created as a creditor country will, I am afraid, before very long, be again hurried into a position when it is debtor, when we will have heavy balances of trade in our favour, and we shall want gold and the arrival of that gold is being intercepted by the Honourable the Finance Member.

It was in this background that we had to judge the position with regard to the entry of India into the Bretton Woods Conference and owing to the tact and courtesy used by the Honourable the Finance Member he was able to get a unanimous report from the Committee on the preliminary issue which he has this morning dealt with, namely that send the Governor to the first meeting. Now, Sir, this Governor is a very big word. What we are sending is a representative to the first shareholders' meeting and India is called upon to sign on the dotted line for the ultimate liability of 268 crores of rupees. We have agreed to let him go. We have requested him to come back and give us a report of, what is done there and also of the allied factors and we trust that if, in the meanwhile, all material which this Government is preparing is placed before us, His Majesty's Government initiate the sterling discussions as we have requested, we trust we shall certainly endeavour to come to the same point of view which this Government has taken. But I hope Government will realize the true position of the Opposition in this matter. We are speaking, we are straining on an issue which we think is of the most vital importance to the future of this country and to the several generations which are to come, and any remarks which we make ought to be interpreted in that light. When I said Sir that England's hands were not clean, that honest intentions and honest dealings between one country and another were not to be found with regard to the handling of the sterling issue so far, I was sorry to have made that statement, but I felt that I must do so in the interests of my country.

Mr. Geoffrey W. Tyson: In rising to support the motion which is before the House in the name of the Honourable the Finance Member, I should like to join with Mr. Manu Subedar in practically the only part of a very long speech in which I find myself in agreement with him, in saying how much the Committee of the House owes to the wisdom and the tact and the good humour and the numerous charms and talents of the Finance Member, whose imminent departure continues to cause grief to all parts of the House.

Sri M. Ananthasayanam Ayyangar: He is blushing!

Mr. Geoffrey W. Tyson: I think it is fairly common knowledge that during the past five weeks during which the Committee was deliberating, and over the long period of the large number of meetings which it held, considerable differences developed and a close examination of the interim report does show, and the speeches which have been made today support the fact, that actually agreement has been attained only over a somewhat small and restricted field. That agreement as between Government, the small Group which I represent here, and the two larger Parties, authorises the Government of India to send their representative to the initial meeting of quota holders in the Fund and Shareholders in the Bank. I think that whatever our views may be about the two Bretton Woods final acts, our Committee has shown wisdom in at least agreeing to take the next inevitable step in implementing India's membership of the Fund and the Bank. Had we failed Sir, to send a representative to Washington for this coming week's meeting, I think India's action would have been regarded as tantamount to withdrawal from the Fund.

Now, Sir, the question of adherence to the two Bretton Woods acts is the real point at issue, but I think the Committee, and certainly the House on the two occasions that we had this matter before us, and probably the press and the public, have strayed a good long way from what is after all a very simple and straight proposition, which is whether India should continue to adhere to the

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Fund, and whether this House endorses and reinforces the Government's action in having adhered or signified adherence to the Fund before the Legislature assembled. A good many extraneous issues of very considerable interest to my Honourable friends, particularly on the opposite side of the House, and indeed to all sections of the House, have been imported into the discussion from time to time. I will return later on in my remarks to some of those issues; but, in the meantime, I would like to enquire, if I may, or to suggest, what, apart from the general objective of the international monetary fund, which is to promote a revival of international trade on a multilateral basis, what apart from that should be the test of Indian self-interest in approaching the most important of the two Bretton Woods Agreements. I mentioned the word "self-interest" because I do not think any of us deludes ourselves

Sri M. Ananthasayanam Ayyangar: Whose self?

Mr. Geoffrey W. Tyson: . . . that any participant in the Fund or Bank, or for that matter we ourselves are going into those two institutions for motives that are purely altruistic. Self-interest guides nations as my Honourable friend, Mr. Subedar, knows, as much as it guides individuals. And proceeding on the assumption that the chief sponsor of the Fund, the United States, also had a measure of self-interests (namely to let the risks inherent in international trade be as widely spread as possible) when she put forward the proposals for the International Monetary Fund, what should be the test of India's self-interest in this matter? The test which I suggest we in this country should apply to the proposal, purely from the Indian point of view and in India's self-interest, is whether in fact the International Monetary Fund provides greater, or less, accessibility to sources of foreign exchange, particularly those hard currencies such as dollars which India especially wants. Secondly and conversely, I would say the other test of self-interest is whether it gives to other countries, particularly those outside the sterling bloc, the access to those rupees that they may require from India for the commodities and goods that India is willing and anxious to sell to them? If we apply these two tests to the proposals for the international monetary fund, I suggest that those proposals stand up to them and there can be no doubt that, if as a concession to Mr. Manu Subedar we can afford it, we ought to be in the Fund. But too often we are prone to forget that trade between the nations is a two-way, in fact a many-way affair, and that India wants to buy as well as to sell. So, Sir, judged by the two tests of self-interest, which I have defined, I have no doubt whatsoever in my mind that our adherence to the Fund, to which we are making our way so timidly and cautiously, is the correct action for the House to take and for the Government of India to take, and I hope that the resolution now under consideration will gain the acceptance of Honourable Members, at least on the ground of self-interest.

Before proceeding to the consideration of other matters and disposing of the objective aspects of the case before us, I would like to refer to the last paragraph of Mr. Reddiar's amendment to the resolution regarding the question of Indian Executive Directors which it raises, because it also projects an important point of principle on which I expressed a view last time the matter was before the House on behalf of myself and my colleagues in this Group. Mr. Reddiar's amendment says: "That the Governor, his alternate, the Executive Directors and their alternates, in the Bank and the Fund shall be Indians approved by the Committee." Well, Sir, we entirely endorse the fact that the officers named, the officials named, should be Indians. But I myself in my own mind, much as I enjoyed some of the meetings of this Committee of the House, am very doubtful whether it should be entrusted at any stage, either now or hereafter, with the appointment of the Indian representatives on the Bank. If I may say so, with great respect to my colleagues, it has neither the necessary technical poise nor, I imagine, the constitutional authority. However, I would like to

quote, if I may, what was said on this particular point by myself, when the matter was before the House on the 28th January last, when I was speaking on behalf of the European Group. What I then said was this:

"In this matter Indian interests should predominate. And I would like to add and to underline, if I may say so, that we also hold that when India goes into the Fund, she must wield not merely formal power but the reality of power, and that this power must and should be wielded by Indians and for Indians."

I think that was pretty clear, and we adhere now and will continue to adhere to that view. The membership of the Fund, as I said before, constitutes an important opportunity and occasion for India to assert monetary sovereignty and we believe that there can be no question, there can be no doubt that Indian interests should come first last and all the time and that they should be guarded, expanded and put forward by Indian gentlemen, who are particularly fitted for this kind of work. That, Sir, I venture to suggest is a very different thing to investing a Committee of this House, or perhaps even the House itself, with authority over appointments which will take representatives of this country into the very heart of one of the most complicated and technical matters that India can have before it.

I would like to turn back for a moment to the interim report of the Committee and to draw the attention of the House to the third paragraph of that report, which is also mentioned in Mr. Reddiar's amendment. The third paragraph of that report reads as follows:

"We are also informed by the Honourable the Finance Member that sections 40 and 41 of the Reserve Bank of India Act, 1934, under which the Bank is legally compelled to give rupees for sterling and to accumulate sterling against the issue of rupees will be amended as part of the action that will be taken to implement adherence to the International Monetary Fund Agreement."

As I understand it, Sir, the amendment of Sections 40 and 41 of the Reserve Bank of India Act, which the Honourable the Finance Member forecasts in the interim report is rendered necessary to rectify primarily a legal anomaly, that is to say the incompatibility of Sections 40 and 41 of the Reserve Bank Act with, amongst other sections, Article 6, Section 1 of the Articles of Agreement of the International Monetary Fund. I take it that this action is rendered necessary, because if such an amendment of the Reserve Bank Act was not carried out, India would be in the anomalous position of retaining a domestic statute which would, in fact, be in direct conflict with an international undertaking, which was solemnly given in both cases. I see the Honourable the Finance Member shakes his head in concurrence, but I would like to say this

Sri M. Ananthasayanam Ayyangar: In opposition.

Mr. Geoffrey W. Tyson: No, in concurrence on this occasion.

Shri Sri Prakasa (Benares and Gorakhpur Divisions: Non-Muhammadan Rural): He can shake his head only from his seat.

Mr. Geoffrey W. Tyson: If my interpretation is correct, and from what I have read and heard it should be, there are a great many other people of other parties who are prepared to read a good deal more into the amendment of those two sections of the Reserve Bank Act (which in fact specify the sterling-rupee ratio) than I have done this morning. The question has raised doubts and controversies or perhaps I may more cautiously say, may raise doubts and controversy and expectations and may give rise to misunderstandings on the part of the public, and I would therefore ask the Honourable the Finance Member to make the position a little clearer when he comes to reply to the debate at the end of the day's proceedings. I feel that he owes it to himself and to the House and to the public outside to throw as much light as possible on these two very important clauses of the Reserve Bank of India Act.

I have said all I proposed to say at this stage at least about the Bretton Woods Agreement and that part of the interim report which refers to the agreement.

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I turn now to one or two, or at least one important of the other subjects which have been mentioned in the general tenor of our discussions. It is almost impossible to discuss anything in India today, in the financial or the economic fields, without feeling the heavy clouds of this issue of the sterling balances pressing heavily upon us. I know that several times in the course of these meetings my Honourable friend Mr. Subedar has asked me to try and put myself into the place of an Indian in this matter, and I think at least he will give me credit for having been frank enough to say that I could not see the issue of sterling balances entirely from the Indian point of view; but as one who has worked in India for a long time—practically for the whole of his working life—I am just as anxious as anybody else, in any other section or any other part of this House, to see that India gets a fair and proper deal in the settlement of her outstanding balances. I realise, representing as I do a constituency which is composed almost entirely of British traders and merchants, that what is done in the matter of settling these sterling balances may well, if it went the wrong way, sully Indo-British trade relations and sour the atmosphere in which we have got to live and to work and trade in this country for a generation or more to come. Britain's record in her dealings with India (and here I submit and I frankly admit that I cannot put myself into the shoes of an Indian—I speak as a Briton) in the economic and financial sphere has, I think, at least been inspired by a desire to do the right thing. (*Honourable Members*: Oh, Oh!). I have already said that I cannot see it from your point of view, but I am trying to come as near to the latter as I can; and having said that let me add this. I said that the sterling balances, like the poor, appear to be always with us. I have never yet heard this vexed question discussed in the dispassionate and objective manner in which it really deserves to be treated. Mr. Manu Subedar, my Honourable friend the member for the Indian Merchants Chamber, representing the Indian counterpart of the Clive Street magnates whom I represent amongst other people in this country, drew a most harrowing picture of the sufferings of the poor, of an India gagged and bound and being robbed, all because of what? All because of war expenditure and sterling balances which form such an important part therein. We do not need to go further back than yesterday. In discussing war expenditure the Finance Member was obliged to say this:

"In largely agricultural countries such as India and the Middle Eastern States, war expenditure, though in absolute amounts much less than in the industrialised states of the West, has had a proportionately greater effect in stimulating the growth of the national income."

