

*Wednesday,
4th September, 1918*

ABSTRACT OF THE PROCEEDINGS
OF THE
Council of the Governor General of India,
LAWS AND REGULATIONS

Vol. LVI

April 1918 - March 1919

ABSTRACT OF PROCEEDINGS
OF
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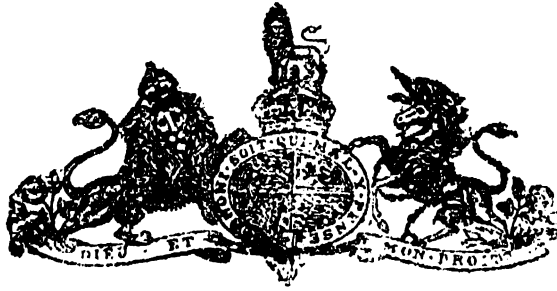


& Debates Section

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GOVERNMENT OF INDIA.

LEGISLATIVE DEPARTMENT.

PROCEEDINGS OF THE INDIAN LEGISLATIVE COUNCIL ASSEMBLED UNDER
THE PROVISIONS OF THE GOVERNMENT OF INDIA ACT, 1915
(5 & 6 Geo. V. Ch. 61).

THE Council met at the Council Chamber, Viceregal Lodge, Simla, on 11 A.M.
Wednesday, the 4th September, 1918.

PRESENT :

His Excellency **BARON CHELMSFORD**, P.C., G.M.S.I., G.M.I.E., G.C.M.G., G.C.B.E.,
Viceroy and Governor General, *presiding*; and 53 Members, of whom
48 were Additional Members.

OATH OF OFFICE.

The following Additional Members made the prescribed oath or affirmation of allegiance to the Crown :— 11 A.M.

The Hon'ble Mr. Vithalbhaj Jhaverbhaj Patel.

„ **Mr. Geoffrey Rothe Clarke, O.B.E.**

„ **Mr. William Allan Ironside.**

„ **Sir Verney Lovett, K.C.S.I.**

„ **Mr. Alexander Robert Loftus-Tottenham.**

„ **Mr. William James Reid, C.S.I.**

„ **Mr. Francis Samuel Alfred Slocock, C.I.E.**

„ **Mr. Charles Ernest Low, C.I.E.**

„ **Mr. Sidney Robert Hignell, C.I.E.**

STATEMENTS LAID ON THE TABLE.

The Hon'ble Sir George Barnes laid on the table a statement* 11-9 A.M.
showing the retail selling price of country spirit and toddy per gallon in
Calcutta, Madras, Cawnpore, Rangoon, Bombay and Karachi, which was
promised in reply to a question asked by the Hon'ble Mir Asad Ali, Khan
Bahadur, on the 12th March, 1918.†

*Not included in these Proceedings.
†Vide page 871 of Council Proceedings of 12th March, 1918.

[*Sir William Vincent*; *Sir C. Sankaran Nair*; *Sir Dinshaw Wacha*; *Sir William Meyer.*] [4TH SEPTEMBER, 1918.]

The Hon'ble Sir William Vincent laid on the table a statement* showing securities deposited, etc., by Urdu and Anglo-Urdu newspapers, journals and other periodicals, which was promised in reply to a question asked by the Hon'ble Mir Asad Ali, Khan Bahadur, on the 12th March, 1918.†

The Hon'ble Sir C. Sankaran Nair laid on the table copy* of correspondence regarding students' strikes, which was promised in reply to a question asked by the Hon'ble Rai Bahadur B. D. Shukul on the 6th February, 1918.‡

QUESTIONS AND ANSWERS.

11-10 A.M.

The Hon'ble Sir Dinshaw Wacha asked :—

Coinage of Rupees.

1. "(a) What was the stock of rupees in the Paper Currency Reserve—
 - (i) on 1st April last, and
 - (ii) on 31st August or such date up to which the Government can conveniently give statistics?
- (b) What was the total issue of rupees during this period, and how does it compare with the issues in corresponding periods of recent years?
- (c) What was the total coinage of rupees during the same period?
- (d) What was the amount of uncoined silver bullion in stock in India at the end of the period in question, and is this stock likely to be replenished at an early date?"

The Hon'ble Sir William Meyer replied :—

"(a) The balance of silver coin in the Paper Currency Reserve on 1st April, 1918 was 1040 lakhs and on 7th August, 1918, the last date for which all the statistics asked for are conveniently available, 819 lakhs.

(b) The total net issues of rupees from 1st April, 1918 to 7th August, 1918 amounted to 1679 lakhs as compared with 131 lakhs and 168 lakhs in the corresponding periods of 1917 and 1916, respectively.

(c) The total coinage of rupees from 1st April, 1918 to 7th August, 1918 amounted to 14½ crores.

(d) Uncoined silver bullion sufficient to coin 938 lakhs of rupees was held in the Paper Currency Reserve in India on the 7th August, 1918. In addition, consignments of silver sufficient to coin nearly 13 crores of rupees have either been, or are being, shipped and were expected to arrive between the above date, 7th of August and the middle of September, and these will be followed regularly by further shipments."

The Hon'ble Sir Dinshaw Wacha asked :—

2. "Have any steps been taken to extend the coining capacity of the Indian Mints?"

The Hon'ble Sir William Meyer replied :—

"The Government of India have taken all possible steps to increase the coining capacity of the mints in order to enable them to deal with the large

*Not included in these Proceedings.

† Vide page 872 of Council Proceedings of 12th March, 1918.

‡ " " 463 " " " " 6th February, 1918.

[4TH SEPTEMBER, 1918.] [*Sir William Meyer ; Sir Dinshaw Wacha.*]

amount of silver that is arriving in India from America. The principal measures taken have been as follows :—

- (1) In both the mints a system of working a two-shifts day has been adopted, as yielding better results than the previous system of working full overtime during periods of pressure.
- (2) His Exalted Highness the Nizam has consented to allow the Hyderabad Mint, as soon as the pressure for the Hyderabad Government coinage relaxes, to undertake for the Government of India the coinage of bronze quarter-anna pieces, which will enable the Calcutta Mint, which ordinarily coins those pieces, to increase its output of whole rupees.
- (3) The Secretary of State has been asked to send to India, as soon as possible, an increased supply of automaton balances.
- (4) An increased supply of electric power for the Calcutta Mint has been arranged for.

These and some other subsidiary measures will, it is hoped, enable the two mints to work up to an average daily output of 25 lakhs of whole rupees for 22 working days monthly, provided certain difficulties regarding the supply of labour and supervising staff do not become acute, and there is no breakdown in the existing machinery, parts of which are now somewhat old. With the provision of the extra balances mentioned above, it is possible that the daily output may eventually be increased to 30 lakhs."

The Hon'ble Sir Dinshaw Wacha asked :—

3. "What has been the total issue of—

- (a) One rupee, and
- (b) 2½ rupee notes,

One rupee
and 2½ rupee
notes.

up to the last date to which Government have statistics conveniently available, and what proportion of these issues has come back for encashment?"

The Hon'ble Sir William Meyer replied :—

"A statement giving the figures asked for is laid on the table."

Statement showing the gross issues from the seven Currency Offices, and the return from circulation, of one rupee and 2½ rupee currency notes up to 29th June, 1918, from 1st December, 1917 in the case of Re. 1 notes and 1st January, 1918 in respect of Rs. 2½ notes.

				Gross issues.	Return to Currency Offices from circulation.
				Rs.	Rs.
1	rupee notes	*4,58,46,555	75,42,845
2½	" "	†2,00,21,381	19,74,769

*This includes Rs. 2,64,32,300 sent from currency offices to treasuries, Rs. 4,00,000 to Baira and Rs. 10,00,000 to Bombasa. Statistics are not readily available showing the amounts actually issued to the public from treasuries, but it seems probable that most of the notes sent to treasuries have been issued.

†This includes Rs. 1,21,75,490 sent to treasuries, but here again statistics are not available to show how many have been subsequently issued to the public.

[*Sir Dinshaw Wacha; Sir William Meyer.*]

[4TH SEPTEMBER, 1918.]

The Hon'ble Sir Dinshaw Wacha asked :—Small
change
and encash-
ment
notes.

4. "Has the attention of Government been drawn to complaints which have appeared in the press regarding—

- (a) lack of small change in many places,
- (b) difficulties in obtaining change for currency notes without a considerable discount?

If so, what steps have been taken to verify and remedy the evils complained of?"

The Hon'ble Sir William Meyer replied :—

"Both the matters referred to in the question have received the constant attention of the Government of India.

(a) As regards the lack of small change, the demand for this has considerably increased largely, no doubt, because, owing to the scarcity of rupees in many districts, the labouring classes have been accumulating small change instead of merely using the latter for amounts less than a rupee. The difficulty of supplying large quantities of small change arises from the fact that the coinage of small pieces means considerably more than a proportionate reduction in the out-turn of whole rupees by the Mints. Nevertheless, during the four months, April to July inclusive, the Mints coined over 3 million eight-anna pieces, 12½ million four-anna pieces, nearly 25 million two-anna nickel pieces and 15½ million one-anna nickel pieces, as compared with 2½ million eight-anna pieces, 2 million four-anna pieces, 8 million silver and nickel two-anna pieces and 25 million one-anna pieces in the preceding four months. Now that the stocks of rupees in the Currency Offices are showing a satisfactory increase, it is hoped shortly to meet all demands for small coins.

(b) Even in normal times, when encashment facilities are in full force at all treasuries, notes were frequently at a small discount, especially in outlying places, but such discount, where it existed, was practically nothing more than a money changer's commission. In recent months, however, as my Hon'ble friend is aware, the Government have been obliged, owing to the enormous demand for silver currency, to withdraw temporarily many of the extra-legal facilities given for the encashment of notes in districts, in order to strengthen their reserves and to enable them to meet their legal liability to encash notes at the various Currency Offices. The scarcity of rupees and of small change in districts has undoubtedly led to notes being exchanged against rupees at a discount at places where they were formerly exchangeable at par, although it is satisfactory that in most places the discount has not been very large. The Government are aware that the existence of this discount is a hardship to persons who have legitimate need to change a note, more particularly those wishing to change a one-rupee note. Local Governments have been asked to do what they can to warn the public against unscrupulous people who take advantage of the ignorance of the masses to obtain an illegitimate profit by purchasing below their legal tender value notes which they know very well the Government will accept at their full value."

The Hon'ble Sir Dinshaw Wacha asked :—Coinage of
Gold Mohur
pieces.

5. "(a) Will Government be pleased to give such information as they have available regarding the coinage of gold mohur pieces and the use to which these have been put?

(b) Have Government reason to believe that the melting of coins is still taking place to a considerable extent? If so, what measures have been taken to deal with this evil?"

[4TH SEPTEMBER, 1918.]

[*Sir William Meyer ; Sir Dinshaw Wacha ;
Sir Claude Hill.*]

The Hon'ble Sir William Meyer replied :—

“(a) The number of gold mohurs coined up to August 15th was 2,109,703. Of these, 389,900 had been issued up to the above date, and have been used in making purchases of food grains in Northern India on behalf of the Home Government.

(b) The Government have reason to believe that the melting of coin and specially of gold coins is still taking place to a considerable extent. The melting, breaking up, or using otherwise than as currency of any current gold or silver coin is a criminal offence, under rule 21-A of the Defence of India Rules, and Local Governments have been asked to institute prosecutions against any person concerning whom there is sufficient evidence to establish the commission of such an offence. The Government have also lately issued a prohibition against dealing in legal tender coins above their face value with the special object of checking speculation in gold coins and thereby reducing the removal of these from circulation.”

The Hon'ble Sir Dinshaw Wacha asked :—

6. “ Will Government be pleased to state the total amount of diminution, if any, in the aggregate capital value of the various Government Loans current between 1st July 1915 and 30th June 1918 ?”

Government Loans.

The Hon'ble Sir William Meyer replied :—

“ Apart from some special loans from Ruling Chiefs, the Government of India loans current throughout the period to which my Hon'ble friend refers are the 3 and 3½ per cent loans. These have been reduced to some extent by conversion to other loans. I leave this portion out of account, as any reduction in capital has been accompanied by a higher interest yield. The latest figures for the amounts of these loans outstanding are those for the 1st June 1918, and were in the case of the 3 per cent loans Rs. 6·8 crores, and in the case of the 3½ per cent, Rs. 119 crores. On the basis of quotations of 79 and 91½ for the 3 and 3½ per cent loans, respectively, at the commencement of the period specified by the Hon'ble Member, and of 58 and 65 respectively at the close of the period, the diminution in capital market value on the above amounts has been 32·9 crores. Since the 30th June, however, there has again been a rise in the prices quoted for our Government loans, these standing on the 22nd August at 62 and 71, respectively. On this basis the diminution in value has been 25½ crores.”

The Hon'ble Sir Dinshaw Wacha asked :—

7. “(a) Are Government aware of the research which is being carried on by scientists of the West for the purposes of obtaining a fibre as good as the cotton wool of commerce from the pulp of certain kinds of wood ?”

Experiments in India for obtaining a fibre as good as cotton wool.

(b) Have Government instituted, or do they contemplate instituting, research for obtaining a similar fibre from the pulp of a variety of woods growing in the State and private forests of India and Burma ?”

The Hon'ble Sir Claude Hill replied :—

“ It is presumed that the expression ‘cotton wool’ refers to raw cotton fibre cleaned and teased up, which in this condition is used for surgical purposes, as a filtering medium and for the manufacture of gun-cotton. The Government of India are not aware of any researches which have succeeded in producing from wood a substance as good as cotton for these purposes. They know that an inferior product can be obtained from wood ; but the doubtful value of this article does not seem to warrant the institution of extensive experiments in India.”

[*Sir Dinshaw Wacha ; H. E. the Commander-in-Chief in India ; Sir George Barnes ; Sir Claude Hill.*] [4TH SEPTEMBER, 1918.]