Prof. N. G. Ranga: Where? In India?

Mr. President: Order, order. It is time for us to adjourn for Lunch, today being Friday. I think this is a convenient point for the Honourable Member to stop. He may resume his speech after Lunch.

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

The Assembly re-assembled after Lunch at Quarter Past Two of the Clock, Mr. President (The Honourable Mr. G. V. Mavalankar) in the Chair.

Mr. Geoffrey W. Tyson: When the House rose for Lunch, I had just finished quoting a remark of the Honourable the Finance Member in yesterday's Budget speech which was designed to show that at least in one respect sterling balances which are so frequently cast for the role of the villain of the piece were not entirely without their advantages. I quite agree with the Honourable the Finance Member that in fact sterling balances, as part of the corpus of war finance have contributed rapidly and substantially to the growth of national income in several countries in the East, and particularly in India. The reason why I referred to what Sir Archibald Rowlands said yesterday was because it is clear, on any basis of reasoning, that in this matter of sterling balances you cannot have it bothways. If, in fact, as an integral part of the mechanism of

war finance, sterling balances have led to an upgrading of national income, it is at least something for which all sections of the House can reasonably be thankful, and it is therefore a little difficult to follow the reasoning by which it is now sought to make out that overnight this transaction is something disreputable, something shady, something rather unclean and unsavoury. But whatever may be thought about the past, so far as the future is concerned I suggest that we have all got a definite and specific interest in the manageability of sterling balances. In seeking for the best or the easiest way to turn them still further to India's positive advantage, both Britons and Indians alike have an interest in seeing that this process is carefully thought out and that is one of the reasons, above all others, why I suggest to Honourable Members that when the House is giving its verdict on this subject it should do so with a full sense of realism and a full sense of responsibility. I repeat what I said this morning that my colleagues in this Group, and the community which we represent in this House, have a special interest in the negotiation and the settlement of the sterling balances which the Honourable the Finance Member forecasted in his Budget speech yesterday. We are interested mainly in trade, and if our trade is to be profitable to ourselves and of use to India, it has got to rest upon a reasonable, a fair and a just settlement of this question in which, as I say, our interest is no less than those of Honourable Members who sit on the other side of the House.

The Honourable Member for the Indian Merchants Chamber, Bombay referred in the course of his speech this morning, as he has done in the Committee of the House and he has done on previous occasions in this House, to the character of the debt. He wants as I see it Britain to come forward as a *bona fide* debtor. Speaking as a Briton, I am acutely conscious of our financial position in the world today. I am also equally conscious and equally proud of the way that has been brought about. It is not of our seeking. Britain has made sacrifices by comparison with which none others that I know of can be easily measured. Mr. Subedar asked that the debt should be treated as something more than a commercial debt. He deprecated the suggestion which has come from high quarters in England that the debt could not be treated as a commercial debt. Well, in this matter, as in others, I can assure him that like himself I am a Keynesian. I believe that what Lord Keynes said as Leader of the U. K. Delegation at Bretton Woods represents the most authoritative expression of opinion on the subject, namely, that what was honourably given will be honourably repaid. In the course of the promised negotiations for the settlement of the debt, I have no doubt that a number of methods of repayment, some of which are implicit in the International Monetary Fund of Bretton Woods plans and some of which are quite outside these plans, will be explored as part of what the Honourable the Finance Member has emphasized must necessarily be a bilateral settlement. I am quite sure also that whichever method, by whatever means, we try to arrange the transfer and the repayment of this debt the great bulk of the sterling balances, whether you look upon it as commercial or not, will have to be repaid by what, in fact, are ordinary commercial processes. Mr. Subedar asks that the debt shall be treated as something higher, something on a higher moral plane than a purely commercial transaction; but I have no doubt in my own mind that it is by the plain, well understood and straightforward methods of commerce that we will in the end have to repay to India a very large proportion of the debt. I would ask Honourable Members, therefore, to bear in mind that there is in fact no alternative to a commercial method for repayment of some large part of the debts. My Honourable friend Mr. Manu Subedar's putting forward his case, as his friends on that side see it, suggested that we were not really in earnest about the question of British assets and their realisation. He talked somewhat disparagingly of obsolete British cruisers. In the flight of his imagination and eloquence he also talked about the possibility of Indians taking over the Savoy Hotel in England and things of that sort. I can as a matter of fact suggest to him a good number of obsolete

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hotels in England which might well be taken over, but I will not do so. This is really a serious matter to discuss the repayment of debts. He then went on in a theme, and on a note, which is familiar to most of us in this House, to demand what he called the mobilisation, whatever that may be, of British commercial assets. Now, Sir, a great deal can be said (I have already detained the House long enough) about the mobilisation, to use Mr. Manu Subedar's phrase of all British commercial assets. A great deal can be said, a great deal, undoubtedly, will have to be said about this subject in the coming months. What I propose to say on this occasion is very brief, and it is this. It is only by a continuance of the British trading connection in India—if you accept my contention that a great part of the debt must be paid by commercial means—it is only by a continuance of the British trading connection in India, in and with India, I would put it, that the sterling debt position is capable of that kind of quick transformation, that kind of transformation, favourable to Indian claims and rights which my Honourable friends on the other side of the House wish to see accomplished. I would ask that that fact should be clearly understood. My Honourable friend Mr. Manu Subedar, this morning, used the phrase that India is a sensitive creditor. I think those were his two words. Let me say to India, as a sensitive creditor, and also let me say on behalf of British business, with a full sense of responsibility of what I am saying, quite simply, quite firmly and I hope quite politely that no case has been made out for the transfer of British commercial assets, which we regard as an integral part of the industrial and economic fabric of this country. I say quite deliberately that we do not propose to be expropriated in the guise of mobilisation or any other process here.

Mr. Manu Subedar: On a point of personal explanation. Expropriation by the Indian Government authorities was never suggested by me. It was furthest from my mind. All that I said was that His Majesty's Government who are debtors to this country ought to mobilise the assets of their nationals. Sir, these gentlemen have never accepted the nationality of India and therefore they cannot form part of the fabric of India. We do not want to touch a single hair of theirs. They are quite safe here. It is to His Majesty's Government that I made the suggestion that they should mobilise the British commercial assets in this country.

Mr. Geoffrey W. Tyson: I am grateful to my Honourable friend for his assurance, firstly that I and my colleagues are safe and also secondly for his assurance that he has no intention of expropriating us. He has satisfied me on that point.

Now, Sir, in the very few minutes before I close, I should like to refer to what has been said about one aspect of the Anglo-American Loan. It is quite a long way, really speaking the subject of this loan from Bretton Woods. But I feel obliged to mention it.

Mr. Manu Subedar: Why, the British Parliament discussed both together?

Mr. Geoffrey W. Tyson: Because it has been introduced into our discussion today and on previous occasions when we had this subject before us. I do not and cannot accept Mr. Manu Subedar's contention that the Anglo-American Loan is part of some involved and sinister plot between the two countries to rob India. That is virtually what his argument boils down to. Many of us have considerable qualms about the loan. In connection with the proposed loan, I am reminded of the story of the American gentleman who presented his servant with a bottle of whisky. The following morning he asked his servant as to how he enjoyed the whisky. The servant said, "It is all right". "Well," said the master, "what do you mean by saying it is all right". The servant said "If it had been better, you would not have given it to me, but if it had been worse, I could not have drunk it". That is how some of us feel about the terms of this loan. My Honourable friend Mr. Manu Subedar referred at

some length to clause 10(c) of the proposed agreement. I quite agree that that clause may and, in fact, does excite some suspicion amongst Indians. But in dealing with it, he completely omitted, so far as I remember, any reference to clause 10(a) under which, if I may say so, as a matter of practical business and practical politics, India stands to obtain quickly at least a substantial proportion, repayment of a substantial proportion of her sterling debt. My Honourable friend Mr. Manu Subedar, in the long and close examination of the subject, also omitted to mention the underlying assumption the underlying purpose of that loan, if and when it is granted, which is to assist in the convertibility of the sterling, a proposition which we all want in this House and which he more than others professes to want.

So, Sir, I end, as I began; let us judge Bretton Woods, let us judge particularly the international monetary fund agreement by its instrumentality for convertibility. I believe if the House, this afternoon, endorses the action, endorses the interim report of the committee which it has set up, it will have gone a long way, not only to establish India's own financial independence among the nations but to secure the immediate objective of convertibility of its foreign balances.

Dr. Sir Zia Uddin Ahmad: Sir, my Honourable friend Mr. Manu Subedar has spoken on behalf of the millionaires of India, and my Honourable friend Mr. Tyson spoke on behalf of the European Group and now I am going to speak on behalf of the poor people of this country, by whose privations and starvations this sterling balance has been created. Not only the sterling balance, but also as I will talk later on, the rupee balances have been created in this country. The thing is I agree with my Honourable friend Mr. Manu Subedar so far as his conclusions are concerned, but I do not share with him in his nervousness, nor do I share with him in his arguments. I feel in the same way about these sterling balances as he feels, but I do not shout like the man who says: "The thief has stolen away all my property" and things of that kind. It is our money and we should calmly think how to get it back, simply nervous shouting will not help us. My Honourable friend made some fuss about it in the Committee, and whenever we had a discussion he switched off to the speeches made by two or three people on this matter. But I will quote the speech of the Finance Member who says:

"Any idea that she is committed in advance to a scaling down of the balances or to a continuance of arrangements under which such balances will continue to accrue is entirely without foundation."

He has repudiated the assertions of those other people,—Sir John Anderson and others. My Honourable friend Mr. Manu Subedar may say that the Finance Member cannot speak on behalf of the British Government; but those other people also do not speak on behalf of the British Government, and the British Government has said nothing officially about it as yet. Therefore we need not take these arguments into account.

As regards the main issue—I will say that India is a poor country and these sterling balances have accrued out of the privations and starvation of the people, and we cannot afford to lose this money. We must get it back and we must see how to get it back. The Finance Member has suggested that a committee will go out from this country representing different shades of opinion—not only the millionaires but also the poor people—and they will devise the method of getting these balances back. Of course we cannot have them in Bank of England notes because they are useless here. There is only one method by which one country can repay the debts of another, and that is by means of commodities including gold and silver. When I said the other day that some locomotives should be purchased in England to raise traffic here, I was told that our industries will suffer. If I want to purchase cloth abroad the textile mills will cry out because it will lower the prices. If I want to purchase something else like iron and steel I will be told that Tata's will suffer. So with regard to the method of repayment there are enormous differences of opinion and you have to think

[Dr. Sir Zia Uddin Ahmad] seriously about it. I agree with my Honourable friend in his conclusion that India is a poor country and we cannot afford to lose these sterling balances. And we can get them back by means of goods. My Honourable friend was a pupil of Lord Keynes, I was the contemporary of Lord Keynes at Cambridge, and we are both entitled to quote him. I learnt something from him, my friend learned the reverse. The thing is that we must have a favourable balance of trade, and the Finance Member shares that view. He says in his budget speech:

"Indeed it is possible that in the course of 1946-47 the United Kingdom may succeed in increasing the exports to India to such an extent as to avoid any further additions to our sterling credits and perhaps even to reduce them."

So that our deputation will have to think it out. My Honourable friend Mr. Manu Subedar will perhaps say that we should purchase capital goods so that the billionsire may become multi-billionaires. But we who represent the poorer sections of the people have our own views as to the priority of goods to be secured. I circulated a note about it in the Committee. I said that the first priority should be given to machinery and other articles required for the improvement of agriculture; secondly, to transport which is so necessary for industry; the third priority should be given to nationalised industries so that the profits may go to the taxpayers and the people of the country; after that in order of priority will come the machines and tools which are required for the improvement of cottage industries; then will come those articles which will tend to lower the price-level in this country, because its reduction is now so absolutely essential. During the last six years I have been pressing this in season and out of season I have always urged that the purchasing power of the rupee should be increased and the price-index should be lowered. Whenever I raised this point in the Committee my friend Mr. Manu Subedar switched me off to the sterling balances. Today he for the first time spoke about lowering the prices although his own constituents are responsible chiefly for raising the prices. The correct thing is to lower the prices of all economic products to the index of 150, and of the other manufactured articles and labour and wages to 125; and afterwards we should stabilise these prices. I have one complaint against the Finance Member and that is that it is a budget for the billionaires and the poor people do not come in. The E. P. T. is off; I wish he had raised the income-tax level from 2,000 to Rs. 2,500 and kept the E. P. T. The poor people would have been benefited thereby. In any case Mr. Manu Subedar can have no grouse against this budget.

Mr. Manu Subedar: Just wait until I speak on the budget.

Dr. Sir Zia Uddin Ahmad: As regards the price-level, the levy of a special duty on gold and silver will stand in the way of lowering the price-level. We the poor people have been pressing that the price-level should be lowered and the purchasing power of the rupee raised.

The other thing, with which I entirely agree, is that we must start some kind of negotiations in order to settle our sterling balances. We do not like to get them written off by purchasing obsolete articles. We ought to set up a special committee which should advise us with regard to the kind of articles which should be purchased in order to liquidate these sterling balances. We should keep an eye on that, but at the same time we should give priority in the manner in which I have already suggested. I hope that the committee will clearly undertake to do this and will find out methods by which this can be done.

As regards the quotations given by my Honourable friend, Mr. Manu Subedar, I can only say that he quoted the sentence which suited him and omitted what did not. He quoted section (c) of section 10, but he did not quote section (a) which has been pointed out by Mr. Tyson. He did not mention section 7 altogether. If you want to quote, then you should place before the House argument both for and against. Section 7 says:

"We are having this sterling dollar exchange. . . they will be freely available for current transactions in any currency area without discrimination, with the result that any

discrimination arising from the so called sterling area dollar pool will be entirely removed and that each member of the sterling area will have its current sterling and dollar receipts at the free disposition for current transactions anywhere."

I entirely agree with Mr. Siddiqi when he says that since India is also involved in these transactions, it is in fairness that India should also be given a chance to express its opinion in this matter: Of course it is primarily the concern of the United States and the United Kingdom so long as India is not brought into this Agreement, but now that India forms part of this Agreement, I think it is fair that the representative of India should also be there when these representations are made.

The other thing as far as our committee is concerned is that we did not have much information. If you see our report carefully, you will find that we are not requesting you to commit yourself to anything. We say, India should send her representative to negotiate about sterling balances. Let us then wait and see what is the result. Sir Chintaman Deshmukh has gone to represent India in this particular matter, and I have asked him particularly to discuss one point there, and that point, which is very important from Indian point of view, is this: America has fixed the purchasing power of gold, which is about Rs. 43 a tola, but it ought to fix also the selling price of gold. If both selling and purchasing prices are fixed, then the gambling and speculation, which is now going on, will decrease very much and will probably disappear. There are a number of other points which we have asked him to discuss there, and therefore we would like to have some kind of report from our representative before we can make up our mind. There were some other doubts too. As India has now become one of the four countries, we will also have our office there which will keep the gold reserve and will also deal with current transactions. We will now be included in the first directorate. In this particular Report, which is now before us, we do not ask you to commit yourself to anything, but before deciding anything finally we would like to wait and see what our representative has to say. He will submit a report about our sterling balances, and about the working of these banks. After we have discussed his report, we will be in a position to decide whether we should or should not join. It will be open to the House to decide that. But we should study the matter still further and we should examine it very carefully before deciding it finally.

There is one more point: If you send your representative there he cannot take part in the Organization without becoming a Member. Therefore really speaking he becomes a Member, but I may tell you that you can withdraw by a simple resolution. If after examining the report of the committee we decide to withdraw we can do so without any further financial liability except that we will have to pay the travelling expenses of our representative.

Another thing which I would like to press, and which for the first time has been pressed by my Honourable friend, is that attempts should be made to lower the price index. I have got here the price index of various articles, and I find that the greatest culprits are the textile manufacturers. They are the people who raised the price a great deal. Wheat and rice also take the lead.

Finally, Sir, I am glad that during the discussion my Honourable friend, Mr. Manu Subedar, has drawn attention to one point—which I will mention presently—for the first time. We are going to pursue this in future. By our people's privation and sufferings not only the sterling balances have been accumulated in London, but rupee balances have also been accumulated by what I call the Indian Ali Babas. We have not taken account of these balances so far, but we will have to do that. Time has come when we should see how much money they have accumulated on account of the sufferings and privation of the poor people of this country. Therefore we are not only going to take back very penny of our sterling balances, but we are going to take back every pie from these multi-millionaires who have accumulated wealth during the war. This is the thing which we should also do. After all we are poor people. I speak on behalf of the poor people of India. If anyone has become rich on

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 account of my sufferings, I should be paid back. In this particular case, not only I should ask the people of the United Kingdom to pay us the sterling balances, but we are also to have back in some shape or the other all the rupees which these millionaires have accumulated by joining together in some form of unknown friendship. So, if we should not allow the sterling balances to grow we should not allow the rupee balances to grow in India. My friend has been very partial to these people by letting them off the excess profits tax. By letting off our defaulters in the rupee, we will not allow you to become a defaulter in sterling! After all when we have suffered, we want the thing back. The poor people want a better standard of living. They want everything, nothing less, and we want all those people who have accumulated wealth on account of our privations to give back something to us so that we may enjoy life comparable to the life of the poor people in other countries. With these words, I support the report which I have signed.

Mr. President: With a view to have the representative views of each party, I have allowed every representative speaker of each party to place his views fully in the beginning without thinking of any time limit. Personally, even now I have no desire to put a time limit, but I find there is a big number of persons who would like to speak. May I know what time the Honourable the Finance Member would require for reply?

The Honourable Sir Archibald Rowlands: Anything between five minutes and quarter of an hour.

Mr. President: Then I would reserve the last fifteen minutes for the Honourable the Finance Member to reply, and in between, without mentioning a time limit, I would request speakers to observe a time limit.

Sir Cowasjee Jehangir (Nominated Non-Official): What time limit? The minutes?

Mr. President: It would not be enough. But that depends on the speaker; and not being an expert economist myself I cannot judge what points they have. But I would put it at about 15 to 20 minutes. That would be a very reasonable limit.

Sri T. V. Satakopachari (Tanjore cum Trichinopoly: Non-Muhammadan Rural): I have tabled an amendment. I should be allowed an opportunity to explain the amendment.

Mr. President: The Honourable Member Mr. Satakopachari may speak.

Sri T. V. Satakopachari: The Honourable the Finance Member was right when he said that myself and my Honourable friend, Mr. Reddiar may not press the amendment, but we have tabled an amendment and in fairness to my Honourable friend, Mr. Reddiar, and the others in the House, I wish to say a few words as to why the necessity arose in tabling this amendment and what I wish to express or what I would request the Honourable the Finance Member to bear in mind when he replies to the debate in this

3 P.M.
 House.

If we accept the agreement, Sir, it is because we feel that we should not throw the baby if there is one in the tub along with the bath water. There may be some good things and especially because in the *ad hoc* committee very many of my friends have sat and deliberated and have come to an agreement, we do not want to disturb that. But at the same time, Sir, I feel that more of an assurance is required in certain respects and that is why, Sir, myself and my friend tabled this amendment.

The Honourable Mr. Tyson is perfectly right when he said that the sterling balances cloud the issue, rather hang like a cloud before this question and rightly too, because we feel like a poor creditor trying to come and demand money from a very rich debtor. I am just reminded of a story—and stop me

if you have heard this one! John was pacing up and down and would not come to bed. Mrs. John said: Look here, what is the meaning of your pacing up and down like this. John said: Well dear, I owe Mr. Smith a lot of money. I do not know how I am to pay him the money. She said: Go to bed. It is the other man who should be pacing up and down thinking how you are going to pay him. Sir, I feel like that. We do not know how the debtor is going to pay.

-Then, Sir, the Honourable Finance Member assured us that the Sterling balances will not be scaled down and Mr. Tyson joined him and said it will be honoured to the last pie. Mr. Subedar has already pointed out to the House that there were many promises made in respect of many matters both outside and inside this House and unfortunately they have not been kept. There is a place, Sir, that is said to be paved with good intentions. I am afraid that this House is carpeted with good resolutions and panelled with fine promises. Mr. Tyson and my leader, Mr. Subedar, sang praises in favour of the Finance Member and brought blushes to his cheeks. I would fain join in it. I have also basked in the sunshine of his smile, but I was always feeling like the fly which is asked by the spider to walk into its parlour. I may be pardoned for saying it. But at the same time, I would feel much assured—I do not know about the Honourable Members of this House—if the promises are repeated again and again because I find that in a recent speech, or rather in a message sent by President Truman to the Congress commending the Anglo-American loan he said, referring to the thorny problem of Britain's sterling liabilities:

"That the British Government has undertaken to adjust and settle these obligations out of resources other than the American credit and outlined its intentions with respect to their settlement. Our concern is twofold. In the first place we want other countries, which are in a position to do so, to grant assistance to the United Kingdom within their means. Those which hold large sterling balances can do so by scaling them down."