The Hon'ble Sir Dinshaw Wacha asked :—

Stores purchased by Government between 1st January 1917 and 31st July 1918.

8. "Will Government be pleased to lay on the table a list of the stores, other than those specially required for war purposes, purchased for Government in India, England, the United States, Japan and elsewhere, between 1st January 1917 and 31st July 1918, giving particulars of the stores and the names of the person or persons or the companies from whom they were purchased?"

His Excellency the Commander-in-Chief in India replied :—

"I would refer the Hon'ble Member to the answer given in Council on the 18th* March 1918, to a somewhat similar question put by him. As explained then, the expenditure of time and labour which would be necessary to enable an answer to be given to the Hon'ble Member's inquiry would not, in the opinion of the Government of India, be justified."

The Hon'ble Sir Dinshaw Wacha asked :—

Indian emigration to Colonies.

9. "(a) Are Government aware or made aware by the Secretary of State of a Resolution unanimously passed some time ago by the Fiji Legislative Council declaring that the Government of the Colony 'should take such measures as will assist in encouraging and promoting the resumption of Indian emigration after the war'?"

(b) If the answer be in the affirmative, will Government be pleased to reassure the Indian public that there is to be no departure from the declared new policy respecting Indian emigration in consequence of the said Resolution of the Fiji Legislative Council?"

The Hon'ble Sir George Barnes replied :—

"(a) The Government have no knowledge of the Resolution referred to by the Hon'ble Member.

(b) I can, however, assure the Hon'ble Member, and through him the Indian public, that there is no departure or intended departure on the part of the Government of India from the declared new policy respecting Indian emigration, in consequence of any Resolution which may have been passed by the Fiji Legislative Council."

The Hon'ble Sir Dinshaw Wacha asked :—

Co-operative Credit Societies.

10. "Will Government be pleased to state :—

(a) the number of Co-operative Credit Societies having for their sole and exclusive object the relief of agricultural indebtedness, which existed in each province of British India on 30th June 1918 ;

(b) the total amount of capital, their own and borrowed, of such societies at the date aforesaid ;

(c) the total amount of debt paid off from the commencement of their respective operations to 30th June 1918?"

The Hon'ble Sir Claude Hill replied :—

"A reference is invited to the Hon'ble Member's question on the same subject and the reply given thereto at the Council meeting of 28th February, 1917.† So far as the Government of India are aware, there are no Co-operative Societies having for their sole and exclusive object the relief of agricultural indebtedness. The Hon'ble Member will find the figures of capital of agricultural societies for the year 1916-17 in column 29 of General Statement B in the consolidated returns for that year. The great majority of such societies are credit societies, *vide* columns 2-6 of the same statement."

* *Vide* page 1060 of Council Proceedings of 18th March, 1918.

† " " 409 " " " " 28th February, 1917.

[4TH SEPTEMBER, 1918.]

[*Sir Dinshaw Wacha ; Sir C. Sankaran Nair ;
Sir William Meyer.*]

The Hon'ble Sir Dinshaw Wacha asked :—

11. "(a) Are Government aware—

(i) that the Danish Government have recently allowed in their Budget the sum of 4 million pounds sterling to provide suitable dwelling houses for the working classes, in recognition of the principle that it is the duty of a civilised State to make such provision, and

(ii) that the House of Commons have made a grant of 2 million pounds sterling to the local Government Board for a similar purpose on the same principle?

(b) Do Government propose to provide under the head of Sanitation a reasonable sum in the next annual Budget towards the same object to meet the requirements of the various provinces in this country?"

Provision of dwelling houses for the working classes.

The Hon'ble Sir C. Sankaran Nair replied :—

"(a) The answer is in the negative. It appears from a debate on the subject on the 2nd May that the House of Commons have recognised that it will be necessary to offer substantial financial assistance from public funds to local authorities in England and Wales for the carrying through of a programme of the housing of the working classes at the end of the war ; but the Government are unable to say whether this was in recognition of the principle referred to by the Hon'ble Member.

(b) The Hon'ble Member is referred to the reply given in answer to his question on the same subject on the 20th February last.* We have not been asked by any Local Government for any financial assistance to provide houses for working classes, and therefore it is not the intention of Government to provide any sum for this object in the next annual Budget."

The Hon'ble Sir Dinshaw Wacha asked :—

12. "(a) Will Government be pleased to state the total amount of increase in the volume of rupees since 1900 ?

Increase in the volume of Indian Currency

(b) Will Government be pleased to state whether the great increase in the volume of Indian currency during the last two years is normal and justified by the growth of population, trade, wealth and other kindred causes, or whether it is owing to abnormal causes which eventually lead to what is technically called 'inflation'? Has the attention of Government been drawn in this connection to the remarks made by Professor Nicholson in regard to rise of prices on page 60 of his recently published work on War Finance ?

(c) Is it correct to assume that the prevailing premium on sovereigns and the newly coined Indian gold mohurs is due to the exceptional demand for gold relatively to notes, combined with the restrictions on the imports and exports of gold?"

The Hon'ble Sir William Meyer replied :—

"(a) The number of new rupees coined between the 1st April 1900 and 31st July 1918 has been 175 crores, and the net absorption of rupees by the public during the same period has been approximately the same.

(b) Speaking very generally, the great increase in the volume of Indian currency during the war has been due to the large balance of trade in favour of India, i.e., to the great and increasing demand for India's products, and to a continually diminishing volume of imports. In so far as this balance of trade is due to war conditions in European countries, the demand for currency may be described as due to abnormal causes. Whether or not among those abnormal causes is what is called 'inflation,' and whether the coinage of new rupees or the growth in the circulation of currency notes has led to the recent rise of prices are matters of opinion, which my Hon'ble friend will no doubt recognise cannot be satisfactorily discussed in the reply to his question. The Government

[*Sir William Meyer ; Mr. Kamini Kumar Chanda ; Sir William Vincent ; Mr. G. S. Khaparde.*] [4TH SEPTEMBER, 1918.]

of India's attention has been drawn to Professor Nicholson's remarks on the alleged inflation of currency in India. It is not possible to deal with a complicated and difficult matter of this kind by means of question and answer. It is sufficient to say at present that the remarks in question contain a number of statements which the Government of India could not admit to be correct, and that in their opinion there is no justification for Mr. Nicholson's conclusion that the rise in prices has been materially connected with the increase in the volume of rupees. On the present occasion I will merely quote some observations made by me on this matter in my reply to the debate on the Financial Statement, when referring to some remarks that had been made by certain Hon'ble Members on the inflation of currency and its effect on prices. I then said—

'I do not see how the currency can be said to be inflated by our coinage and note issues. We only coin when it is shown to us to be absolutely necessary to add to stock of rupees, and similarly with regard to note issues; and the result as regards our coinage, and the fact that it has not been redundant, has been shown in the way in which it is absorbed. Almost as soon as it is issued from the mint, it gets absorbed by the public, and we get once more into a state of embarrassment as to how to replenish it. The rise in prices is of course the result far more of the world demand for essential products rather than of any question of local inflation of the currency. An addition to the coinage would, in any case, be required with reference to the more active circulation of commodities that is taking place in these war circumstances.'

(c) In the five financial years previous to the war the amount of gold imported into India, excluding the amount exported, was 93·8 millions sterling, nearly all of which was absorbed by the public. Since the war, practically every country has placed restrictions on the movement of gold, and my Hon'ble friend is no doubt correct in ascribing the prevailing premium on sovereigns and gold mohurs to the fact that India has no longer been able to obtain, through the ordinary channels of trade, the gold that she has hitherto been accustomed to procure."

The Hon'ble Mr. Kamini Kumar Chanda asked :—

Abolition of capital punishment.

13. "Has the question of the abolition of capital punishment ever been proposed to, or considered by, Government? If so, will Government publish the papers relating to the proposal?"

The Hon'ble Sir William Vincent replied :—

"No trace has been found of any discussion on this question."

The Hon'ble Mr. G. S. Khaparde asked :—

Indian Constitution—General Reforms.

14. "Do Government propose to grant an opportunity to the elected Members of this Council to express their opinions on the proposals for the Indian Constitutional Reforms during the ensuing Session at Simla?"

The Hon'ble Sir William Vincent replied :—

"The answer is in the affirmative."

The Hon'ble Mr. G. S. Khaparde asked :—

Appointments in London of an Agent General for India.

15. "(a) Has the attention of Government been drawn to a statement in the issue of *Capital*, dated 21st June 1918, suggesting the appointment in London of an Agent General for India and the readjusting of the existing machinery of the India Office accordingly?"

(b) Has any such suggestion been before the Government of India, and, if so, with what result?"

[4TH SEPTEMBER, 1918.]

[*Sir George Barnes ; Mr. G. S. Khaparde ;
Sir William Vincent.*]

The Hon'ble Sir George Barnes replied :—

“(a) The attention of Government has been drawn to the statement referred to in the Hon'ble Member's question.

(b) I am unaware whether a suggestion precisely in this form has been made before, but as the Hon'ble Member knows, the Government of India have already appointed an Agent in London in the person of Mr. Chadwick, the Indian Trade Commissioner, and his duty there is to act solely in the interests of India and to further trade in Indian manufactures and other products.”

The Hon'ble Mr. G. S. Khaparde asked :—

16. “Has the attention of Government been drawn to a statement in the issue of *Capital*, dated 21st June 1918, relating to the office of the Trade Commissioner of India in London, and will Government be pleased to lay on the table the latest report on the working of the said office, together with suggestions, if any, for its expansion ?”

Trade
Commissioner's
Office in
London.

The Hon'ble Sir George Barnes replied :—

“The attention of Government has been drawn to the statement to which the Hon'ble Member refers.

It is less than a year since the office of the Indian Trade Commissioner in London has been opened, and no formal report has as yet been received on the working of the office. It is proposed to call for a report at the end of the year which will be published.”

The Hon'ble Mr. G. S. Khaparde asked :—

17. “(a) Will Government be pleased to state the names of the gentlemen constituting the Ministry of Information in Great Britain ?”

Ministry of
Information
in Great
Britain.

(b) Has it come to the notice of Government that the Ministry of Information in Great Britain has invited five editors of newspapers in India to England ?

(c) Will Government be pleased to state whether the editors so invited will in England be expected or allowed to discuss, or state their views on, the proposals for Indian Constitutional Reforms ?”

The Hon'ble Sir William Vincent replied :—

“(a) The Hon'ble Member is referred to the issue of the *London Times*, dated the 22nd February 1918, which gives the names of the gentlemen constituting the Ministry of Information as follows :—

- (1) Lord Northcliffe.
- (2) Mr. Robert Donald.
- (3) Mr. John Buchan.
- (4) General A. D. MacRae.
- (5) Sir William Jury.
- (6) Sir Roderick Jones.

The answer to (b) is Yes.

(c) This is a matter for the Home Government to decide, and the Government of India have no information in the matter. The object of the invitation was of course to enable representatives of the Press in India to visit the Western front.”

[*Sir Manindra Chandra Nandi ; Sir C. Sankaran Nair ; Sir George Barnes ; Rai Bahadur B. D. Shukul.*] [4TH SEPTEMBER, 1918.]

The Hon'ble Maharaja Sir Manindra Chandra Nandi asked :—

Recommendations of the Sadler Committee regarding Indian Universities.

18. "(a) Are the general recommendations of the Sadler Committee likely to be given effect to in the case of all the Universities of India ?

(b) If the answer be in the negative, will Government state what steps, if any, they intend to take to ensure a uniformity of studies, examinations and degrees in all the Universities in India ?

(c) Is it intended to have paid Vice-Chancellors in all the Universities of India and to have a general Educational Commissioner with the Government of India to look to a uniformity of educational standard in the Universities of India ?"

The Hon'ble Sir C. Sankaran Nair replied :—

"(a) and (b) The general recommendations of the Calcutta University Commission have not yet reached the Government of India. Hence it is impossible to say how far they may prove suitable for adoption in other Universities.

(c) The Government of India have not under consideration the schemes to which the Hon'ble Member alludes."

The Hon'ble Maharaja Sir Manindra Chandra Nandi asked :—

The Indian Industries Commission.

19. "(a) Will Government be pleased to state the exact date when the report of the Industries Commission may be expected ?

(b) Will any of their recommendations necessitate any legislative enactment owing to the creation of a separate Department of the Government of India, as suggested in paragraph 340 of the Report on Constitutional Reforms ?

(c) Is it intended that the new department should control the purchase of Government stores both in England and India ?"

The Hon'ble Sir George Barnes replied :—

"I regret to have to tell the Hon'ble Member that the Government have not yet received the Report of the Industrial Commission. The position is, I understand, as follows :—The Commission met in June to consider their draft Report and the final draft was settled at the end of June. One of the members has, however, expressed his intention to add a separate Minute of his own. The Member in question has been reminded at various times of his promise to submit his note at an early date, but so far has not been able to find time to submit it, and the completion of the Report is consequently held up. If the Hon'ble Member likes to repeat his question later in the Session, I shall be glad to give him any information which may be then available.

(b) and (c) In answer to the second and third parts of the Hon'ble Member's question, I am unable for the reasons given in answer to the first part of the Hon'ble Member's question to add anything to the forecast contained in paragraph 340 of the Report on Constitutional Reforms, and the proposal there referred to will not be considered by the Government of India until they have received the Industrial Commission's Report."

The Hon'ble Rai Bahadur B. D. Shukul asked :—

Circulation of small currency notes in rural areas.

20. "Are Government aware of the great panic leading to the spread of vague and groundless rumours among the illiterate masses caused by the circulation of small currency notes of Rs. 2-8-0 and Re. 1 in the rural areas, and, if so, will Government discourage their circulation in such areas in future ?"

[4TH SEPTEMBER, 1918.]