Sir, it is not only from persons of great influence and importance, great economists and politicians in the country that rules us that we hear of adjustments, scaling down and other things and inability of the greatest financier of the world to pay but also from the richest country in the world we hear such a statement, from a person of responsibility as the President of the United States himself. Would it be too much to expect that we are alarmed at the prospect of the scaling down. I agree with Sir Zia Uddin Ahmad that no amount of shouting is going to help us but at the same time, I think that insisting persistently in our point of view is bound to be heard and if at all we are of any use in this House

Dr. Sir Zia Uddin Ahmad: Without being nervous.

Sri T. V. Satakopachari: Yes, in a calm and collected manner, though not shouting at the top of our voice as some of us back benchers have to do in order to be heard in this House, let us go on stressing again and again the point of view of our country and our people. The question of the scaling down of the sterling balances is there. Of course that warps a bit our criticism of the Bretton Woods Agreement. We cannot inherently be completely dissociated in our mind from these large questions. Though I won't put it as a bargain counter, on which we should have a deal, conclude the question and then think of entering into this international Monetary Fund or the Bank—I would not go so far as that—I would certainly say, with due respect, that we have got to get some sort of assurance not from the Honourable the Finance Member, who has already given that assurance, but from responsible quarters in the United Kingdom that such a thing will not be done. That is why I have referred to it. That is why in the amendment I have proposed in clause 2 I have said:

"That India should not only welcome but positively ask for an early and authoritative reassurance by His Majesty's Government regarding the repayment of sterling credits and in any event not later than the 30th June, 1946."

Because these things have a tendency to be postponed time after time and so we want an assurance from the Honourable the Finance Member on behalf of

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the Government that they will bring this question before the persons responsible for the policy of the United Kingdom and get them give an assurance to us that no scaling will be done and that every pie of the sterling balances will be returned.

I am aware that in this we are in a peculiar position. The creditor is not able to choose the medium in which he will be paid. The debtor has got the right to do it. It is a rather peculiar situation. But situated as we are, we are in that unhappy position but at the same time I feel that the debtor has got many advantages with him. The debtor can easily transfer some of the assets that he holds in this country to our hands. He can make over the sterling assets to us, even as it is subject to the vagaries of the exchange ratio which has been fixed at 18d. This, Sir, I feel is a thing which the debtor ought to do for the creditor early. These things should be borne in mind when further steps are taken in regard to the Bretton Woods Agreement.

I am sure on this side of the House at least my friends will agree with Mr. Manu Subedar when he said that the sterling balances are in the nature of a trust. He put it on a higher basis, on a moral basis. I entirely agree. I cannot put it on a commercial basis, because for me commercial honesty is something less than ordinary individual honesty, just as political diplomacy is something less than ordinary human conduct. I would put it on the basis of a trust, especially because India is a subject country and the debtor is the dominant ruler of the country. So I would put it on the moral obligation of a trustee. I would say that it is higher than an ordinary debtor's obligation.

In regard to the position that we may be occupying in the International Fund and the Bank I find that the purposes of the International Fund as stated are rather very big. To promote international monetary co-operation, expansion and balancing of international trade, maintain high levels of employment . . . development of productive resources, promotion of exchange stability, avoidance of competitive exchange alterations, etc., etc. But I find in regard to the voting system that I am like a small shareholder in a fund started by very big people holding a large amount of shares. I have no voice in the shaping of the policy. My vote counts for nothing. I find that the U. S. and the U. K. have a major voice in the shaping of policies in all things. At every step every question is to be decided by the Fund and it means a majority in the Fund. On page 15 of the Final Act it is stated: "A member may change the par value of its currency without the concurrence of the Fund if the change does not affect the international transactions of members of the Fund." That it does so or does not, the decision lies in the hands of the Fund. Then again, "The Fund shall concur in a proposed change". Obviously if the Fund is satisfied.

On page 16 it says "Whenever the par value of a member's currency is reduced or the foreign exchange value of a member's currency has, in the opinion of the Fund, depreciated . . ." I want to point out that the Fund seems to have an absolutely dominant and deciding voice in all these matters. We would be nowhere. We would be like the dwarf in the company of the giant in the fable. We will have to suffer all the consequences and difficulties that the combination may subject us to.

Article IV, Sec. 1, reads:

"The par-value of the currency of each member shall be expressed in terms of gold as a common denominator or in terms of the United States dollar of the weight and fineness in effect on July 1, 1944."

Linked as we are to the sterling I have grave doubts whether the ratio will be advantageous to us. We do not have the option as other countries have of determining the par value or the real exchange value. We have an artificial ratio. In regard to foreign trades and relationships with other members, we are circumscribed by over so many conditions. The Fund has got to decide all

these things. At page 23 the relation with non-member countries is given in article 11—'not to engage in, nor permit any of its fiscal agencies etc. etc. to engage in any transactions not to co-operate with a non-member etc. etc. , to co-operate with the Fund etc. etc. to prevent transactions with non-members etc. etc.'. There also the Fund comes in; and then in article 9 about status immunities and privileges—very few of them will be useful for us, situated as we are in this country. I do not want to take the House through several other items because we have no time and we have already threshed out this proposition. But I would suggest that, as these matters are very complicated, a standing committee or *ad hoc* committee chosen from among the members of this House might be appointed and these things put before them also. Two heads are always better than one, however intelligent that person may be; and so I would suggest with all respect and humility that these matters may be placed before an *ad hoc* committee, if the Honourable Finance Member agrees to the suggestion. I will comment on the other amendments that I have given notice of and leave it at that.

In amendment para. No. 3 I have said that the Honourable Finance Member should give an assurance that within the closing of the present session of the Assembly the Government will get sections 40 and 41, as also the provision for unlimited backing of Indian currency by sterling, of the Reserve Bank of India Act of 1934 modified. I only wanted to see that this is done early.

In No. 4 I say that further commitments should not be undertaken before they are considered by the committee and sanctioned by the Assembly. Of course I am aware that there is a clause saying that if these negotiations are delayed unduly it may be necessary for India to withdraw before the negotiations take place. But, as in the matter of the railway demands for instance, where they had the order to go ahead, they went headlong—it should not be like that. That is why we have put in paras. 4 and 5. We also want that further commitments should not be confined only to financial matters but must be extended to decisions and intimations of the par value of the rupee, and payment of subscription to the fund or bank. I would also like this to be placed before the Assembly after being placed before the committee, because the report does not mention that it will be placed before the Assembly also.

Lastly in para. 6 I suggest that the Governor, his alternate, the Executive Directors and their alternates in the bank and the fund shall be Indians approved by the committee. I mean by approved, such as the committee would think all right. There need not be formal approval or recognition by the committee, but such persons as we approve may be taken. I find that the Honourable Mr. Tyson agreed in principle by saying that Indians should be filling these posts. It is only we who can know where the shoe pinches, and therefore it is but right and proper that Indians should be there to represent our views in the matter.

In other respects I agree and I believe that the Honourable Finance Member will take these suggestions into his consideration when he replies at the end of the debate.

Mr. Abdur Rahman Siddiqi (Calcutta and Suburbs: Muhammadan Urban): Mr. President, after listening to the peroration of the Honourable the Finance Minister last night, I was hoping that we would have some better explanation of the attitude taken up by the Government of India regarding the International Bank and Fund, as related to the Sterling Balances. He wished well to his successor. I would like to ask him whether he is going to leave a legacy to his successor which will ruin him, not for three generations as an Honourable Member said today, but for 200 years, as an official somewhere in London or Washington or I do not know where stated to the correspondent of the Associated Press of America.

Before I come to the main topic, I should like to assure the Honourable Member who spoke on behalf of the European Group that when we went to

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help England and America in the war, we did not count the sacrifices we were going to make. Similarly, we are prepared to accommodate Great Britain in the repayment of the debt, provided that Great Britain plays the game by us. We do not want to be Shylocks, but we do not want to be fooled either. I remember, years ago a book was published from Bombay in which leading economists had given chapter and verse of the manner in which India had been looted and deceived by the worthy gentlemen in London, and I remember in the introduction to it very leading lawyers had said that if this case were presented by a set of English lawyers to a set of English judges, the case would be decided in favour of India. Once bitten is twice shy. We have been bitten a hundred times and our repeated shyness may lead to a total stoppage of our heart altogether.

I should like to know why India was dragged into the Anglo-American arrangement. I should like to know why in order to arrange their own affairs they dragged us in, and promised America things without consulting us. I do not know what our leaders of opinion have told the Government of India on those specific points; but it is fair in business that the party whom you are involving into this affair be at least consulted. The Honourable the Finance Member delights in coming to decisions at the last moment, and presenting us with *faits accomplis*. We signed this Bretton Woods Agreement at the last moment, and now India will go to pieces if his representatives does not go and sit round the table in Washington on a seat which India has got owing to the charity of the Union of Soviet Socialist Republics. We resent this kind of treatment. Yes. I admit that the political status of India does handicap us in our arrangements with many people in the world. I do not know what honour our original membership, as we are told, and what benefits, is going to bring to us. We know at last that England has to pay us £1,380 millions; but even after the great and magnificent speech the Honourable the Finance Member made yesterday he has not told us the amount of our share in the Dollar Pool. We have had some remarks made by the Honourable representative of the European Group about the benefits of convertibility but I feel that if for the coming ten years India concentrated on itself and the huge market its 400 million people give to us, we shall have done very well. Sir, the Committee has reported in an interim way. I am prepared to allow our representatives to go but I am very anxious that the Honourable the Finance Member and the Government of India should understand clearly and without equivocation that our understanding of this report is entirely different from his understanding of it. We are sending this representative or whatever official designation is given to him, just to watch on our behalf and come back and tell us how they are conspiring together to do us out of our legitimate money. The Honourable Member for the European Group spoke about the commercial aspect of the matter but questioned its moral aspect. Let me tell him, Sir, that in commercial affairs the two parties settle a transaction—together and accommodate each other. Here it was a positive loot. The Government of India made purchases at prices which they fixed. The Honourable and learned Doctor who spoke before me from this side was talking of billionaires and millionaires and multi-billionaires as he called them. He forgot the main aspect of the matter.

Shri Sri Parakase: He always does.

Mr. Abdur Rahman Siddiqi: It is not a question of millionaires and billionaires. This arrangement was not between millionaires but between Governments and here our political status again comes into the picture. The Government of India that came to terms with the Government in London did not consult us. How much billionaires have run away with we shall see to later on, but today I am standing here to ask the Honourable the Finance Member to tell us how he proposes to go about this business. We have heard enough. The representative will go to Washington. He will also bring us reports but in

the meantime it is impossible for us, who think in terms of our own poverty, how he is going to have this matter settled. America can give a thousand or two thousand, million sterling to England and the whole world. I stand at the other end because I am the poorest country. The liaison between Wall Street and Lombard Street should not undo us. They are very clever people. They will try to handicap us at every turn because Sterling Balances are not going to ruin India alone. Egypt, Palestine and other parts of the Middle East have also been roped in, and whatever people might think, I am of the opinion that behind this London-Washington combination there is terrible political mischief. By keeping us down financially these men feel that they will be able to continue their domination over us till eternity. Whether England will repay us in 50 years or 500 years is not the point. They have bled us white in this war in spite of the billionaires of the learned Doctor. The result is famine, disease and pestilence in the country. The worst of it is, that in spite of the termination of hostilities, the loot is going on and Sterling Balances are increasing from day to day. We have also talked a good deal of rehabilitation and reconstruction: 1,800 crores of rupees are being held back or scaled down and I am asked to rebuild India. In rebuilding India, the Finance Member is asking us to throw good money after bad: 250 to 260 crores of rupees to be thrown away on a possible Bank and Fund which may come to naught, if France, England and Russia decide to start another war. They did the same thing after the last war and even we in our humble way lost a good deal. Others also lost, I do not deny that. Every nation repudiated its debts. Are we going to enter the Bank and the Fund with our eyes open. I personally am of the opinion—let our representatives go and see what they propose to do about the future settlement of this world problem. Otherwise we shall be happy without their co-operation and without their assistance. We are going to spend, and I tried to calculate it as carefully as I could, almost a thousand to two thousand crores to buy heavy goods, to pay for the thousand and one things which we wish to import into this country. With that we shall give 250 crores to this International Bank and Fund without knowing how and when we are going to get our money. If England came to me and said: If you let this 1,330 million pounds go we shall go out of the country, I would purchase my freedom to set my house in order as I would like to do it even at the risk of losing that great amount. Whether it will be done or not, I do not know. I do not wish to question the intentions of anybody but where I am interested in is—I want the money now. If you pay it to me in 50 years, how shall I rebuild my country? Shall I suffer more famines, more plagues, and more diseases till then? If the world has taken a turn for the better, India has got to get some benefit out of that. Here I wait in the ante-chambers of the great, and a Lord Keynes or a Hugh Dalton or the Secretary of the Treasury in Washington decide—let us bleed India a bit further, let us bleed Egypt a bit further. This is neither fair nor honest. We supported you in your time of difficulty. Help us to rebuild our country with our own money. Our people need every pie that we can possibly lay hands upon. These dilly-dallings, and sending of representatives will not help.

The Honourable the Finance Member has not been able in 24 hours to find out who the British officials were. Being a journalist myself, I am satisfied that a newspaper correspondent would not utter such a terrible lie as the Honourable the Finance Member would ask me to believe. There may be minor expressions to which he may take objection but I should request him to find out who this wretched correspondent was and who were the great people he saw or whether this is a fiction of the correspondent's own mind. What I was trying to impress upon you was that if he cannot get a reply from London on this small question, I very seriously doubt whether he will be able to induce London to tell him something about more important questions. He has committed us to the Bretton Woods Agreement. He has committed us to this Board on which our men will go and sit and then when things come to a finality, this House India and the Government of India will open their eyes and find

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that they have been committed to throw away this good money after bad without the slightest hope of regaining our debts.

Mr. Vadilal Lalubhai (Ahmedabad Millowners' Association: Indian Commerce): Sir, if the Assembly is not today deciding to withdraw from Bretton Woods, it is due to two reasons: firstly that we should not precipitate matters or embarrass the U. K. Government at a time when they are negotiating a loan with U. S. A. The other reason is that as yet there has been no official pronouncements saying that these sterling debts will not be paid. Rather, I would refer to the famous pronouncement of Lord Keynes in which he says, "when the end is reached, and we can see our way into daylight, we shall take up without any delay to settle honourably what was honourably and generously given". I hope this promise will be fulfilled. No doubt there would be various points of view in every country and some would say that the sterling balances may be scaled down, some would say that they must be paid, but this is an authoritative statement and so long as there is no other authoritative statement, we should not disbelieve it. The sterling balances have accumulated. We know how they have accumulated. India has paid heavily for it. Millions of lives have been lost, India has suffered economically and all kinds of privations. The other part of the sterling balances, includes the dollar pool to which we have contributed very handsomely. We were told that the dollar pool surplus in our account would be about 49 crores. I am surprised at these figures. I do not know whether this figure also takes into consideration the following:—the expenditure of U. S. A. Government in India, up to March 1945 and according to some authoritative calculations these expenses had gone up to about \$490 million. Further the expenditure of U. S. A. armed forces in India had mounted to \$300 million, probably more. But our figures would come to about \$950 or even a thousand million dollars. I should like to know whether these figures also were taken from the Reserve Bank. The Reserve Bank figures would only give an account of export and import trade

The Honourable Sir Archibald Rowlands: I can answer that at once. They all were taken into account.

Mr. Vadilal Lalubhai: I am really surprised because the expenses in India of the U. S. A. army personnel were very heavy as my Honourable friend Mr. Manu Subedar said this morning. In a way the other point in the accumulation of sterling balances is the amount that India had to bear after the V. J. day and that was about 300 crores. As soon as the V. J. day was declared, America formally stopped all Lend Lease. Did the Government of India tell the British Government, that the time has now arrived when India could not bear any more sterling balances? If U. S. A. had told the whole world, if a country like U. S. A. whose standard of living is very high as compared to India which has been bled white in these days when inflation has run riot, if U. S. A. can stop Lend Lease, why did not the Government of India do the same and tell England that she cannot bear any further accumulation of sterling balances. The inflation in this country is responsible for increasing the cost of living to about 260 per cent. whereas the cost of living in England has gone up only to 124 per cent. When accumulations began to be made in the sterling balances after the V. J. day, this Government ought to have told the British Government that we will not tolerate any more addition to the sterling balances. Now, Sir, I would refer to how U. K. behaved towards U. S. A. in the early part of the war. When England wanted equipment from America, America would not give it to her unless U. K. paid for it in cash and so the Cash and Carry legislation came into being. The next thing that came into being was disinvestments of U. K. investments and when these investments of U. K. in U. S. A. came to an end, then came the famous agreement of leasing several strategic islands to U. S. A. and after that the Lend Lease arrangement came in. A time arrived when U. K.'s foreign holdings had gone down to \$

million pounds. Opportunity was again taken to increase these gold and dollar holdings and they came up to 453 million. So, England has collected quite a good amount of the gold and dollar investments that they had lost. If the Government of India was a truly responsible government, if the Government of India had the interest of India at heart, then the Government would have done the same thing before lending any money to England. My Honourable friend Mr. Tyson said that no case had been made out for the transfer of British interests. I am surprised at this. If no case had been made out in this country, then how was it made out in U. S. A.? Why did U. K. pay cash and even leased out her strategic islands? Now a Britisher comes here and says that no case had been made out, and we are not going to part with our investments in this country. The British investments, according to various estimates would amount to 500 million sterling roughly and that is the pre-war figure. Under the present inflated price, it would be certainly higher. We can certainly demand all this because the standard of living in this country is extremely poor as compared with that of England. The average *per capita* income in England is, I understand, about Rs. 980, while in this country it is Rs. 65, or rather used to be before the war, and there is not much of an increase now. So the difference is fifteen times. Far from the sterling balances being scaled down the poor people cannot even wait. India is a poor country and requires a great deal of industrialisation. In this connection I will refer to what Mr. Attlee said in the House of Commons on the 27th February: He said that: "Britain's target for the total value of export in 1946 was 750 million pounds. The total value of exports in 1944 was 256 million pounds while in 1938 it was 470 million pounds. The exports for January were 57 million pounds."

So that by the end of this year Britain's exports would be nearly double the figure of 1938 and nearly three times the figure of 1944. At a later stage Mr. Attlee said that there is no going to be enough labour available to the industries in England. He asked industry to beware and give good wages, failing which there would be a labour shortage. That shows how much the British Government is planning ahead. Within a few months their exports will go up by 50 per cent. and in another few months they will go up by 100 per cent. England is thinking of improving her own standard of living although she has a creditor who was bled white in supplying these amounts to her and is not thinking of India which helped her so much in the past years. The proper thing for England to say would have been that as she is improving her production she would also give capital equipment to India and help her industries. If she had said that we would have no cause for suspicion; but there are factors which make us suspect that these sterling balances may not be paid in full or if paid at all may be paid too late. England may let India down but she cannot afford to do it. In these days of atom bomb every one feels that the third world war is coming, and then not only England but also the U. S. A. and other European countries will require India's goodwill.

In the Bretton Woods Agreement there are clauses for a loan from the Fund. You can get a loan of 200 per cent. that is about 30 crores of rupees per year. In the Bank also there is a clause for getting short currencies. We can also negotiate private loans. But we have been told that capital equipment is not going to be available. The Finance Member said yesterday:

"Indeed I would go so far as to say that for a number of years to come the main consideration will not be the availability of exchange but the physical capacity of the two main exporting countries to meet the demands of a war-shattered world."

We see that England is going up by leaps and bounds in her export and industrial policy and if capital equipment is not made available to us there is no use in our staying in the Bank or in the Monetary Fund. If that comes about India will have to ask not only the U. K. and the U. S. A. but also the smaller countries of Europe like Belgium and Czechoslovakia what they are likely to give us for our industrial requirements. Unless we plan ahead we will be in difficulties. This Government has not planned anything. What England has done and is planning further to do we see in Mr. Attlee's speech.

The Honourable Sir Archibald Rowlands: In England it is industry that does the planning.

Mr. Vadilal Lalubhai: Yes, you ought to do it. Mr. Manu Subedar suggested that. We ought to have properties here and there also. That would be a right and honest policy for England to follow. She is increasing her exports rapidly and if we are not satisfied that within five years this is what we are going to get, then India perhaps may have to go on an isolated economy. We will have to plan our small scale industries and whatever large scale industries we may have will have to be from our own resources here and by the help that the other countries may give. But we will have to decide now. What I am afraid of is that England is planning to give us a lot of consumer goods. The time has gone when any country would be satisfied with consumer goods dumped upon her. India will have to decide what consumer goods she will produce through her small scale industries. To fritter away our sterling balances on consumer goods would be suicidal.

[At this stage Mr. President vacated the Chair which was then occupied by Mr. P. J. Griffiths (one of the Panel of Chairmen)]

Dr. Sir Zia Uddin Ahmad: What kind of goods would you like to import?