[*Sir William Meyer ; Sir Fazulbhoy Currimbhoy ; Sir George Barnes.*]

The Hon'ble Sir William Meyer replied :—

“ The Government, who have watched unremittingly the effect of the issue of their Re. 1 and Rs. 2½ currency notes, have received no information whatever that their circulation has at any time caused anything describable as ‘ a great panic,’ and they deprecate the use of exaggerated language in this matter, as tending to produce the very evil which it purports to deplore. They are aware that in some parts of India Re. 1 and Rs. 2½ notes were regarded at the outset with a certain amount of disfavour, and that, like other innovations in war time, their issue gave rise to various unfounded rumours, especially among the illiterate. Their most recent information is, however, that such unpopularity as the notes met with at starting in certain areas is gradually subsiding, and that in some tracts they are fully appreciated. It is the intention of the Government of India to do everything in their power to encourage this attitude of appreciation, and in view of the necessity, in the interest of India, for all possible action to encourage economy in the use of silver, they do not propose to take any such steps as are suggested by the Hon'ble Member.”

The Hon'ble Sir Fazulbhoy Currimbhoy asked :—

21. “ (a) Is it a fact—

(i) that Indian trade with Japan and the United States of America is increasing, and

(ii) that most of the essential supplies for the successful running of Indian industries are being imported from those countries ?

(b) Will Government be pleased to consider the advisability of appointing Trade Commissioners in Japan and in the United States ?”

Trade
Commissioners in
Japan and
America.

The Hon'ble Sir George Barnes replied :—

“(a) It is a fact that Indian trade with Japan and the United States of America is increasing. It is not true, however, to say that most of the supplies essential for the successful running of Indian industries are being imported from those countries. The United Kingdom, for instance, still remains by far the largest supplier of machinery and millwork and chemicals and chemical preparations.

(b) The Government of India would prefer to await experience of the working of the Indian Trade Commissionership in London before considering the extension of our Commercial Intelligence organization to other countries. The suggestion which the Hon'ble Member has made will not, however, be lost on the Government, and it is one which is likely to receive serious consideration as our manufacturing industries and exports of manufactured products develop.”

The Hon'ble Sir Fazulbhoy Currimbhoy asked :—

22. “(a) Are the Consular Services to be reorganized by the Board of Trade in the United Kingdom ?

Re-organiza-
tion of the
Consular
Services.

(b) If so, will Government be pleased to state if they have decided to what extent India is going to share in such reorganization ?

(c) Are Indian Commercial Attachés going to be appointed at some of the principal new markets where Indian goods could be sold ?”

The Hon'ble Sir George Barnes replied :—

“ The answer to the parts of the Hon'ble Member's question marked (a) and (c) is ‘ yes.’

With regard to the part marked (b), I would refer to the answer which I have already given to the Hon'ble Member on a similar subject.

The reports of the Consular Officers will, I hope, be made available for traders in the country as well as for those of the United Kingdom.”

[*Sir Fazulbhoj Currimbhoj* ; *Sir George Barnes* ; *Sir Claude Hill*.] [14TH SEPTEMBER, 1918.]

The Hon'ble Sir Fazulbhoj Currimbhoj asked :—

Trade arrangements after the war.

23. "Will Government be pleased to state whether any proposals in regard to trade arrangements between the British Empire and its Allies after the war will be submitted to Indian opinion shortly?"

The Hon'ble Sir George Barnes replied :—

"Indian opinion has already been consulted on the commercial problems likely to arise after the war, in so far as they concern India. No definite policy has as yet been decided on, as far as the Government of India are aware, beyond that involved in the Resolutions of the Paris Economic Conference, and I am unable to make any further statement at present. The Hon'ble Member has no doubt seen the published report of the Committee on Commercial and Industrial policy after the War, which is, I believe, at present under the consideration of His Majesty's Government. If he so desires I shall be very glad to lay a copy on the table."

The Hon'ble Sir Fazulbhoj Currimbhoj asked :—

Government Wheat scheme.

24. "Will Government be pleased to state the net financial result of the working of their wheat scheme since it came into operation during the war, and particularly in the year 1916-17?"

The Hon'ble Sir Claude Hill replied :—

"The wheat scheme was first started in April 1915, and the system followed from then to the end of April 1916 was one of purchase and export of wheat on Government account. The financial result during this period was given in my reply to a question by the Hon'ble Rai Bahadur Bishan Dutt Shukul at the meeting of this Council on the 16th February 1917 as a profit to Government of £158,000 or Rs. 23,70,000. Later information, however, shows that the net profits from the scheme amounted to Rs. 26,02,500.

The system adopted since 1st May 1916 is one of restricted private export under license from the Wheat Commissioner. The firms employed in the export trade now act as agents for a Royal Commission appointed in England, and the Government of India have no financial interest in their purchases."

The Hon'ble Sir Fazulbhoj Currimbhoj asked :—

Appoinment of an Agent-General for India in London.

25. "(a) Has the attention of Government been drawn to the following paragraph which appeared in the issue of *Capital*, dated 20th June :—

'An excellent suggestion by a man who speaks with knowledge is that India should be represented in London by an Agent-General to discharge all financial and trade obligations, and look after stores and other purchases required by the Government of India. No matter how much India may expand industrially during the war, the Government of India for a long time to come will have to make large purchases in England for State railways, and it is but ordinary business that its bargains be made by an expert. Finance is even more important. If India had had a loyal Agent in London at the outbreak of the war, she would not to-day be paying through the nose for American silver. As long as there are London Boards of Indian Railways, the Agent-General of India should be a Director on every one of them.'

(b) Will Government be pleased to state if this matter has been under consideration, and, if so, with what result?"

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The Hon'ble Sir George Barnes replied :—

“I would refer the Hon'ble Member to the reply I have given to-day* to the question by the Hon'ble Mr. Khaparde on the same subject.”

HIS EXCELLENCY THE PRESIDENT'S SPEECH.

“Since we separated at the close of the winter Session, I have had the privilege of meeting a large number of Hon'ble Members at that historic Conference which assembled at Delhi in the last week of April. It was an assemblage without precedent in the history of India. In it Princes, representatives of the people, and Government, sat for the first time in joint conclave, taking counsel together how India could best rally her forces anew in the cause for which the Empire is fighting. I expected much from that Conference. I have not been disappointed. It has been more than justified by success. Without it the splendid results of the last four months could never have been achieved.

11-35 A.M.

“The material results of the Conference were great, but I am almost tempted to think that its moral effects were greater. I had convened the Conference that India might proclaim her unity of purpose in the Empire's cause, and pledge her fullest service in the prosecution of the war. How well the Conference answered to my call, let its resolutions testify. They proclaimed to all the world that India stood solid for the cause of right which our Empire has made its own ; and that much though India had done, she would never rest in putting forth her strength until that cause was triumphant. Since then those resolutions have been translated into fact. Some of us may have chafed at the delay over this or that—a delay in which India had no part. But do not let us forget the overwhelming burden that lay on those at home, with whom the ultimate decision rested.

“One immediate result of the Conference was to call upon India to add half a million men to her Army in the ensuing year. Well might we have shrunk from such an undertaking had not the Central Recruiting Board been already in being. But the Board set itself at once to the task, and over 97,000 combatant and nearly 55,000 non-combatant recruits were enlisted in May, June and July. As for the new units which with the approval of the military authorities at home we set ourselves to raise, the results have outrun our expectations. Of the total number, two-thirds and more have been raised already. I wish I could tell you how many men we have recruited and sent overseas since the beginning of the war ; but military reasons compel reticence. This much, however, I can say : we are now recruiting twice as many men in a month as before the war we recruited in a year. This fine record is due to the labours of the Central Recruiting Board, backed by whole-hearted co-operation in the provinces. And now that the increases in the emoluments of our Indian troops and the grant of King's Commissions, long-awaited and powerfully advocated at the Conference, have been announced, I look forward to a finer record still.

“The success of the Central Recruiting Board, with its blend of soldiers and civilians and Indian Princes and its enlistment of non-official energies in the provinces and Native States, pointed the obvious way to that re-adjusting and speeding up of our whole war machinery on which the Conference laid stress. So we set up similar central boards to cope with supplies, traffic, labour and publicity—all under the co-ordinating guidance of the War Resources Committee. Let me briefly remind you of their scope.

“To the Transport and Food-stuffs Board is allotted the organisation of our animal and mechanical transport, the fuller development of our food-stuffs and their more economical distribution. The bare recital of its duties sounds dull and unheroic. But this war is a war of material no less than of man-power. And now that the partial failure of the monsoon has reduced our food-

* *vide* reply to Question No. 15.

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stuffs resources, it is of the greater importance to husband and distribute them to the best advantage. Before the war, Government looked askance at any proposal to restrict the export of food-grains abroad or their free passage from province to province. Restriction was regarded as heresy. According to the orthodox doctrine the movement of food-grains must be left to follow its natural channels. But the war has upset many cherished theories; has forced on our shoulders responsibilities from which we should have shrunk a few years back. And it is now one of the main tasks of the Board to review the resources and needs of India as a whole, to reduce the cross-currents of food-stuffs and fodder to a minimum, and to graduate the flow, as evenly as may be, from the higher to the lower levels.

"The Communications Board takes up the task of husbanding and pooling our resources where the Food-stuffs Board leaves it. It regulates traffic, holding the balance even between military and civil demands; and working through Provincial Directors of Supplies ensures priority to the carriage of commodities where they are most urgently required. Thanks to its labours, traffic has now become systematised, and railway transport is being put to its most economical use.

"The Employment and Labour Board places its advice at the disposal of those anxious to offer their services in the present crisis. It keeps us in close touch with the conditions of labour; watches the variations in the market; and advises us how the supply can best be utilised for the ever-increasing needs of Indian industries and overseas development.

"The Publicity Board is entrusted with the spread of truth. It emphasises the essential principles for which the Allies are fighting; the vital interest of India in the triumph of our cause. It sets forth the actual war situation from day to day, and contradicts the false rumours that spring up—who knows whence?—sapping the confidence and energy of the people. It advertises what India has done, in order to drive home what still remains for India to do. Its composition is largely non-official, and in the inclusion of distinguished journalists lies more than half the secret of its success. Publicity Committees have been set up in all the larger provinces and in many of the Native States, and are working with the zeal that comes from conviction. Some have established war journals of their own; others are reaching the masses by magic lantern lectures, cinematographs and the distribution of pamphlets. But one and all rely on the co-operation of the Press. And I would here voice my appreciation of the powerful help received from publicists and journalists of all shades of opinion. It is, after all, but another proof that, however much we are divided in our politics, we are one in the determination that India shall do her part in bringing the war to a triumphant conclusion.

"But this hurried review of the working of our Boards gives a very meagre idea of the vivifying influence of the Conference on all branches of India's war effort. Let us turn again to the expansion of our man-power. The Ruling Princes and Chiefs of India, ever foremost in the cause of the Empire, have responded to the call for further assistance. Signal service though the Imperial Service troops of many States have rendered on every front—which of us, for instance, was not stirred by the gallant charge of the Jodhpur Lancers in Palestine?—the Durbars are now being invited to afford their troops the opportunity for more effective service still, by incorporating them during the war in the regular Army. In the Native States at large a scheme is on foot to raise battalions for the Army composed, as far as may be, of subjects of the State, but officered, paid and equipped by Government. The scheme has met with a ready welcome. In Jodhpur, Bikaner, Bharatpur and Dholpur, in Kolhapur, and in Patiala, Chamba and Suket, units on the new model are now in process of formation. And from Baroda, from Mysore, from Alwar, from Rewa, from Tehri, and from Bahawalpur, Jhind, Kapurthala, Maler Kotla and Faridkot offers of similar help have been pouring in.

"To the Police we addressed a special call to enrol themselves in the Army, and five Police battalions have already been incorporated, two from the Punjab,

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two from the United Provinces and one from Bihar and Orissa. Gallantly indeed has that gallant body of men responded to our call.

“ Meanwhile the British branch of the Indian Defence Force has been playing its useful if unobtrusive part, and we are now considering how its usefulness can be extended. But I cannot hide my disappointment at the record of the Indian branch of the force. We re-opened recruiting for it in April in response to what we were told was a genuine demand, but less than 500 recruits have so far offered themselves for enrolment. We have made good in the other enterprises to which we have set our hand. Shall we not make good here also ?

“ With the rapid expansion of the Army in India the demand for labour for military purposes has gone up by leaps and bounds. Taught by the war the advantage of employing labour in organised bodies, we have formed or are forming no less than 18 labour corps for work in India alone. Of the many labour companies sent to France in 1917, all have now returned with the exception of those formed from later reinforcements. They have returned in admirable condition and with a record of excellent service in strange and sometimes trying surroundings. And that they have returned gratified with the treatment that they have received, their prompt re-enrolment in large numbers is the best proof of all.

“ So much for the development of our man-power. But India does not give in man-power alone. Her contribution to the second War Loan has now passed the 20 million sterling which we set before us as the minimum, and I look to a notable addition before the War Loan closes by the middle of the month. But at the Conference something further was foreshadowed ; and what form that further financial assistance should take, Hon'ble Members will be asked at this Session to consider. A Resolution on the subject will be moved by the Hon'ble Finance Member ; but the decision itself will be left to the non-official Members.

“ And over and above her financial contributions, and over and above the many shiploads of food-stuffs and raw products with which she has been supplying the Allies, India continues to furnish Mesopotamia and other theatres of war with masses of railway material and a vast variety of engineering and other stores. These are found partly from our stocks of imports, partly from India's indigenous resources. The drain on our imports has been continuous and severe ; the flow of fresh supplies is restricted ; and it is becoming increasingly difficult for India to meet all the demands that are made upon her. It is becoming increasingly difficult indeed for her to supply her own needs, and public bodies are turning more and more to our central organisation for assistance. The depletion of our stocks of imports has stimulated the development of our resources, and we are doing what is possible under war conditions to foster local manufactures. What India can do when she puts forth her strength and enlists the services of experts from outside is shown by the great success of the Tata Steel Works, which has supplied most of the military railway requirements in the Eastern theatres of war. One notable demand on India has now been materially reduced—the provision of river craft for the Tigris and Euphrates. And here let me acknowledge India's indebtedness to the Rivercraft Board at Calcutta and the Committees at other ports associated with it, for their valuable services, given ungrudgingly and without remuneration, in directing this work of construction. Their work has been heavy. Apart from furnishing 100 steel pontoons, they have constructed over 400 river craft and have re-erected two hospital steamers, five tugs and 70 barges.

“ Now these and other results from the stimulated mobilisation of India's resources could not have been achieved without stress and strain. In that stress and strain all have shared in varying degree,—officials, business men and general community alike. For the most part the burden has been borne cheerfully. Where murmurings and grumbings have been heard, they can

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almost always be traced to a failure to recognise that the restrictions or hardships, or whatever the objects of complaint may be, arise from the imperious necessities of war.

“There have been widespread murmurings over high prices. Here in India, it is true, we have suffered less than most parts of the world, thanks to the fleet which has kept open the highway of the seas, and to our gallant armies which hold the enemy many hundreds of miles from India's frontier. None the less war must always bring high prices in its train. And there are unhappily cases where manufacturers and traders have taken advantage of the war and the shortage it occasions to demand artificial prices hugely in excess of the cost of production or import. Where materials required for war purposes are affected, we cannot afford to sit idle. If needs must, we shall not shrink from drastic action.

“But it is not in regard to war materials alone that I view high prices with concern. I view with even greater concern the pressure of the growing rise in the price of necessities on the poorer classes in the country. The dearth of cotton cloth in particular presses the masses hard. Its causes are many:—the high price of raw cotton throughout the world, the high cost of manufacture of the imported cloth, the reduction in the volume of British manufactures available for the general public. To increase the imports of Manchester cloth or to lower its price does not lie within our power. The solution of the problem must be sought on other lines. And the lines we have been advised to follow by the Committee (drawn largely from the trade) whose services we enlisted last March, are two-fold. First, the prevention of speculation in raw cotton. Second, the standardisation in India of the cloths used by the poorer classes, and their manufacture and distribution under control. The first measure we have already put into effect, by empowering the Government of Bombay to regulate forward contracts for the purchase or sale of the next cotton crop. In the carrying out of the second measure, we rely on Hon'ble Members' assistance. We are introducing a Bill at this Session to require our mills to manufacture certain kinds and certain quantities of cloth, to be paid for at cost price *plus* a reasonable margin of profits, and to be sold to the public at fixed prices through licensed shops or at Government depôts. That there may be difficulties at the outset in carrying this scheme into effect, I freely recognise. But I have every hope that with the co-operation of mill-owners, cloth-sellers and public these difficulties will be overcome, and that the scheme will bring relief to those who need it most.

“Again, there is the currency question. At the Delhi Conference I referred to certain rumours then afloat as to the ability of Government to meet their obligations to encash currency notes at currency offices. There had been an unprecedented drain on our stocks of metallic currency in connection with purchases for His Majesty's Government, and an unfortunate delay in obtaining fresh supplies of silver to replenish them. This obliged us to curtail those extra-legal facilities for the free encashment of notes outside the currency offices, which have been an important feature of our currency policy in recent years. But the United States of America came to our rescue and undertook to supply us with silver in large quantities. Substantial instalments have arrived in India. Indeed our mints have been busily coining them into rupees for some time past. They have also been coining our gold bullion into mohurs, which have already been used for the purchase of wheat in the Punjab and have been well received. They are now engaged on the coinage of sovereigns.

“We are thus increasingly able to meet the difficulties which temporarily faced us a few months ago. But let me again emphasise how unprofitable to India is this lavish outpouring of metallic currency. The purchase of the silver alone means that India's money is being spent abroad to unfruitful purpose. Should the present rates of absorption continue to the end of the year, more than 100 crores of India's money will have been squandered within three short years. Had it been invested, the interest would have strengthened

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our revenues, and could have been spent to India's material advantage. Everybody therefore who insists on payments in metal instead of in notes is directly hampering India's interests. We all know the parable of the servant who, entrusted by his master with a talent of silver, buried it in the ground instead of putting it to profitable use. He was rightly treated as an unprofitable servant. The moral of the old parable holds good to-day. From time immemorial India has been held up to reproach as the grave of the precious metals. If she is to take her proper place among the progressive nations of the world, she must in her own interests do as Japan and other civilised nations do—put her hitherto immobile wealth to profitable uses. Happily there are signs that she is slowly—if very slowly—freeing herself from her old-world prejudice. The small notes which had to take the place of the rupee as a medium of circulation during the temporary restrictions on encashment are gradually shedding the suspicion with which they were originally regarded, and are now, we are assured, becoming more popular in various parts of the country.

“ But Hon'ble Members will expect me to say something on the question of the Reforms, and I think I can deal best with the subject by recalling past history. Men's memories are so short that they dwell on the present and ignore the past which leads up to and conditions the present. And this has been notably the case in connection with this great subject of Reform.

“ At the outset of my tenure of office I warned those who were insistent on political reform that the British temperament was averse from catastrophic change. This expression of opinion was the subject of criticism, and the Russian revolution which took place shortly afterwards was seized upon as a text on which to base claims to sweeping changes. I think those who sang a pæan over the Russian events have since repented. Russia indeed has pointed a moral which it would do us all good to take to heart.

“ Let me remind Hon'ble Members further. In my opening speech to the Council of February 1917, I informed you that the Government of India had addressed His Majesty's Government on the subject of political Reform; and, as I told you in the September Session, I continued to press His Majesty's Government for a declaration of policy throughout the first six months of the year.

“ This declaration of policy we obtained on August 20th. That policy was not a new policy devised on the spur of the moment by a Secretary of State fresh to office. It was a policy long and anxiously considered by His Majesty's Government, the promulgation of which happened to coincide with a change in the office of Secretary of State. Nor was Mr. Montagu's visit a happy thought on his part. As I pointed out last September, it was merely the carrying out of a plan on which I had long set my heart, with this change only that Mr. Chamberlain's resignation involved the transfer of my invitation to Mr. Montagu.

“ It is well to recall these events to the memory of those who attack the Secretary of State as the rash innovator stepping in with a new and cut-and-dried policy immediately on his assumption of office. To these critics I would point out the sequence of events. Can it be seriously suggested that after a few days' tenure of office by a new Secretary of State, His Majesty's Government would embark on an announcement of the gravity of that of August 20th unless they had previously had it under their most careful consideration? The suggestion in its statement carries its own refutation. Mr. Montagu simply took up the policy where Mr. Chamberlain had left it.

“ As for those who repudiate what they choose to term disappointing and unacceptable proposals, I would remind them again of my repeated warning that expectations must not be carried to heights of catastrophic change. In the Legislative Council in Delhi last February, with Mr. Montagu present, I spoke of sane and sober change. I have always been careful to weigh my words, to avoid raising expectations beyond those which my words would

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warrant. If there are those who have built up hopes on the words of others, it is of them they must make complaint and not of me.

“ I turn now to the announcement of August 20th. I cannot help thinking that some of our critics to-day have forgotten that any such statement of policy was ever made. That announcement carried the weight and authority not of the Viceroy or Secretary of State, but of His Majesty's Government. It was not challenged in Parliament at the time ; it has not been challenged in Parliament since. It was received both at home and in India—I believe I do not put it too high—with general satisfaction. And those who criticise our Report are on sure ground if they can show that our proposals are not in consonance with it. But am I far wrong when I suggest that there are two schools of critics who write and speak as if the announcement of August 20th had never been made at all :—those who reject its basic pledge, and those who reject the limitations whereby that pledge was conditioned ?

“ I have always regarded the announcement of August 20th as the terms of reference in accordance with which the Secretary of State and I had to discharge the duty laid upon us during these last winter months. I regard it now as the touchstone that must be applied to our proposals. If they fall short of the policy embodied in it, then those who complain of their inadequacy have good ground for asking for a further extension of the scheme. On the other hand, if our proposals trespass beyond the limits it imposed upon us, they should be brought within its bounds. We had the right neither to fall short of nor to go beyond our terms of reference.

“ I come now to the proposals themselves. Let me once again refer to the two schools of our critics. According to one the Secretary of State is the villain of the piece ; the Viceroy his unhappy victim, who has put his signature to the Report perforce and against his better judgment. According to the other, a sympathetic Secretary of State has been enmeshed in the net of the cold hard bureaucracy and has consented to proposals far short of those he would otherwise have advocated.

“ I am going to ignore these criticisms. Issues of the magnitude of our proposals are outside and beyond the personal factor. Our proposals are before the public for criticism. How we arrived at our results, is neither here nor there. The one question at issue is : the scheme, is it good or bad ? if bad, how best can it be amended ? But that you may know that it did not spring forth in full panoply from our brains, like Athene from the head of Zeus, let me give you in brief the history of its production.

“ In the third paragraph of the Report we have sketched in the barest outline the course of our investigation. The sketch gives but a faint impression of the close touch which we preserved with the Members of the Government of India throughout. Indeed from our return to Delhi early in January up to our departure for Dehra Dun at the end of March, we were in daily communication with them. All that time the proposals were being hammered out in frequent conferences both with them and with the Members of the Secretary of State's delegation. I could point out the originators of this or that proposal in our scheme, but it would be beside the mark. What I wish to emphasise is the very careful examination which this great problem received not only from the Secretary of State and myself, but from my Colleagues and those distinguished gentlemen who accompanied Mr. Montagu. We followed up every possible line of advance. We scrutinized all the suggestions which had been offered to us. It was only after the most careful sifting of suggested policies that we decided upon the proposals in our scheme.

“ Surely it is not without significance that my Colleagues signed a despatch conveying their cordial support to the general policy which the Report embodies ; that the associates of the Secretary of State recorded their united support of our recommendations, which in their view, ‘ while safeguarding Imperial interests and providing for the proper maintenance of law and order,

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carry out His Majesty's Government's announcement of 20th August last by providing at once for such an instalment of self-government as is at present practicable and safe, together with statutory machinery for its development at subsequent stages'; and that the Council of India put on record a minute giving the general policy of our scheme their unanimous support.

"Those who would lay stress then on the personal factor in this issue would do well to remember that it is not enough to dispose of the Secretary of State and the Viceroy. They have to account for this very weighty consensus of official opinion.

"I will now turn to a general consideration of the criticisms of our proposals. It is obviously impossible for me to deal with them *seriatim* within the compass of a speech, but it may be useful to indicate my attitude in general terms. I take my stand, in the first place, on the announcement of August 20th. The policy embodied in that announcement is binding at all events on me. I cannot recognise the validity of criticisms which impeach it. For me they must be out of Court. The place where they should be heard is the High Court of Parliament. And I would remind Hon'ble Members that such criticisms have never once been advanced in Parliament during the twelve months since that statement of policy was made. They were not even forthcoming in the debate on the Indian Budget, the occasion of all others when the critics of our policy might have been expected to make a brave show.

"In the second place, I wish to remind Hon'ble Members of a significant sentence which occurs in paragraph 289 of the Report:—'We have carried the advance right up to the line beyond which our principles forbid us to go.' I will content myself with this extract, but the whole of the remainder of the paragraph is pertinent.

"What I wish to emphasise is this. 'Substantial steps' were promised. In my own heart I am confident that 'substantial steps' are provided in our proposals. We have not kept back something like hucksterers in the market, something which we would be prepared to give as a result of pressure. Everything has been placed on the table for all men to see. In the words of the Report 'We have carried the advance right up to the line beyond which our principles forbid us to go.'

"But within that line we are prepared to consider criticisms and suggestions. Far be it from me to claim any infallibility for our proposals. I would however say this—that it is for those who criticise to offer their alternative to our plan. We found nothing easier during the course of our inquiry last cold weather than to riddle with criticism each and every suggestion made to us. The problem before us was to select the scheme which would be open to criticism least. For do not forget this. Our task was to devise a transitional constitution containing within itself potentialities of advance, together with the machinery by which at definite periods that advance could be secured. Such a transitional constitution must in the nature of things be peculiarly open to attack, and the Secretary of State and I made it clear in our Report that we recognised this to be the case. Let me quote our own words. 'Hybrid executives, limited responsibility, assemblies partly elected and partly nominated, divisions of functions, reservations, general or particular, are devices that can have no permanent abiding place. They bear on their faces their transitional character; and they can be worked only if it is clearly recognised that that is their justification and their purpose. They cannot be so devised as to be logical. They must be charged with potentialities of friction. Hope of avoiding mischief lies in facing the fact that they are temporary expedients for training purposes, and in providing that the goal is not merely kept in sight but made attainable, not by agitation, but by the operation of machinery inherent in the scheme itself.'

"Criticise then freely. But remember that if your criticism is to be useful it must be constructive and not merely destructive. You must give us something which we can set up in the place of that which you destroy.

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“ Let me now sketch in broad strokes our scheme, as I see it. In the domain of the Government of India the fundamental principle is laid down that its authority must remain in essential matters indisputable. That is basic. But consider the advance which subject to that principle we propose. An assembly, in the main elected, infinitely more representative of India than the Council as now constituted. An assembly before which all business will normally be brought; able to express its opinion and exert its influence in respect of all matters pertaining to the Government of India. And if the Government through the Council of State retains its present power to make its will effective, the use of that power is conditioned. It can only be exercised on the certificate of the Governor General in Council that the matter in issue is in the interests of peace, order and good government.

“ Surely no one can say that this scheme does not involve a large increase in the influence of the representatives upon the actions of the Government of India.