Mr. Vadilal Lalubhai: Capital goods and agricultural machinery. Lastly I will come to the point of exchange ratio. There are several points which clearly show that there has been a great deal of inflation in this country. The cost of living has increased in various other countries, but the rise in India has been the highest. I will give comparative figures with regard to some of the countries: In the United Kingdom, the cost of living has gone up from 100 to 124. In the United States, the cost of living has gone up from 100 to 147. In Australia, the cost of living has gone up from 100 to 112. In India, the cost of living has gone up from 100 to 260.

Dr. Sir Zia Uddin Ahmad: Who is responsible for that? Your textile mill-owners.

Mr. Vadilal Lalubhai: All of us together. It is the sterling balances. It is this inflation which has created this rise. If you study the havoc which inflation caused in the last war, you will realize that the main mischief is done by inflation. Sir, if the cost of living does not either go up in other countries, or it does not go down in our country, we will have very shortly to ask for devaluation of the rupee. If the cost of living in all countries is the same, then you keep the rupee at this price, but if the cost of living has to stay at such an inflated position, there would be no way out for India but to ask for the devaluation of the rupee.

Dr. Sir Zia Uddin Ahmad: Or raising the purchasing power of the rupee.

Mr. Vadilal Lalubhai: Do it anyway.

Dr. Sir Zia Uddin Ahmad: No, it is the reverse.

Mr. Vadilal Lalubhai: Sir, I would again say that under these circumstances we ought to be certain as to what are the intentions of the United Kingdom Government and how rapidly they are going to pay us our sterling debt. If England goes in for producing more capital equipment, this country would certainly have it on reasonable terms, but if England wants to dump consumer goods in this country, we will say "Thank you for your consumer goods, keep them yourself."

Sir Cowasjee Jehangir: May I be allowed with due respect to congratulate the Chairman and Members of this *ad hoc* committee for the most realistic report they have presented to this House. And may I also say that we have to congratulate ourselves. I must admit, Mr. Chairman, that I was a little anxious as to what the report would be, but that anxiety has been completely allayed by—I will repeat the words—the most realistic attitude of every member of the committee.

The main issue in this Report is whether this country should continue permanently to be a Member of the Bretton Woods institutions, or
 4 P.M. should immediately dissociate itself from these institutions, and immediately resign, or, the third alternative is, should we postpone decision for a little longer. It was quite evident to anybody who had taken the slightest interest in this most important question, that if ever postponement was necessary on any issue, it was on this.

The very able non-official members—Indians—who went to Bretton Woods have placed before us their views. They as well as Sir Jeremy Raisman have told us clearly that Bretton Woods is tied up with the question of our sterling balances in England. They tried their very best to see whether the machinery of these institutions could be used to settle this very important question. We find that they were not successful. Therefore, to contend that the two issues of India being a member of the Bretton Woods institutions and the sterling debt are two completely separate issues, is not a contention which I can accept. A few months ago I would certainly have been very strongly in favour of putting up a fight to come to some decision with regard to sterling balances. Today, England is not in a position to discuss this question. . . .

Sardar Mangal Singh (East Punjab: Sikh): Not even discuss.

Sir Cowasjee Jehangir: Yes, not even discuss this question. England is in a very delicate position herself *vis-a-vis* America.

Mr. Manu Subedar: When will she deliver?

Sir Cowasjee Jehangir: They are considering the question of an important loan, and until that loan is sanctioned by the Legislatures of America, England is not a position to discuss this question. Let us admit, for the sake of argument, England's complete *bona fides* with regard to the money that she owes to India. If she today opens her lips to inform us that she is prepared to pay on certain conditions provided she gets this loan, she would definitely prejudice her case. She has many enemies in America and any statement made by the British Government would, I feel sure, adversely affect her interests in America. At such a time, therefore, to press for a discussion on this question would not be wise, and, therefore, do I say that the Committee have faced realities in asking for a postponement of the consideration of this vital issue. Sir, there is a saying in my language which when translated means

Dr. Sir Zia Uddin Ahmad: Say it in your language first.

Sir Cowasjee Jehangir: *Chhalkama Hath avi jay to kar vale kudhi Lero.* It means: if you get your hand into a trap, you have got to take it out with skill and tact. If you rush matters and pull it out, you will only hurt your skin and flesh; if you take it out with tact and discretion, you will get it out successfully.

Mr. P. K. Salve (Nagpur Division: Non-Muhammadan): Do you suggest that the sterling debt was a trap?

Sir Cowasjee Jehangir: I think my Honourable friend did not understand the story which I have told, and he does not understand what I am trying to impress upon the House. When a business man gets into a difficult position, and there are many business men in this honourable House

Shri Sri Prakasa: Who get other people into a difficult position?

Sir Cowasjee Jehangir: . . . many who do not profess to be business men but have business instincts—know when they are in a difficult position that good faith, patience and above all tolerance play a great part in ultimate success. You may be a very powerful creditor but if your debtor is in difficulties you have got to feed that debtor to keep that debtor on his feet so that that debtor may ultimately pay you the monies he owes you. If you force the pace you are sometimes more likely to lose your money and get into trouble than to

[Sir Cowasjee Jehangir]

succeed. I am all for forcing the pace when my monies are in jeopardy and when I know that by forcing the pace I will succeed. But I am against that policy when I conscientiously believe it will not end in success.

Shri Sri Prakasa: Let us get out of Bretton Woods!

Sir Cowasjee Jehangir: Now there is no one in this Honourable House who will contend that we should let a farthing of our loan go. There is no one in this House who will contend that we can afford to let it go. Yet it is most regrettable that there are men of influence, men of knowledge, who, in England, have tried to argue that the monies they owe us are not a proper commercial debt. We all know how the sterling balances were built up. If we had not allowed those sterling balances to be built up as they were, we should not have been able to assist in the war as we did. After we have allowed those sterling balances to go up with our eyes open, knowing very well that we are doing it in order to assist in the war, I do not really think it is wise of those in England and in this country to try and argue that this loan is anything else but a commercial loan to be repaid, as has been explained and as has been said, as an honest debt, honestly incurred and honestly to be repaid. I therefore, Mr. Chairman, do not desire at this stage to go into a number of issues that have been raised on this report which might well have been discussed and I am afraid will be discussed again during the days of discussion that are before us on the general budget and the Finance Bill. I will conclude, by saying, forgive me for repeating it, but I think it is very important, that we have to congratulate ourselves on having as Chairman of this Committee the Finance Member and on having as its members men of the calibre we did have who were able to realize our position and to guide us in the way they have.

Sri M. Ananthasayanam Ayyangar: I am extremely obliged to the Honourable Member who spoke just before me for the compliments

Shri Sri Prakasa: He spoke before us all!

Sri M. Ananthasayanam Ayyangar: he has paid to the members of this Committee and the Chair. So far as the present issue is concerned and the stage at which these negotiations are and the report that is laid before the House, the matter is simple. The resolution that was passed in this House consisted of three parts. The first part was condemnation of the Government of India in having joined the international fund and the international bank over the head of the Assembly without consulting it. That was passed. It is no longer a live issue and we condemn the Government. The second portion of that resolution is that a Committee should be appointed of representatives of this House to advise the Assembly as to whether it should continue to be a member of the Fund and the Bank. The third portion was pending consideration of this matter by both the Committee and the Assembly, no further commitment should be made by the Government of India in regard to the Fund or the Bank. The commitments are, as I may immediately tell you of two kinds. One is in the manner of sending representatives to the Fund and the Bank by sending a Governor and an alternate and Executive Directors and alternates for the administration of the fund and bank. The second is a financial commitment of a more serious nature: settling the part value of the rupee which has been all along linked to the sterling. Also the more important one is subscription to the Fund and the Bank. We are committed if we become members and continue to function in it to pay to the fund and the bank to the tune of Rs. 266 crores and there may be further obligations also. But it is with respect to that we have been asked to advise. We are not yet in a position to come to any conclusion with regard to either of these. There are points in favour of continuing and equally good points for getting out of this fund and bank. One outstanding consideration which we placed before ourselves before we got into discussion as to whether it is desirable or not to continue as members of the fund or bank

was, how far we are going to get back the sterling balances, which stand to our credit to the tune of 1,800 million pounds, equal to Rs. 1,800 crores. Honourable Members might ask me as to how this is a matter which is relevant to the issue.

Shri Sri Prakasa: Can you imagine this amount of money!

Sri M. Ananthasayanam Ayyangar: As my honourable friend, Mr. Prakasa, asks me, certainly if I cannot go up to Rs. 1,000 it is impossible to come up to Rs. 1,800 crores.

An Honourable Member: It will fill up the House!

Sri M. Ananthasayanam Ayyangar: I can give him an idea as to the scope of this amount. Before the war our favourable trade balance was on an average of the tune of Rs. 50 crores. We started with Rs. 50 crores 75 years ago. The favourable trade balance rose to the peak in 1929, to Rs. 150 crores. Thereafter from 1929, owing to slump all over the world, it came down in 1933-34 to Rs. 3 crores. From that time it went up to Rs. 50 crores in 1939. The war conditions have upset the balance of various countries but so far as we are concerned, the war has been in our favour. At the rate of Rs. 50 crores a year, I will ask you to calculate whether it will not take generations to accumulate Rs. 1,800 crores. At the rate of Rs. 50 crores a year, if we go on exporting our articles, in two years we get Rs. 100 crores. In other words it will take something like 36 years to accumulate the sum of Rs. 1,800 crores. That is the amount at stake. You may ask us how this amount accumulated. It accumulated during the period of the war from 1939-45, in about five years, partly by our favourable trade balance but mostly by our supply of provisions and articles required by the allied armies in this country, in the Middle and Far East and elsewhere. For supplying the allied armies provisions and whatever else they wanted we had to pay for all that, we received in sterling. This amounted to nearly 350 crores this year. It amounts to 250 odd units next year. That is what we will have to spend over the U.K. army in 1946-47. There was a financial arrangement that was entered into by this country with the United Kingdom. The arrangement was set out in the Honourable the Finance Member's budget speech yesterday. It consists of three parts. The first one is that India must bear the cost of its own army and the operations of this army within its own territory. So far as the United Kingdom army is concerned and for Indian army outside India, India must advance and recover the money advanced for their operations in the East. The amount that constitutes the major portion of the sterling balances is the amount that we advanced for the U. K. army and which we have to recover from the United Kingdom.

Sir Cowasjee Jehangir: Russia paid in sterling too.

Sri M. Ananthasayanam Ayyangar: It is not exclusively. The credits that we have accumulated on account of our trade with foreign countries, along with advances for the army, has accumulated to 1,800 crores. We do want that that amount should be repaid.