“ I turn next to the domain of the Provinces. Here we come upon the division of functions of Government into the two categories of Transferred and Reserved Subjects. This division has been the object of much criticism, but I doubt whether the wit of man can devise any other device whereby the progressive transfer of responsibility can be secured.

“ Now what advance is secured in this domain? In the sphere of Transferred Subjects, the will of the Legislative Council is in the main to prevail. But even in the sphere of Reserved Subjects, the development is marked. Here, too, the will of the Legislative Council is normally in the main to prevail. And even in the exceptional cases where the machinery of the Grand Committee has to be set in motion on the Governor's certificate, the powers of the Legislative Council will remain unimpaired; for in the constitution of the Grand Committee will be reproduced the proportionate strength of officials and non-officials in the Councils as at present constituted. Thus, in the domain of Provincial Governments the immediate advance is immense, and the road forward lies open and defined.

“ I said that I would not follow up the various criticisms which have been made on our scheme, but Hon'ble Members will probably expect something from me on the vexed question of communal representation. I cannot help thinking that much more has been read into our proposals than they were intended to convey. We wished indeed to make it clear that, in our opinion, communal electorates were to be deprecated for the reasons set out in our report. But it was in the main to the method of securing communal representation by communal electorates that we took exception, and not to communal representation itself. The careful reader of the report will see that we regard this as inevitable in India, and that we clearly contemplate the representation of those communities and classes and interests who prove their case before the Committee shortly to be appointed to examine the question. I am most anxious that the fullest representation should be secured to the various classes and communities in India; but I am frankly doubtful myself whether the best method for securing that representation is through a system of separate electorates. However, I am content to leave the unravelling of this important question in the hands of the Committee, who will have the fullest evidence placed before them and will be free to make such recommendations as they think right, unfettered by our Report.

“ One last word on the subject of Reforms. Hon'ble Members are aware of the stress we lay in the Report on the necessity for educational advance. Last year we approached the Secretary of State with our proposals. But it was suggested to us that, in view of the impending discussion on Reforms, and especially on the future relation of Local, Provincial and Imperial finances, it would be better to postpone their consideration. We have now approached

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[*The President ; Sir William Meyer.*]

the Secretary of State again ; and with his consent our circular letter to Local Governments on this vital subject will be published this afternoon.

“ I began with the war and it is with the war that I end. For not only does the war dominate all our thoughts ; on its successful issue depends the very liberty of the world, without which these our schemes for the liberalising of India's political institutions would be vain indeed.

“ The shadows seem to be slowly lifting. We can almost fancy we can see the first faint flicker of victorious peace dawning on the horizon. From March to July, Germany put forth her strength in a great effort to separate the French and British Armies, to capture Paris, to force her way to the Channel ports,—before the full flow of America's numbers should finally rob her of all hope of victory. She put forth her whole strength and failed ; and with her failure came a dramatic change. The genius of Foch delivered a mighty counterstroke on the whole front from the Aisne to the Marne, and the Allied Armies hurled the Germans back. Before they could recover from the blow the Allies struck again and yet again. And ever since, the Germans have been receding, seeking in vain to husband their fast diminishing man-power. Nor can they look for help from Austria or Turkey or Bulgaria, for all three are sorely pressed.

“ The fifth year of the war has thus been ushered in full of high hopes for the Allies ; but the end is not yet. And so far from success tempting us to relax our efforts, it calls on us to redouble them. The greater and more sustained our efforts now, the sooner will come the triumph of the unconquerable cause of righteousness and liberty, bringing to the stricken world the unspeakable blessing of peace.”

THE PROVISIONAL COLLECTION OF TAXES BILL.

The Hon'ble Sir William Meyer :—“ My Lord, I beg to move 12-11 P.M.
for leave to introduce a Bill to provide for the immediate effect for a limited period of Bills introduced into the Indian Legislative Council which impose or vary certain taxation. The object of this Bill is fully explained in the Statement of Objects and Reasons, and it is consequently unnecessary for me to trouble the Council with any lengthy remarks regarding its provisions. Briefly, the position is that in the past when financial Bills have been introduced increasing the rates of customs duty provision has been made in these that the new rates of duty should take effect from the date of the introduction of the Bill. This is necessary in order to avoid loss to Government by the passing of goods through the Customs or the removal of goods from bond in the interval between the introduction and the passing of the Bill. Even so, since the duties can only be levied with retrospective effect, some loss may still occur owing to Government not being able to insist, pending the actual passing of a Bill, on duty being levied at the higher rates imposed by it, while subsequently they may be unable to recover retrospectively their full dues. In practice what has usually happened is that some importers have agreed to pay provisionally at the higher rates, while others have objected to doing so, and that in the latter case difficulties occasionally have actually arisen in recovering with retrospective effect the full amounts due. The present necessity for this Bill has arisen from the fact that any difficulties of the kind experienced in the past will in future be enhanced owing to the recent alterations made in the procedure for discussing the annual Financial Statement, the result of which will be, as mentioned in the Statement of Objects and Reasons, to lengthen the period ordinarily elapsing between the introduction and the final passing of a financial Bill. The Bill, as is also mentioned in the

[*Mr. V. J. Patel*; *Sir William Meyer*.]

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Statement of Objects and Reasons, will bring our procedure into line with that which it was found necessary to adopt in the United Kingdom as the result of certain difficulties experienced there of the nature explained above."

12-15 P.M. **The Hon'ble Mr. V. J. Patel** :—" Your Excellency, there is one point which strikes me in connection with this Bill, and it is this. Under the Government of India Act, which is a Parliamentary enactment, a Bill becomes law only when it is passed by this Council and when it receives the assent of His Excellency the Viceroy. This Bill purports to provide that a Bill shall become law before it has been passed, and before it has received the assent of His Excellency the Viceroy. I, therefore, doubt whether it is not *ultra vires* of this Council to pass a measure of this kind in view of the fact that this Council has no power to override a Parliamentary enactment. "

12-16 P.M. **The Hon'ble Sir William Meyer** :—" My Lord, I appreciate the delicate scruples of the Hon'ble Member who has just spoken. However, as a matter of fact, as indicated in the Statement of Objects and Reasons, we have, when introducing fiscal changes in the past, laid down that they shall come into force with effect from the date of the introduction of the Bill embodying them, though the Bill does not pass till later. The reason of course is most obvious ; otherwise we should have a loss of revenue in the days that elapsed between the introduction of the Bill and its final passing into law.

" The constitutional question is, of course, mainly for the decision of my Hon'ble friend the Law Member. But, speaking personally, I may say that I am quite willing to abide by what has been done in the past, of which this is merely an expedient extension, and by the precedent set for us in the United Kingdom by His Majesty's Government and accepted by Parliament there."

The motion was put and agreed to

12-17 P.M. **The Hon'ble Sir William Meyer** :—" My Lord, I now beg to introduce the Bill, and to move that the Bill, together with the Statement of Objects and Reasons relating thereto, be published in the Gazette of India in English. "

The motion was put and agreed to.

THE INDIAN PAPER CURRENCY BILL.

12-18 P.M. **The Hon'ble Sir William Meyer** :—" My Lord, I beg to move for leave to introduce a Bill to provide that silver held on behalf of the Secretary of State for India in Council or the Governor General in Council may, if so held in the United States of America or in course of transmission therefrom, be deemed to be part of the reserve referred to in section 19 of the Indian Paper Currency Act, 1910.

" It is only necessary for me to say a few words with regard to this small Bill which merely continues the provisions of a Paper Currency Ordinance issued earlier in the year. The objects of the measure were explained in a Press Communiqué issued at the time, and are recapitulated in the Statement of Objects and Reasons accompanying the Bill. Briefly, the position is that, as Honourable Members are aware, we are at the present time obtaining large quantities of silver from the United States, and it is desirable that we should have power to treat this silver as a portion of the Paper Currency Reserve in the same way that we can under the provisions of the present Act treat silver held in the United Kingdom or in transit therefrom.

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"The Bill is a war measure intended to provide for present conditions, and it therefore contains the usual provision to the effect that it shall remain in force during the continuance of the present war and for a period of six months thereafter."

The motion was put and agreed to.

The Hon'ble Sir William Meyer :—" My Lord, I now introduce the Bill, and beg to move that the Bill, together with the Statement of Objects and Reasons relating thereto, be published in the Gazette of India in English." 12-20 P.M.

The motion was put and agreed to.

THE GOLD COINAGE BILL.

The Hon'ble Sir William Meyer :—" My Lord, I beg to move for leave to introduce a Bill to provide for the coinage of a gold coin at the Mints referred to in the Indian Coinage Act, 1906." 12-21 P.M.

"The present Bill, as in the case of the Currency Bill which I have just introduced, merely continues the provisions of an existing Ordinance. I think that most Honourable Members are probably familiar with the circumstances in which the issue of that Ordinance was required, and the circumstances which have necessitated this measure are fully explained in the Statement of Objects and Reasons. Under the powers which we took last year to acquire gold coin and bullion imported into India, we secured a very substantial quantity of this metal. A good deal of this, however, came into India in the form, not of sovereigns, but of foreign coin and bullion. In that shape it could not be utilised by us immediately when necessary for currency purposes, and we consequently put in train arrangements for the coinage of sovereigns at a branch of the Royal Mint to be established in Bombay. Owing, however, to the non-arrival of the necessary dies and other causes, a delay greater than was anticipated occurred before it was possible to commence the coinage of sovereigns. Meanwhile, owing to the depletion of our rupee stocks, it became necessary for us to take steps to convert some portion of our gold bullion into coin as expeditiously as possible. We consequently decided, as an interim arrangement, to coin gold mohurs or fifteen rupee gold pieces.

"As we explained at the time, the standard weight, fineness and dimensions of the gold mohur correspond exactly to those of the sovereign, and it is full legal tender at Rs. 15 per gold mohur. The only difference between our mohur and the sovereign is in the design which it bears on its obverse and reverse. It will have been seen from a Press Communiqué published recently that we have now commenced the coinage of sovereigns at the branch mint. Meanwhile, our gold mohurs have been very useful to us, as we have employed nearly £400,000 worth of them in the purchase of wheat, while in addition to those actually issued, we have a coined up stock of £1,720,000 worth. I do not know whether it will again be necessary during the course of the war to resume the coinage of mohurs, but even if this is not the case, it will be necessary for us to continue the legal tender character of the mohurs which we have actually issued or which we may be issuing in future."

The Hon'ble Mr. Malcolm Hogg :—" My Lord, there is one point which occurs to me in connection with this Bill, and that is, that in the Statement of Objects and Reasons, one of the reasons given for introducing this Bill is to continue the legal tender character of the gold mohur coins which have been and will be issued. I do not understand therefore why the life of the Bill is limited to the continuance of the war, and for a period of six months thereafter. Will not the effect of this be that, unless other legislation is undertaken in the meantime, those coins will cease to be legal tender six months after the end of the war? "

 12-24 P.M.

[*Sir George Lowndes; Sir William Meyer; Sir George Barnes.*] [4TH SEPTEMBER, 1918.]

12-25 P.M.

The Hon'ble Sir George Lowndes:—"The Hon'ble Member is quite correct, my Lord. We shall probably have to legislate again when the war comes to an end. There are various small points of this sort which will have to be dealt with—in this case probably by an amendment of the Indian Coinage Act."

The motion was put and agreed to.

The Hon'ble Sir William Meyer:—"My Lord, I now beg to introduce the Bill, and to move that the Bill, together with the Statement of Objects and Reasons relating thereto, be published in the Gazette of India in English."

The motion was put and agreed to.

THE INDIAN NON-FERROUS METAL INDUSTRY BILL.

12-26 P.M.

The Hon'ble Sir George Barnes:—"My Lord, I beg to move for leave to introduce a Bill to restrict temporarily the persons who may engage in business connected with certain non-ferrous metals and metallic ores.

"This Bill, my Lord, is based on an English Act bearing the same name, or rather I may say that it is the English Act adapted to Indian conditions. The Home Government has invited us to introduce legislation in India on the same lines as the English Act, and a similar invitation has, we understand, been sent to each of the Dominions. It will be common knowledge to the Members of this Council that at time of the outbreak of the war, the markets in the non-ferrous metals were largely controlled by a German metal ring working through the Metallbank and the Metallurgische Gesellschaft of Frankfurt. The Act which was passed in England has for its object the securing of the independence, so far as the metals in question are concerned, of the several parts of the Empire. The metals and ores to which the Bill applies you will find in the 3rd clause, namely, zinc, copper, tin, lead, nickel and aluminium and any other non-ferrous metals and ores to which the Act may be applied by notification.

"Every Member of this Council will, I am sure, realise how important it is to the interests of India and of the Empire at large that these metals should be free from enemy control. They are all necessary for the successful development of our industries in peace time, and in war time our very existence will be imperilled by the absence of control. In order to secure this control, clause 4 of the Bill provides that it shall not be lawful to carry on the business of extracting, smelting, dressing, refining or dealing by way of wholesale trade in the non-ferrous metals except under license. But it also provides that any person who is free from enemy taint and who applies to his Local Government in the prescribed manner shall be entitled to a license as of course. Consequently, I think that we may say that there will be no hindrance or restriction of trade whatever except in respect of a company or person who is affected with enemy taint. With the object of discovering whether a business is being carried on by enemies or not, power is given by the 5th clause to require information and inspection of documents.

"Clause 6 deals with the difficulty which arises in the case of a company which has power to issue bearer shares. It is of course obvious that when shares are issued to bearer, the company does not know who is the real owner, and this clause enables any company which has issued shares to bearer to require that the holders of the shares should have their names entered in the register of members.

"Clause 7 with the same object in view gives any Indian company power to require a share-holder or debenture-holder to make a declaration as to the beneficial ownership of shares or debentures standing in his name and as to the nationality of the beneficial owner.

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“ Clause 8 provides that all information obtained under the Act is to be kept secret, except of course in the case of a prosecution.

“ Clause 9 deals with penalties.

“ The Schedule contains the conditions which alone prevent an applicant from claiming the grant of a license as a matter of right. The conditions look elaborate at first sight, but they amount to no more than this, that the only persons who are not entitled to license as of right are persons affected with enemy taint and companies which have issued share warrants to bearer and have not given notice requiring the holders of the shares to bearer to have their names inscribed in the company's register.

“ The proposed extension to India by this Bill of the provisions of the British Act is really based on the necessity of preventing enemy interests, unable to operate in the United Kingdom, from setting up their business in India in respect of the metals available here. As I have already said, the British Government anticipate that legislation on the same lines will be passed in the Dominions.”

The motion was put and agreed to.

The Hon'ble Sir George Barnes :—“ My Lord, I beg to introduce the Bill, and to move that the Bill, together with the Statement of Objects and Reasons relating thereto, be published in the Gazette of India in English.”

The motion was put and agreed to.

THE PROVINCIAL INSOLVENCY (AMENDMENT) BILL.

The Hon'ble Sir George Lowndes :—“ My Lord, I beg to move for leave to introduce a Bill to amend the Provincial Insolvency Act, 1907. The Act in question was introduced and passed shortly before the passing of the new Civil Procedure Code of 1908, in order that it might take the place of the very rudimentary provisions for dealing with insolvents outside the presidency-towns which were contained in that Act. As Members of this Council are aware the other insolvency Act we have in India, the Presidency Towns Act, applies only to the presidency-towns and Rangoon. There have been proposals that it should be extended, but the extension in any case will only make it applicable to other large towns of India, such as Karachi, Cawnpore and so forth, and therefore it is clearly necessary for us to have a provincial Act to deal with insolvencies in a more simple way outside the bigger towns. The Act of 1907 was largely experimental at the time it was passed, and my predecessor in office, Sir Erle Richards, in moving the Report of the Select Committee on the Bill quite recognised that it was not altogether a satisfactory measure. I think we may say that the experience of ten years, or eleven years now, has shown that this was not an unwise forecast. During the ten years we have had criticisms of the provisions of the Act, both from the Courts and from the general public, and not very long ago, it was thought desirable to address Local Governments on the subject. The replies we received showed that complaints were frequent, and that there were many defects in the Act which it was obvious ought to be remedied. As a result, last September, we convened in Simla a small informal Committee to deal with the questions which were then before us. We had the assistance of various Hon'ble Members of this Council, including my Hon'ble legal friends Mr. Chanda and Mr. Krishna Sahay; my Hon'ble colleague, Sir William Vincent, attended the Committee and we also had the benefit of Sir Ashutosh Mukherji's great experience. We had two District Judges, if I remember aright, on the Committee, and we had a Sub-judge up from Madras. The matter was carefully considered and very valuable recommendations were made to

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Government by the Committee, the outcome of which is the present Bill. The Committee thought that it would be unwise to repeal the existing Act, and that it would be sufficient to amend it, though as Hon'ble Members will see the amendments come to a considerable number, and we of course accepted that view. The present Bill is to some extent complementary to the Usurious Loans Act, which was passed in the last Session of this Council. Hon'ble Members may remember that my Hon'ble colleague, the Home Member, then in dealing with the Usurious Loans Act, pointed out that it would be necessary and indeed only fair alongside of the Usurious Loans Act either to pass a new provincial insolvency Act, or to amend the existing Act, and this Bill is now introduced in fulfilment of the promise which I may say was then made.

"The main defect in the old Act was that it lent itself very largely to the devices of dishonest debtors. As the Usurious Loans Act was introduced for the protection of honest debtors against dishonest creditors, so an amended insolvency Act is necessary for the protection of honest creditors against dishonest debtors. Under the present Act, it is comparatively easy for a dishonest debtor to evade his responsibilities. As many Hon'ble Members will know, it is quite a common thing for a man when cornered, so that he has either to go to jail or pay, to file his petition in insolvency. There is a provision (sec. 55 (4), I think) of the Civil Procedure Code which entitles him on giving notice that he will file his petition to have execution against his person stayed, and we shall undoubtedly have to consider whether that section of the Civil Procedure Code will not have to be amended if this Bill is passed in its present or any other form. But I will pursue for the moment the course of the dishonest debtor; he files his petition, and if he is in jail he automatically gets his release under the existing Act, and he is practically protected from going to jail again. That is sufficient for him; that is all he wants; he does not want to pay his debts; all he wishes is to escape the penalty of jail. It is not necessary for him to apply for his discharge, and until he applies for it, the Court has practically no power over his misdoings. The existing Act, it is true, lays certain disabilities on an undischarged insolvent, but these do not affect the dishonest debtor. He cannot borrow money without disclosing his condition. But, in the first place, he probably does not know that there are any such disabilities at all; if he does he borrows all the same in disregard of the Act, and no body takes the trouble to prosecute him. Then again no stigma whatever apparently attaches to being an undischarged bankrupt under these conditions. Of course in other parts of the world the stigma is great, but apparently among provincial insolvents there is no feeling at all on the subject, and they can go on borrowing for years. This is the state of things that we have tried to remedy by this amending Bill. We propose in the first place to make it compulsory that every petitioning insolvent should apply for his discharge within a time to be prescribed by the Court, which, we hope, will in most cases be a fairly short one. If the insolvent does not apply for his discharge, and it must be remembered that his doing so will enable the Court to deal with any malpractices he may have committed, he will lose the protection of the Court altogether. His adjudication will be annulled, and it is provided that he cannot file another petition on the same facts. That in the first place. In the second place, we propose to abolish the automatic protection which he gets upon adjudication. It is proposed by this Bill to repeal the provision of the existing Act, which provides that immediately on adjudication, the insolvent should be released from jail, and make it necessary for him to apply to the Court for protection, leaving it to the discretion of the Court to grant him protection in any degree it thinks fit. Then, in the third place, we propose to lay upon him as an undischarged insolvent, so long as he remains undischarged, certain civil disabilities, such as incapacity to hold certain offices. This is, if I may say so, fairly based on the principle that a man who cannot manage his own affairs should not be entrusted with the affairs of others. It will be for the Select Committee to consider whether in this respect we have gone far enough.

"The Bill is rather a long one, and owing to its being in the usual form of amending Acts is rather a difficult one to follow, and we have therefore

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[*Sir George Lowndes.*]

made the Objects and Reasons and the Notes on Clauses rather more complete and full than they would ordinarily be. I do not propose to go through the various amendments in detail, but there are one or two points to which, I think, I ought to refer very shortly. The first is, that the present Act gives no precise power to an insolvency Court to decide questions of law or fact that arise incidentally in the course of insolvency proceedings. With regard to this there have been conflicting decisions in the Allahabad and Calcutta courts, and we think that the point should be definitely settled by the amending Bill. It is not altogether easy to see which is the wisest course to follow. If the power to decide questions of law and fact does exist, a summary decision by a Court of Insolvency may have more far reaching effects than was intended at the time. On the other hand, if the power does not exist, and all the Court can do is to refer the parties to a separate suit, the result is interminable delay during which the wearied creditor may be driven from Court to Court, and eventually may have to come to a compromise with his debtor on disadvantageous terms. We have chosen what we think as at present advised to be the better of the two alternatives, and have provided that the Court shall have power to decide any questions that arise incidentally in the insolvency, but leaving it discretion whether it should do so in a particular case or should refer the parties to a separate suit. Between this Scylla and Charybdis we hope that the Select Committee will be able to steer our bark to safety. I may say that in regard to this point, as in many others, where we have proposed amendments of the Act, we have adopted the corresponding provisions of the Presidency Towns Insolvency Act. That Act was passed just two years after the Provincial one, and seems to have been rather better considered, and in many cases, I may say better drafted. We think that there is no reason why there should be any material difference in minor provisions between the two Acts, and therefore in many cases where we wanted a better model we have gone to the Presidency Towns Act and adopted provisions from it.

“ The next point to which I should like to refer very shortly, is the amendment which we propose in section 12, that in every case, unless for reasons to be recorded in writing the Court otherwise directs, on a petition of insolvency being admitted, an interim receiver should be appointed at once, in order that he may be in a position from the very outset, to get hold of the assets of the insolvent. In this connection, I ought also to refer to the question of official receivers. No doubt for the efficient administration of any insolvency, a competent official receiver is necessary, and if we could provide official receivers throughout India for all the mofussil insolvency Courts, we should be very glad to do so. But as Hon'ble Members are aware, official receivers have to look to fees for their remuneration, or at all events Government would have to consider the question of fees in fixing their remuneration, and the fees in most District Courts in insolvency matters would be very small. Therefore, though we recognise that it would be very desirable to have official receivers, if we could, throughout India, the cost would practically make it impossible, and we do not look forward at present to any great extension of the system of appointing official receivers. Where there is an official receiver, he would no doubt normally be appointed interim receiver. We have provided that an interim receiver should have all the powers that are conferrable on a receiver under the Civil Procedure Code. In this respect, again, we have followed the model of the Presidency Towns Act.

“ The next point I should like to refer to, is the penal provisions of the Act. Section 43 of the existing Act is lacking in precision, and clearly wants re-modelling. Its form has led to many difficulties, and we therefore propose to recast it, again resorting to the model of the Presidency Towns Act, which seems to us to be better. I should like to say in this connection that the ideal state of affairs would undoubtedly be that an Insolvency Act should itself deal only with what I may call the special offences under the Act, such as refusal or neglect to comply with orders of the Court or statutory requirements, and that all graver offences, such as fraud, gross misconduct and

[*Sir George Lowndes ; Sir George Barnes.*]

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the like, should be left to be dealt with under the provisions of the general law. I should like myself to see a Chapter of the Penal Code dealing with all such offences, and in that case we should be able to omit both from our Provincial Insolvency Act and the Presidency Towns Act a good many of the present penal provisions. The Insolvency Court would then only deal with special insolvency offences, and in respect of any graver offences which came to its notice during the inquiry, it would only order prosecution in a criminal Court. That is, I will not say, an Utopian idea,—I think it is an idea that we may be able to bring into practice before very long. It has not of course been possible to deal with it in this Bill, as it would have meant amendments not only of this Act, but of the Presidency Towns Act and of the Penal Code, but I look forward to it as a possible piece of legislation in the future.

“There is one other point, my Lord, I should like to deal with, and that is the question of summary administration of small insolvent estates. We propose to simplify the procedure further in order that there may be a more expeditious winding up and distribution of the assets. The Committee to which I have already referred recommended that the present limit of Rs. 500 for summary administration should be reduced to Rs. 200, and we have adopted this in the Bill. At the same time, it has been suggested to us that the right policy would rather be the other way, to bring in rather bigger estates, and instead of reducing the limit, to extend it from Rs. 500 to Rs. 2,000. Here, again, we hope that the advice of the Select Committee will assist us. I should state that it is not proposed to proceed with the Bill at present, but merely to publish it and take it up again next Session.

“I regret that I have taken so long over the explanation of this Bill, a very dull matter in these exciting times, but it is one in which I have taken great interest, and I hope we may look forward to its being a useful, and at the same time a non-contentious, piece of legislation.”

The motion was put and agreed to.

The Hon'ble Sir George Lowndes :—“My Lord, I beg to introduce the Bill, and to move that the Bill, together with the Statement of Objects and Reasons relating thereto, be published in the Gazette of India in English and in the local official Gazettes in English and in such other languages as the Local Governments think fit.”

The motion was put and agreed to.

THE COTTON CLOTH BILL.

12.50 P.M.

The Hon'ble Sir George Barnes :—“My Lord, I beg to move for leave to introduce a Bill to take powers to provide for the cheap supply of cotton cloth to the poorer classes of the community.

“Your Excellency has referred to this Bill in your speech to-day. Its object, as you have told us, is to alleviate, as far as possible, the serious hardship which has been caused to the poorer classes by the great rise in the price of cotton piece-goods. There is no doubt, I regret to say, about the reality of this hardship, especially in Bengal, where the price of the two chief local products, jute and rice, is low in comparison with the increased prices for other products which have in many Provinces eased the position for the actual cultivator. The causes of the rise in the prices of piece-goods lie largely in the increased cost of the raw material, cotton, which has risen considerably all over the world, owing in a great measure to the heavy demands for war equipment, and for the manufacture of actual munitions of war. This rise in other parts of the world has affected the price of raw cotton in this country, as it was bound to do. Imported piece-goods have risen greatly in price, not only in consequence of the rise in price of raw cotton, but also in consequence of the increased cost of manufacture at the present time in Lancashire. Wages and other costs have risen in Lancashire, which, as every one knows, supplies India with a large proportion of her

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[Sir George Barnes.]

imported piece-goods, and the high freights have increased the cost of raw cotton to Lancashire, while the supplies have at the same time been reduced by the shortage of shipping.

“ The Government have for some time past viewed the position with great anxiety, for we knew how sorely the high prices of cotton cloth pressed upon the poor, and produced distress, which in some cases resulted in disturbances of the peace. Early in the present year we came to the conclusion that it was not possible to decide upon any system of control without expert advice from the leading members of the trade, and we further felt that it was right to make every endeavour to carry the trade with us in whatever proposals we might make. Accordingly a mixed Committee of Indian and European gentlemen was appointed by the Government of India to work out a scheme for the regulation of the prices of cotton piece-goods of Indian manufacture. The members of the Committee, apart from the Chairman appointed by the Government of Bombay, were :—

- (1) Mr. R. H. Brooke.
- (2) Mr. N. B. Saklatwala.
- (3) The Hon'ble Mr. Purushottam Thakurdas.
- (4) Mr. C. N. Wadia.
- (5) Mr. Mangaldas Girdhardas.
- (6) Mr. J. P. Chrystal.
- (7) Mr. Pestonji N. Masani.
- (8) Sir Bezonji Dadabhoj Mehta, Manager of the Empress Mills, Nagpur.
- (9) Mr. Thomas Smith, Managing Director of the Muir Mills, Cawnpore.
- (10) Sir Clement Simpson, of the Buckingham Mill Company, Limited, Madras.
- (11) Mr. Silver, Controller of Textile Supplies with the Munitions Board.