Let us take the other side of our sinews. During the war our country has gone into a debt to the tune of 1,178 crores purely for purposes of the war alone. Before that there were debts which had accumulated to the tune of 800 crores. Now in all, if I am not incorrect, 2,000 crores are the debt which this Government owes. That is, on the credit side 1,800 crores are due to us and an equally large sum is due by our Government.

The Honourable Sir Archibald Rowlands: India's external debt has been practically wiped out.

Sri M. Ananthasayanam Ayyangar: Then who do we owe it to?

The Honourable Sir Archibald Rowlands: You are referring to our internal debt.

Sri M. Ananthasayanam Ayyangar: That is the debt due by the Government of India.

When that is so, should we not be thinking of our rehabilitation programme after war. I am much obliged to my Honourable friend for the first paragraph in his budget speech yesterday, wherein he said that in the war outside we have succeeded and there is a war inside, the war of plague, famine and pestilence against which all our sinews and all our energies have to be directed. I am much thankful to my Honourable friend for the opening remarks in his speech but I was sadly disappointed with respect to the concluding part of his speech. No provision has been made for this war. It has been ignored. He has expatiated too much upon it but he has left it to the members of the Assembly and to the public at large to find out ways and means. Is it not necessary for us to rehabilitate ourselves?

The Honourable Sir Archibald Rowlands: Sir, is this not becoming a discussion on the Budget?

Mr. Chairman: The Honourable Member's remarks should be directed to the Bretton Woods Agreement.

Sri M. Ananthasayanam Ayyangar: I referred to it only to show how in this country the getting back our sterling balances is connected with our rehabilitation and is necessary. England is making every attempt to rehabilitate herself first by entering into the Fund, and then by getting a loan from the United States of America. I would not quarrel with the United Kingdom if both at Bretton Woods and in the U. S. A. loan agreement they had not referred to India at all. On the other hand this matter came specifically before Bretton Woods Conference. Our delegates raised this point that it should be one of the objects of the monetary fund that the old war debts should be paid off—the debtor countries should be allowed to take a portion and pay for the war debts. That was opposed by the United Kingdom delegation; though, to save its own face they tried to give something like a sop and told us that the debts would be honourably discharged. So far as the United States Loan agreement is concerned, which is now on the anvil before the Congress it is improper on the part of the U. K. Government to enter into clauses 10 and 6. Clause 10 consists of three parts. My Honourable friends read one portion and not the others. It is something like the seven blind men of Hindustan touching separate portions of the elephant's body and coming to the conclusion that they alone were right and that that was the nature of the elephant's body. This clause consists of three parts—the U. K. undertakes before a recent creditor—we have been old creditors: 1,800 crores are due to us. The U. S. A. is the prospective creditor—I am much obliged to my Honourable friend for the correction. The United States has not yet lent—it is going to lend only about £1,000 millions, and for that it has entered into an agreement that it would scale down debts. That is clause 10(3). Some portion of it it will pay to its creditors in free currency; and with respect to the balance it will have it funded and pay in instalments over a period of years. All three clauses are there. My Honourable friend Mr. Manu Subedar is not wrong—he is certainly right. Why should the U. S. A. which comes in later be given any preference? We have been waiting patiently expecting that England would make arrangements both in the fund and otherwise. So far as the present loan is concerned, not a pie of this loan would be allowed to be paid in discharge of the debt due to us. How then is England going to pay our dues? Is that not a pertinent question to ask? We have been waiting all along. We have been expecting to rehabilitate ourselves. What is the object of this fund? The fund is more a liability today than an asset for us. My Honourable friend has to find immediately Rs. 266 crores: or in any case 132 crores now for subscription to the fund. Where from does he expect to raise it? I shall not be irrelevant if I refer to his speeches where he says that so far as the payment of subscription to Bretton Woods and to the international fund is concerned, he will devise ways and means. Already he has borrowed enormously. We know well that in his financial statement made

yesterday he has not provided for this. He has not raised sufficient taxation for paying this from the general revenues. It would be wrong to do so. Therefore it must be capital expenditure and he must borrow in the open market. My friend shakes his head. Evidently he has got something up his sleeve—I am waiting to hear from him. Is it not legitimate, if he agrees with me, that I should ask for the 1,800 crores due to me from the United Kingdom? I have to pay money by way of subscription to Bretton Woods and the international fund and I say "Come along; pay me some money and I shall pay it to the international fund." I do not ask even for a guarantee

The Honourable Sir Archibald Rowlands: We have the sterling but I shall borrow the rupees necessary from the Reserve Bank.

Sri M. Ananthasayanam Ayyangar: I will have to give it in rupees now. I will have to pay the subscription in terms of gold; the balance is in terms of rupees. You have to raise it in open market. My Honourable friend certainly cannot agree in every point that I have made. Therefore he says that we should leap with both arms into the fund. I have become a creditor country from being a debtor country but it is a question of "Water water everywhere, but not a drop to drink." What is the good of this? I can please myself by thinking that the United Kingdom from being a creditor country has now become a debtor country to me and that I am in a superior position and that I am free financially and economically and I can please myself with paper currency. That is how the matter stands; but so far as repayment is concerned, he does not say a word. We do want an assurance to give to us. So far as he is concerned, my honourable friend has very pleasant manners and he conducted himself extremely well in the committee; we were disarmed on account of his smile; but what he did is not much, though his intentions may be good. My Honourable friend, Mr. Manu Subedar, to whom we owe much of the instructions that we had and the light he threw upon the various topics. We are enormously obliged to him and we must admit that he has contributed enormously to this and I am sure with his able guidance we will be able to rise from step to step and ultimately we will be able to recover this amount and also make some useful contribution to the advice that is to be given to the Assembly whether it is proper that we should continue or not. He is an economist of repute and he is still continuing his knowledge up to date; we are only laymen and therefore if any encomiums are paid, they are firstly due to him, and by being in his company we also shine like moons. My honourable friend Mr. Manu Subedar first raised the question as soon as he came. Being a merchant prince he knows where the shoe pinches: he put the question whether the question of repayment of sterling balances would be tackled there or not; and he wanted the Finance Member to ascertain from the United Kingdom government whether they are prepared to give an assurance to that effect. They need not start negotiations immediately. But the correspondence that has taken place between His Majesty's Government and the Government is a closed picture, a secret; and it is only with regard to these papers that my Honourable friend wanted to know what that correspondence was

The Honourable Sir Archibald Rowlands: Wait a couple of months; you will see them all.

Sri M. Ananthasayanam Ayyangar: We have been waiting for 150 years and a couple of months is not going to damage our country very much further. Even if you do not pay and dishonour the debt, every year our crops grow—though owing to sun spots there may be a famine in this country now—but you are not going to take away the Ganges and other rivers; and our annual crops cannot be taken away. All the debts may not be paid—I am not accusing my Honourable friend, but that is the position. I am only asking as between the United Kingdom and ourselves, allow an independent tribunal to be appointed to find out who has become more shattered on account of this war. There is more credit on my side, but the whole nation has gone to the wall. All our

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assets have been overworked; men have been overworked and men are starving today. Is that the position in England today? If you have a fund you do not allow it to be drawn upon by me. If you take a loan, you do not repay me. Is that proper? I do want an assurance. If my honourable friend, Mr. Manu Subedar asks for it, does he ask for the capitalists whom he represents? I am extremely obliged to him for the manner he has conducted himself. He has never shown himself to be a protagonist of the capitalists but has identified himself with the mass of the people here. I was sometimes surprised to find how he was rather inclined to lean to the other side in favour of the people of the country, himself being a capitalist. Therefore, no such charge can be levelled against him. My Honourable friend, Dr. Sir Zia Uddin Ahmad—unfortunately he is not in his seat now—makes a mistake and sometimes he makes some confused statements. I am not making any remark against him—he is fully qualified, he is an eminent doctor of mathematics—not of medicine. There is no quarrel between us; but he is unfortunately raising certain other issues: if we get back the money it is a matter for us as to whether the agriculturist should be supported in preference to the capitalist or the industrialist. After all the industrialists want only 350 crores; and after deducting it from the 1,800 crores, he can spread the rest, 1,500 crores, over all the small men, the cottage industries, the agriculturists and every other person here. Therefore there is no quarrel amongst us. I do not raise any distinction. But we must persist and see to it that when the ministers come here they must have it dinned into their ears that we are more concerned, that we have exhausted our sinews, that the whole country is now absolutely worn out and that we want this money for rehabilitation purposes. England has not suffered so much, though on paper it may appear so. They have grown in weight. And not only the persons in England; but those English gentlemen who were in India during the war have escaped the troubles of the war. But I am talking of the heroes in England who fought the war: they have grown in weight and health during this period of the war. Therefore, Sir, unless that assurance is given we want to get out. We have submitted an interim report. We do want this Committee to continue. Mr. Truman, President of the United States has appointed a council to advise him from time to time as regards the progress of the Fund and a similar request is made here.

That is all that I have to say at this stage. I need not go into further matters as to how these sterling balances should be liquidated.

Shri Sarat Chandra Bose (Calcutta: Non-Muhammadan Urban): Sir, I congratulate the members of the Committee on the Bretton Woods Agreements, on the unanimity which they reached in submitting their interim report to this House. Those among them who represent the major parties in this House have demonstrated that party alignments cannot and will not be allowed to stand in the way of an agreement, where the interests of India are at stake; and I hope, Sir, that when the time comes for us to take our final decision, they and the parties they represent will demonstrate once more the inherent and essential unity and indivisibility of India in her opposition to the reactionary forces in the United Kingdom and elsewhere. Sir, I do believe in unanimity but I do not make a fetish of it. And speaking for myself, and for the party which I have the honour to represent in this House, I shall say that where the interests of India demand, we shall not hesitate to be and to find ourselves in the minority. For we know, and history teaches us, that all great movements in the world have begun and, if I mistake not, will always begin in the minority of one.

Sir, in considering the terms of the interim report before this House, we cannot afford to forget the circumstances under which the sterling balances which are due to India accumulated in the hands of the United Kingdom. Goods and commodities belonging to India, which are now represented by these sterling balances, were taken from India during the war, which was in no sense India's

war and were, in fact, taken without her consent. They were taken at a time when the civilian population of India was greatly in need of them and had, in consequence, to undergo very great privations. In those circumstances, to treat those debts lightly would, to my mind, permanently destroy the basis of fair dealings and good relationship between one country and another and would also, I think, imperil the negotiations which are going to be initiated by the British Cabinet Mission. As far as we know the British Cabinet Mission is coming out in a few weeks to this country. I would like to give a warning in this connection to propagandists in and outside India. I would tell them that to institute comparisons between loans from the U. S. A. to the United Kingdom and the sterling debts due to India would be nothing short of a cruel joke. We all know today that the United States of America is the richest country in the world and India the poorest. To the United States of America, the Anglo-American loan represents, if I mistake not, only about 9 days' cost of the war. To India, the sterling balances due to her represent 17 year's net income of the Central Government. So, the importance of repayment of the sterling balances due to India cannot possibly be exaggerated.