The Committee sat in Bombay at the end of March and the beginning of April last, and arrived at 15 Resolutions, which were published in a Communiqué made to the press a short time ago. The first four of the Resolutions do not concern us to-day, for they deal with the question of undue speculation in raw cotton, and action has already been taken on the recommendations made by the Committee in this respect. The Committee reported that a fair measure of control over the price of cotton cloth was practicable, if a limited number of varieties were standardised. The essential parts of their recommendations are contained in Resolution No. 6, which, I think, I had better read in full —

‘ In order to estimate the quantity and the varieties of standard cloth that should be manufactured, the Local Administrations should inform the Central Committee at Bombay of the quantity of ordinary saris, dhotis and longcloth required for the poorer and lower middle classes in their area, and should supply samples of the same. The Committee in Bombay will then prepare specifications showing the counts of warp and weft, reed and picks, the weight of the variety and the size to be put on it. The varieties of standard cloth are not to be of higher or finer counts than 20 s warp and 24 s weft, as a maximum. The obligation of manufacturing such cloth should be distributed by a central authority as equitably as possible among the mills, so that each mill would contribute a share of a standard cloth proportionate to the total number of its looms.’

This is the recommendation which forms the basis of the present Bill, for the Government have decided to act upon the recommendation of the Committee. We are glad to think that the scheme contained in the Bill is not one devised from outside and forced upon the millowners of this country, but one which they have themselves made, and I should like to take this opportunity

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of acknowledging the public-spirited way in which the leading millowners on the Committee approached the question with the object of doing what they could to help the poorest in this land.

"After the receipt of the Committee's report, the report received careful and detailed consideration from the Government of India. It soon became clear that any scheme for the control of prices must also involve an efficient system of distribution. The control of prices, though difficult enough, is a simple matter in comparison with the distribution of the controlled article when, as is the case with cotton piece-goods, the commodity in question is manufactured in so many varieties of fineness and of colour and is distributed to so great a variety of places. We had also to consider the control of prices of imported piece-goods, but have been forced to the conclusion that the control of imported piece-goods with a view to reducing their price below the price at which they can be replaced from abroad, might do a great deal more harm than good. Although there are large stocks of imported piece-goods in the country, and although I am sorry to say the prices of these have risen owing to speculative transactions, their price is still below replacement cost. If we fix the price of imported cotton piece-goods at a price lower than that which the importer has at that date to pay to import similar goods, it is plain that by so fixing the price we cut off the supply of imports from abroad, for importation is no longer possible as a commercial transaction. In India, we want at the present time all the piece-goods from abroad which we can get, for even if all the mills in this country work full time and even double shifts, they will be unable to supply the needs of the Indian people. Our policy must at the present time be to encourage imports, and if we fix the price of foreign imports of piece-goods at a figure below the parity price in the country of production, the result must be to entirely stop the stream of imports from that country. For these reasons, we have been compelled to conclude that though we should like to control the price of foreign piece-goods, it is dangerous to take a step which would diminish or stop altogether the stream of imports into this country at a time when we urgently require all the imports we can get.

"An outline of the Bill is stated very shortly in the Statement of Objects and Reasons attached to the Bill. The Bill proposes to give the Government power to appoint one or more Controllers, with whom will be associated Advisory Committees of persons having expert knowledge of the trade. The Controllers will have power to require the mills in India to manufacture certain standard varieties of cloth in common use amongst the poorer classes, and it is proposed to ascertain the amounts and the kinds required of standard cloth at a meeting of the representatives of all the Provinces to be held in Bombay. The standard cloth will be manufactured at controlled prices, which will be so fixed as to allow the mills a reasonable margin of profit, and in order to ensure that the benefit of these prices actually reaches the ultimate purchasers, the sale will be made either through Government shops, or through traders licensed by the Local Government. Where the Local Government rely on ordinary dealers and retailers licensed by them to sell the standard cloth, they will of course have to fix the prices to be charged, and to prohibit the sale of standard cloth by any dealer who is not licensed.

"If we now turn to the Bill itself, clauses 1 and 2 only contain short title and definitions of words in the Bill.

"Clause 3 gives the Governor General in Council power to appoint one or more Controllers.

"Clause 4 deals with the powers of the Controller. He has powers to define the classes of standard cloth, to require its manufacture, and to fix the price for it. In fixing the price the Controller is to have regard to the cost of production and to the allowance of a reasonable profit.

"Clause 5 gives power to appoint Advisory Committees.

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" Clause 6 provides for the delivery of the standard cloth, and secures the payment of the price for it to the manufacturer.

" Clause 7 deals with the delegation of powers.

" Clause 8 contains penalties for non-compliance with the Act.

" Clauses 9 and 10 give the Local Government power by notification in the local gazette to fix the price or prices at which standard cloth is to be sold at the various localities within the limits of that Local Government, and forbid any persons from selling at any price other than that fixed by the Local Government.

" Clause 11 gives the Local Governments power to grant licenses to traders and others for the sale of standard cloth.

" I may add that we propose at once, in connection with this Bill, to depute an officer to Bombay, and propose that he should shortly call a preliminary Conference of representatives from all the Local Governments, in order to ascertain exactly what sorts of cloth are most required and the quantities, and generally to work out the details of the scheme outlined in the Bill.

" The success of the whole scheme depends almost entirely on the active and willing co-operation of persons concerned in the industry and the public. The former will be taken fully into the counsels of the Controller whom we propose to appoint under the powers contained in this Bill, and provided their whole-hearted assistance is forthcoming—and of this I have every confidence—I feel no doubt that the details of the scheme can be satisfactorily filled in. The responsibility for distribution will rest, as you have seen from the Bill, almost entirely upon provincial efforts, and Local Governments will need the help and co-operation of non-official workers in making the scheme effective."

The Hon'ble Sir Fazulbhoj Currimbhoy :—“ My Lord, the object of this Bill to supply cheaper cloth to the poor people is a very laudable one. There is a great hardship no doubt, but the question to my mind is, whether the machinery which is going to be employed of licensed sellers will be sufficient to give cheaper cloth to the poor people in so many thousand villages of this vast country. My doubt is that a licensed seller will make more profit than the mills themselves. Not only that, but it will be very difficult to detect these frauds. I am sure that the Government must have considered this point very carefully, and I shall be obliged if the Hon'ble Mover of the Bill will explain to us whether he is satisfied that the machinery which is going to be employed is a correct one. 1-3 P.M.

" Now I come to my other point. Take it for granted that the machinery will be very satisfactory, then I am sure that nearly 50 per cent of the production of the Indian mills will have to be taken up to supply the needs of the poorer people. The Bill says that the Controller will give reasonable profits, but I want to know what is the reasonable profit which, in fairness to the industry, they will get. Will they get the same profits as other industries in the country get on their capital, and will the profit upon their capital be the standard? The Council is aware that the jute industry in this country is making a huge profit. I know that some of their products have come cheaper to the Government; but, still, jute is so cheap, and having a monopoly in the country, they are able to make very large profits. There are other industries which are also making huge profits because they have got their own raw materials, the prices of which have not gone up and which they can produce at low prices. As we all know the cotton industry had its vicissitudes and it has got its difficulties. Cotton prices have gone up from Rs. 250 to Rs. 1,000, that is nearly five times the normal price. Not only that but the industry has to compete with other countries which take our raw material freely and dump our market with their manufactured goods. Many mills have made very handsome profits, but those profits were not profits made out of manufacture. Generally, many of the mills buy in the early part of the season

[*Sir Fazulbhoy Currimbhoy; Mr. M. A. Jinnah.*]

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getting the best stuff, and later on, when they sold, the price of cotton had gone up; and in that way they have made large profits. You will see that many of the mills have not even wiped off their debts, and many of them have not even provided ample capital for their depreciation funds which they ought to have done. Under these conditions I do not think that cotton is the only industry which should be penalised. In fairness I think the Government ought to buy cloth at a fair profit, *i.e.*, so much profit on the capital, and they should sell this cloth which they buy from the mills at a cheaper rate to the people and make up their losses by the taxation of other industries equally or else by some other means.

“Then, my Lord, there is a huge amount of stock in the Bombay market of cloth which the speculators and the cloth merchants have bought at cheaper prices from the mills, and they are making much larger profits than the mills. Nothing is provided in the Bill to show whether the Government is going also to take over this stock at a fair margin of profit.

“Then, my Lord, the Bill is vague in many points. It has not defined what proportion of the cloth Government is going to take over, nor what percentage of profit it contemplates to give to the mills. I wish that the Hon'ble Member will enlighten us on these points also.”

1673.

The Hon'ble Mr. M. A. Jinnah:—“My Lord, I cannot say that I am one who represents this industry; but, representing Bombay, and having regard to the fact that the President of the Bombay Millowners' Association, Ahmedabad, has sent me a long telegram stating his objections, I think it is my duty to place certain objections before this Council for the consideration of Hon'ble Members.

“My Lord, the cotton industry is a very important industry in the Bombay Presidency, as the Hon'ble Sir Fazulbhoy Currimbhoy has pointed out, appreciating, as I do and I believe every Member in the Council does, that relief should be given to the poor, and that cheap cloth is a very necessary article for them, yet when we come to examine this Bill, my Lord, we find that it strikes at one particular industry. Why should the cotton industry be struck at at this moment, when no other industry is being touched, because we want to give relief to the poor? There is great force in the argument of the Hon'ble Sir Fazulbhoy that, if the Government desire to give relief to the poor, by all means do so, but not at the expense of one particular industry.

“Then, another objection is that the Hon'ble Mover said that, so far as imported cloth is concerned, we cannot deal with it. May I know, my Lord, why you cannot deal with it? Can you not restrict the importer in the same way and say he should not be allowed to sell imported goods beyond 10 per cent profit or 15 per cent profit? Will that prevent the import of cloth from other countries? Certainly not. Why should it? Those are two or three important objections. Apart from the difficulty of the practical working of the scheme which Sir Fazulbhoy has pointed out, I see many practical difficulties, but I am not at present dealing with them because I am not in a position to deal with them at present.

“Then, my Lord, if I may say so, this Bill is a blank cheque in favour of the Government of India, which means practically the Department of Commerce and Industry. Do you associate with you anybody representing this interest, and how do you do it? You have provided a Committee, and what is the use of that Committee? That Committee will do what? Nothing. The Committee's power is this, that unless they unanimously disagree with the Controller, the Controller is not even bound to refer the question to the Governor General in Council. Now supposing you have got four members of the Committee, for example, and three members do not agree with the Controller with regard to any orders that he wants to issue; but if one agrees with him then he need not even refer the point to the Governor General in Council. If one

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man agrees with him, he can say 'That is alright; I need not refer the matter to the Governor General in Council.'

"Again, this Committee which you are going to appoint will only be consulted by the Controller with regard to certain specific matters only and nothing more. Now, may I ask the Hon'ble Mover how he is going to provide for in this Bill that manufacturers will be consulted and their interests guarded. May I ask the Hon'ble Mover how you are going to provide for that, for in this Bill I see no trace of it? I see no provision to that effect at all. Therefore I say, my Lord, that I cannot possibly give my assent to this Bill in the form in which it has been presented to us to-day. And if the Hon'ble Member will allow me as I do not wish to take up the time of the Council, I will present to him a telegram which I have received from the President of the Mill-owners' Association, Ahmedabad, giving all the details of objections for his consideration."

The Hon'ble Pandit Madan Mohan Malaviya:—"My 1-14 P.M. Lord, I heartily support the motion for leave to introduce the Bill which is before us. The Bill is not being introduced a day too soon. The sufferings which the people have been undergoing on account of the high prices of cloth have been very severe, and I hope it will not be long before the Bill is passed into law.

"But, my Lord, there are certain points which have been raised which deserve consideration. While I support the Bill as a measure calculated to bring relief to the poor—which is the great object before Government and which I am sure will receive the support—in fact, it has received the support of our Millowners also—there are two or three points which have been raised in the debate to-day which deserve consideration.

"One is this. When you are taking steps, and rightly, to control the price of cloth manufactured in the country, should you not at the same time prohibit the export of cotton, both in order to lower its price and thereby make it easier for the mills to produce cheap cloth, and also in order that the cotton may be manufactured in the country itself? If Japan and other countries take away our cotton and send it back to us in the manufactured state, it is important to consider whether the export of our cotton to those countries should not for the time being be prohibited—if, as I understand from my friends who are connected with the cotton industry, the cotton can be manufactured in this country by working overtime? That is one point I wish the Government to consider.

"The second point relates to dealing with imported cloth. I quite appreciate what the Hon'ble Member for Commerce and Industry has said, that he cannot fix the price at which cloth should be manufactured in Lancashire. But is there any objection to the Government buying up that cloth when it is imported into this country at a fair price, giving those who import it a reasonable profit, and then selling it as cloth which will be taken from Indian mills will be sold, at a reasonable price? My object is not to inflict any loss on the manufacturer of cotton cloth in Lancashire. My object is that the loss, which the poorer classes cannot bear, should be borne by the Government. I am aware that cloth imported from Lancashire is largely used by the higher classes, but it is not used by the upper classes only; it is used largely by the middle classes also, and these classes are also hard hit by the high prices prevailing. I therefore ask the Hon'ble Member to say whether it is possible to devise some means by which, without coming into conflict with Manchester manufacturers, we should be able—the Government should be able—to arrange for the purchase of cloth sent into this country, to pay a reasonable profit on it, and to sell it to the people at reasonable prices on the lines which are proposed for dealing with cloth turned out by the mills here.