I should also like to remind the House in this connection that a mischievous and insidious propaganda has been going on for some time past in order to deprive India of this money and the excuse put forward is that India has had and will have many political concessions and that India has benefited during the war. What benefit India has derived from the war we Indians know; and I should have thought that it was time that propagandists in India and outside realised that it was no use carrying on their nefarious propaganda any more. It will not do for the Honourable the Finance Member to say that the report cabled out by the Associated Press of America, a few days ago was mere sensation-mongering. That report very clearly states the attitude of certain British officials, unnamed though they may be. I should have thought that, if the report was mere sensation-mongering, His Majesty's Government would have been the first to protest against the report and declare in clear and unmistakable terms that every word of that report was untrue. That has not been done up till now.

Sir, on behalf of my party, I accord my support to the interim report for the time being because, for one reason, the Cabinet Mission is coming out to India within a few weeks. Some of us, at any rate, expect that the Cabinet Mission will be prepared to deal with this vexed question here in India and in our presence. I hope they will not tell us that they are not prepared to discuss it. If they do so, we shall know what to do.

I would like to say in this connection just a few words on the supplementary note which has been signed by members representing my party. I do accord my wholehearted support and the support of my party to every word they have said in their supplementary note. I wish to stress the words they have used in their note, the words being:

"Apart from India's membership of Bretton Woods Institutions, the question of amending the Reserve Bank Act, 1934, has assumed very great importance as there is a continuous addition to our sterling balances."

I know that the Honourable the Finance Member has expressed a desire to amend at some future date certain sections of the Reserve Bank of India Act, but I do wish to impress upon him the importance of making those amendments with the least possible delay.

Sir, I am at the present moment racing against time and I do not want the Honourable the Finance Member to nourish the grievance that I have not left him time to give an adequate reply to the numerous points which have been raised in the course of the speech made this morning by my Honourable and learned friend Mr. Manu Subedar. I shall conclude with just a few observations.

Mr. Chairman: The arrangement is that the Finance Member will reply at 4-45 p.m.

Shri Sarat Chandra Bose: I am well aware of that arrangement.

It is time for us to remind His Majesty's Government,—it is also time for His Majesty's Government to remind themselves—that India's economy cannot any longer be tied to the chariot wheels of Britain's economy. I hope that, whether in the matter of repayment of the sterling balances or in the matter of the other issues that arise out of the interim report, they will always bear in mind this, that India is determined to come into her own, politically and economically. I look upon this interim report as one more opportunity given to His Majesty's Government to do justice to India. The interim report gives His Majesty's Government a *locus poenitentiae*. It is for His Majesty's Government to avail themselves of that opportunity. If they avail themselves of that opportunity, well and good. If they do not we shall go our own way.

The Honourable Sir Archibald Rowlands: Sir, I do not think I shall need a quarter of an hour as I shall have many opportunities in the course of the next three weeks of dealing with the points that have been raised today. My friend Mr. Manu Subedar obviously enjoyed himself and I do not grudge him his enjoyment for an hour and a quarter. He wandered over the whole scene, political, economic and financial—from Peshawar to Cape Comorin and from China to Peru. I think there was very little that he did not touch, on, except that I was half expecting him to refer to the question of bulls, about whose fate he was inquiring so tenderly yesterday. I give him an answer today and tell him that they were locked in mortal combat with the bears in the bullion market in Bombay; and today I expect they are as busy as ever.

I do not for a moment underate the importance to India of the issues that have been raised and I yield to no one in this House in my support, so long as I am here, of the Indian case relating to the sterling balances and cognate subjects, but this is outside the narrow and limited point on which the House is asked today to pronounce today. The view is merely this—should the House accept the recommendation which involves the rescission of the second amendment moved to my original motion of January 28th; the one moved by my friend Mr. Ananthasayanam Ayyangar which prevented the Government taking any further step in the matter of the Bretton Woods agreements. What this report recommends is that Government should be allowed to take one small further step, that is, to appoint a Governor to attend the first meeting of the Boards of Governors to be held in the first week of March in Florida—with instructions that that the Governor on his return, should give a full report to the committee who will thereupon render a further report to the House. The Committee remains in being in order to keep in touch with the situation and will, as and when necessary, report to the House again. That is really the only issue before the House today, but all kinds of other issues have been raised and a much wider field has been covered in the course of the debate. I am not proposing to reply in detail to Mr. Manu Subedar, because, as I say, I shall hear this speech as parts of it in several other speeches many times in the course of the next few weeks. I am very grateful to him, since he has been good enough to give me notice in advance of his arguments and although I could have dealt with most of them, to-day. Anyway, Dr. Sir Ziauddin Ahmad and Mr. Tyson dealt with a great number of the points raised by Mr. Manu Subedar and I do not propose to go over the same ground again. I propose only to deal with one question asked by Mr. Tyson, and the questions raised by Mr. Chari, Mr. Tyson asked me why it was that I thought it necessary to amend sections 40 and 41 of the Reserve Bank Act, 1934, if we adhered to Bretton Woods. The reason is this. Under the Bretton Woods scheme, every Member has first to express the par value of his own currency in terms of gold or dollars. It has the right to apply to the Fund, to vary that par value and, in case of variation of over 10 per cent., it has to persuade the Fund that it is necessary. Now, Sir, at the moment the par value of the rupee is expressed in terms of sterling.

roughly, 1sh. 6d. to the rupee. If, in the future, the U. K. would like to vary its par of exchange as originally notified to the Fund, by more than 10 per cent., it will have to get the approval of the Fund. It might not suit India, at that time, to vary its own par value by more than ten per cent. or even vary it at all. So long as India is tied to sterling, it really could not carry out its obligations to the Fund, or it might be driven to take action which at the time might not be regarded as in the interest of India. I hope that this is clear to my Honourable friend Mr. Tyson.

Mr. Geoffrey W. Tyson: Yes.

The Honourable Sir Archibald Rowlands: Then, Mr. Chari and Mr. Reddiar originally tabled an amendment, but it was not moved; Mr. Chari referred to the substance of those amendments in the course of his remarks.

The first amendment was:

"That India shall be entitled to withdraw from the Fund and the Bank even in case she is unwilling to shoulder any financial commitments in the absence of a satisfactory solution of the sterling credits."

The answer to this is that India is free to withdraw at any time by merely sending a letter saying that she wants to withdraw.

Sri R. Venkatasubba Reddiar (South Arcot *cum* Chingleput: Non-Muhammadan Rural): The report contains the word 'unable', it does not say 'unwilling'.

The Honourable Sir Archibald Rowlands: The answer is the same, in either case.

The second amendment is:

"That India should not only welcome but positively ask for an early and authoritative reassurance by His Majesty's Government regarding the repayment of sterling credits and in any event not later than 30th June 1946."

There is no harm in asking again. I shall ask and I propose to acquaint His Majesty's Government with the proceedings of this debate. I am not quite sure what is in the Honourable Members' minds, if an assurance has not been given by the 30th June 1946. Anyway, I anticipate we shall have negotiations before then.

Sri M. Ananthasayanam Ayyangar: Will the Honourable Member communicate that we do want a reassurance.

The Honourable Sir Archibald Rowlands: Of course, I shall.

The next amendment relates to the modification of sections 40 and 41 of the Reserve Bank Act. It has also mixed up with another issue namely the backing of the note issue in the Issue Department of the Reserve Bank. Well, Sir, as I said, if India remains in Bretton Woods, it will have to amend the Act. If it does not remain in, it can still amend it, but it is a highly complicated problem. What is in fact should we do next? At the moment we do know what the anchor is to which the external value of the rupee is linked. If we amend the bit, we have got to decide what monetary reserves we shall have, what form they will take and so on. Anyhow it is not a question, which could be settled on the floor of the House this afternoon. I am quite prepared to discuss it with the Committee at a later stage when I have examined further with the Reserve Bank the implications involved in merely cancelling these two provisions. We obviously should have to put something in their place.

The next amendment is:

"Further commitments should not be taken before they are considered by the committee and sanctioned by the Assembly".

Well, Sir, that is covered by the report of the Committee.

Sri M. Ananthasayanam Ayyangar: That is not clear, there is a lacuna and that is why this amendment has been tabled.

The Honourable Sir Archibald Rowlands: If it is referred to the Committee who are bound to report to the House. The next amendment is:

"Further commitments should not be confined only to financial matters but must be extended to:

(a) decisions and intimations of the par value of the rupee."

By that I take it the Honourable Member means no proposal to alter the par value of the rupee.

Sri M. Ananthasayanam Ayyangar: Yes.

The Honourable Sir Archibald Rowlands: This would be a suitable matter for discussion in committee. It will not arise for some time. I do not know that we yet have enough information to pronounce on the subject. We are collecting it.

The next amendment is:

"payment of subscription to the fund or Bank."

That is already covered.

The last amendment is:

"That the Governor, his alternate, the Executive Directors and their alternates, in the Bank and the Fund shall be Indians approved by the Committee."

Well, Sir, I do not think that there is any doubt, but that they will be Indians. But I hesitate to submit a recommendation by Government to a Committee. It is an executive act, to make appointments of this sort, and I think it would be inappropriate and contrary to all constitutional practice to set the approval of a particular nomination by a committee of the House.

Dr. Sir Zia Uddin Ahmad: The committee cannot nominate.

Prof. N. G. Ranga: That is where the difficulty comes in. We want you to come to the House before you can possibly get any agreement on this matter at the next stage. Instead of that, you have put in only the committee and nothing more.

The Honourable Sir Archibald Rowlands: The committee is bound to report to the House under this Motion.

Prof. N. G. Ranga: Before any action is taken?

The Honourable Sir Archibald Rowlands: Certainly.

Dr. Sir Zia Uddin Ahmad: Not the appointment of the personnel.

The Honourable Sir Archibald Rowlands: I come back to the point I started from when I asked this House this morning that it does agree with the interim report of the Committee on the Bretton Woods Conference agreements, to the effect that the Government shall proceed to appoint a Governor to the Bank and the Fund, who will be the same man and an alternate, that the Committee should remain in being and that the Government should do nothing beyond the appointment of these Governors and Executive Directors until the Committee has considered the matter further and reported to the House. I have no hesitation again in recommending to the House that the Report of the Committee be adopted.

Mr. Chairman: The question is:

"That this Assembly do agree with the interim report of the Committee on the Bretton Woods Conference Agreements, appointed in pursuance of the motion adopted by the Assembly on the 29th January 1946."

The motion was adopted.

The Assembly then adjourned till Eleven of the Clock on Monday, the 4th March 1946.