"Those are two points which I would like the Hon'ble Member to enlighten us upon. I hope I have made it clear that my object is not to raise a conflict

[*Pandit Madan Moha: Malaviya; Mr.
Surenbra Nath Banerjea*]

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between Lancashire and India. My object simply is, avoiding a conflict between Lancashire and India, to see if some relief could not be provided for the users of cloth which is imported in the manner suggested.

“The third point that I will touch upon is one which has already been referred to by the Hon'ble Mr. Jinnah. I also have received a telegram from the President of the Ahmedabad Millowners' Association. With reference to it, I will only say this, that if the points I have mentioned are taken into consideration and something is done, there will not be a feeling that the Indian cotton industry alone has been selected for control. Of course the reason for the cotton industry being selected is obvious; but if the steps I have suggested are considered and adopted, there will be no feeling that the industry has been hard hit.

“Lastly, my Lord, the question of the powers of the Advisory Committee which has been referred to by the Hon'ble Mr. Jinnah requires consideration. It is no good giving a thing with one hand and taking it away with another. The provision that only when the unanimous opinion of those members of the Committee who have been consulted by the Controller is adverse to the issue of any order, the Controller shall refer the matter to the Governor General in Council, practically nullifies the advantage of constituting an Advisory Committee. I think that it should be provided that, if the majority of the Committee do not agree with the Controller, he must refer the matter to the Governor General in Council. If that is done, my Lord, the complaint which has been raised on this score will be met, and a great deal of relief will be given to the people who are sorely hit.

“I hope these points will receive consideration.”

1-19 P.M.

The Hon'ble Mr. Surendra Nath Banerjea:—“My Lord, I desire to associate myself with some of the remarks that have been made by my Hon'ble friend to my left.* Speaking for Bengal, and on behalf of the poorer classes of Bengal who have been sorely hit by the high price of *dhoties* and *saries*, I will say this, that legislation has not been undertaken a day too soon. My Lord, there have been in Bengal cases of looting and these poor people, who had been driven to desperation and broken the law in consequence of their needs, are being tried and many of them have been punished, severely punished, I am sorry to say. There have been cases of suicide committed by women. There have been grievous hardships all along the line among the poorer class of our people. We have been holding demonstrations, meetings and conferences in Calcutta and in different parts of the Province in order to stimulate the Government into action. Government is always very slow to move. It has at last moved. But I am afraid there are one or two matters in regard to which action has to be taken but which has been deferred. We have all received this telegram; I have not been able to read it but glancing over the telegram, looking at it here and there I find the word ‘profiteering’ mentioned, and in Bengal the high prices of *dhoties* and *saries* are largely due to the tactics of the speculator. My information is—and I have tried to test and verify it, it has been obtained from the trades people themselves—that the existing stock of *dhoties* and *saries* if used at the ordinary rate of consumption would last over two years, and if economically used might last for three years, and this is the most important point, namely, that the whole or at any rate the greater part of this stock was purchased before the war and at pre-war rates; and they are now being sold at five or six times the ordinary rates. Surely, my Lord, this is a matter which can be easily tested. If you go to the wholesale dealers, ascertain from them what the price was when they purchased these things and then go to the retail dealers, I think it would be easy for the Government to inquire into the truth or otherwise of this allegation and take action. But the fact remains that while before the war the dealers or speculators were about a few hundreds in

* The Hon'ble Pandit M. M. Malaviya.

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[*Mr. Surendra Nath Banerjee ; Mr. Malcolm Hogg.*]

number they are now to be counted by thousands. It is the middlemen who have been mostly instrumental in raising the prices of *dhoties* and *saries*, and I should like to know if my Hon'ble friend in charge of the Bill has made any provision for the purpose of dealing with this class of men who are taking advantage of the situation and making money in consequence. I think this is a serious matter and ought to be tackled in the Bill, and the Bill would fail to give satisfaction if this matter were not satisfactorily dealt with.

"Then, my Lord, with reference to the question of the differentiation between mill-made articles in this country and imported goods, I entirely sympathise with the observations which have fallen from my friend to my left. Is it not possible to obtain from the importers the manufactured price of the articles, freight, insurance and such like things and then settle the price? This ought to be done and it should be done. This differentiation must give rise to irritation. It has caused a feeling of discontent. We had a meeting the other day in the Indian Association rooms of which I was the chairman, and there was a resolution in this connection protesting against this differentiation of treatment between Indian and Lancashire mill-owners. I say public feeling in this matter ought to be taken note of. At any rate we are glad that Government has taken action in this matter, and I hope and trust that the points which have been raised in the course of this debate will be taken note of by my Hon'ble friend, the Member in charge, and adequate action taken in connection therewith."

The Hon'ble Mr. Malcolm Hogg:—“ My Lord, I find myself in a position of some little difficulty in regard to this Bill. The whole question of the control of prices of cotton cloth is one which bristles with very great difficulties. The Bill proposes to set up an organisation to ensure the manufacture of certain standard varieties of cloth at fixed prices, and their distribution to the poorer classes of the community. Now, in carrying out the policy of this Bill many very difficult questions will arise, both in connection with the arrangements for the manufacture and for the distribution, and I would emphasise that the difficulties in connection with the distribution will certainly not be less than, in fact, I think they will probably prove greater than, the difficulties in connection with the manufacture. I must admit that I feel considerable doubt as to whether these difficulties can be successfully overcome and the policy satisfactorily carried out. At the same time, I feel that if any attempt to control cotton cloth prices is to be made, the measures which are proposed by this Bill are the only possible measures; the only measures which do not carry with them dangers greater than the advantages they offer. I understand that Government have come to the deliberate conclusion that an attempt to control or partially control the prices of cotton cloth in this country is absolutely necessary for the relief of the poorer classes of the community, and indeed for the preservation of law and order. I do not dispute the correctness of that conclusion, and I therefore do not feel justified in opposing the Bill inasmuch as I am not prepared to offer any better alternative scheme for an immediate partial remedy. I do not think it is necessary at this stage to go into the details of the difficulties that will have to be overcome and the dangers that will have to be avoided. These difficulties and dangers are associated perhaps more with the administration of the Bill than with the Bill itself, and it will therefore probably be more profitable if the body which I represent puts that aspect of the question before the Controller who is to be appointed, though I may possibly say something about these difficulties and dangers at a later stage when the Bill comes again before the Council for consideration. There are one or two points which have been raised in this debate about which I should like to say something. I agree with the Hon'ble Mr. Jinnah that the provisions of clause 5 regarding the relations between the Controller and the Committee are not altogether satisfactory. I do not think that the provision by which the Controller is only to refer a matter to the Government of India if his Committee is unanimously against him would be found satisfactory in practice, and I think that section needs some amendment. ”

1-24 P.M.

[*Mr. Malcolm Hogg; Sir Dinshaw Wacha.*]

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“Then several Hon’ble Members have raised the question of the control of imported cloths, and have expressed their inability to understand why this is impracticable. Well, I will try to explain this matter. It is a fact that throughout the war and at present the manufactured prices of Lancashire cloths have always been very much above even the high prices ruling in this country. That is to say, at the present time, just as throughout the war, the price of any cloth in Manchester is far greater even than the price at which it is being sold out here. Well, what will be the effect if Government say to the importer ‘we want to know the price which you have paid for the imported cloth which you hold, what it has cost you to bring it out, and we will give you a reasonable profit on it.’ I do not think the importer would make any objection to that; he would get his fair profit and would sell the cloth to Government. But could he venture to buy and import more cloth at a very much higher price? Obviously he could not. If the present high prices ruling here are below those in Manchester, how much more will the relatively reasonable prices at which Government would desire to buy these cloths from the importer be below the replacing cost? The only effect of the proposed taking over by Government of stocks of imported cloth must be that it would be impossible for anybody to import any more cloth, and that is a difficulty which, as far as I can see, cannot be got away from. There is just one other point raised by the Hon’ble Pandit Malaviya, and that is, the restriction of exports of cotton. Well, it seems to me that that step would only be necessary and justifiable when it has been proved that the supplies of cotton in India are insufficient for the mills of India. I quite agree, and I think everybody would agree, that the Indian mills should have the first claim on Indian cotton, but I do not think that up to the present—I cannot say what may happen in the coming season—a situation has ever arisen when it can be said that the supplies of cotton are insufficient for the needs of the Indian mills. With regard to the question of working overtime which was also suggested, I do not myself think that it is practicable. There is not a sufficient supply of labour in India to work double shifts, and if you merely try to make the existing labour work longer hours than at present, not only will it be a great strain on the labourers, but the actual result will be that you will get little or no more production, because the men will get so tired that they will do less efficient work. I do not think there is any possibility of any large increase in production.

“There is just one other point I should like to refer to before I sit down. This Bill proposes to attempt a partial or immediate remedy for high prices of cloth. It will, I think, be obvious that the real permanent remedy is to increase the supply, and I would therefore urge on the Government the necessity of not losing any opportunity to assist and encourage the increase of production in India. In this connection I have been told that it is possible to buy second hand looms in England at present, but that the assistance of Government will be needed in order to arrange for their export. I commend this point to the careful consideration of the Hon’ble Member in charge of the Bill. I desire to support the Bill.”

1-41 P. M.

The Hon’ble Sir Dinshaw Wacha:—“My Lord, when most members of the Council have spoken, I also wish to say a few words on this very important subject. I appreciate the benevolent object with which this Bill has been brought forward. At the same time, some of my friends have said, and particularly my friend, Mr. Hogg, has rightly said that the Bill bristles with many difficulties, both in reference to distribution and in reference to selling the products of the cotton mills to the poorer classes. Very many complicated points arise, and those who are daily transacting business in cloth, can alone understand how those difficulties, which are of a serious character, can be remedied. Here, of course, I do not represent the mill-owners, though I belong to the cotton industry line. At the present moment I am not speaking about the industry itself, however interested I may be therein. I speak in this Council

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as a member of the public, who is anxious to see the poorest masses obtaining cloth at a fairly reasonable price. As such I am sorry to say that I cannot accept this Bill in its present form. What I think about it is this. It is like the cart that is put before the horse. You cannot make cloth without cotton. It should be remembered that it is the price of cotton that generally regulates the prices of cloth. As my Hon'ble friend Sir Fazulbhoy has pointed out, cotton was formerly to be had for Rs. 250 to Rs. 300. It has now gone up to Rs. 1,000 per candy ! That means the cost of the production of cloth is necessarily enhanced on that account. Practically, at the present moment the price of cotton has gone up to about Rs. 1,000. That is the price of raw cotton, without loss of waste which further enhances the price. Therefore, the question is this : Will you, without controlling the price of cotton, be able to benefit the poor ? I say that the poor cannot be benefited at all, whatever else you may say. It may be a hardship ; it may be, as our friend Mr. Banerjee has pointed out, that these high cloth prices may lead people to looting and rioting ; it may lead women to commit suicide. But the measures which you are proposing by this Bill will not help the poor ; they will only help to bring about more cases of women committing suicide ; to more looting and rioting. I repeat these measures will not help the poor. The whole question turns on this :—whether cotton prices ought not to be first brought down. What is the present position ? Is it a fact that cotton prices are what we call ' natural ' prices ? They are not. Why is this so ? Well, the cotton dealers may say, ' Oh, there is a shortage of cotton '. True. The shortage of cotton is not a new thing. There have been shortage of cotton in times of famine in the past. There has been a shortage of cotton now and again time out of number. But even then the prices never mounted beyond Rs. 350 or Rs. 400. Why have then the prices gone so high now ? Cotton dealers most of whom are gamblers and speculators, say that they cannot receive a sufficient quantity of the raw material from the seats of production, owing to greatly less facilities of transport service. Hence the increase of price. Well, there may be some truth in that ; there may be an artificial scarcity, and necessarily the dealers in cotton raise their prices. That has always happened. But beyond that what is the reason that cotton prices are so high as Rs. 1,000 ? I cannot understand it. I do think, my Lord and I speak with some confidence on this subject, that the natural price of cotton, which is now selling in Bombay for Rs. 1,000, ought to be Rs. 500 at the utmost. Who takes the whole of the profit of Rs. 500 or thereabouts ? The cotton dealers, the gamblers, the speculators. Do Government control the gamblers ? Do they control the speculators in order that cotton may be controlled ? Nothing of the kind. It is cotton which now needs to be strictly controlled. But what does the Cotton Committee say ? Who are this Cotton Committee ? I know there are experts on the Committee, but they have entirely ignored the whole problem of controlling cotton. Why is this so ? The public has not been given an opportunity to read their full report. We have read something in the papers about it, but the full report is not before us.

The Hon'ble Sir George Barnes :—" It has already been published in the newspapers."

The Hon'ble Sir Dinshaw Wacha :—" I do not think so."

The Hon'ble Sir George Barnes :—" I can assure the Hon'ble Member that the whole report has been published."

The Hon'ble Sir Dinshaw Wacha :—" The whole report is not before us. I say that it is not the whole report. It is only a wishy-washy document."

[Sir Dinshaw Wacha.]

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It is all a one-sided report. It is a report wherein the selfish cotton dealers were permitted to take care of themselves and go scot free, while suggesting control on cloth. If the cotton dealers had any inkling as to how cloth is produced, I am sure they would never have recommended the Bill in the form in which the Hon'ble Member in charge has presented it to the Council. Have the Government examined whether the suggestions of the Committee are correct or ascertained their feasibility? Nothing of the kind. The Government have accepted the *ipse dixit* of the Committee and shaped their Bill accordingly! I am sorry to say so much. But I do believe that the production of cloth for the poorer classes of the people is not sufficient for their consumption to-day, notwithstanding the fact that the mills have been producing so much more cloth during the last ten years. The cloth coming from Lancashire is more or less for the richer and middle classes. There may be a few *dhoties* and *saricis* of course, which a few of the better poorer classes may be consuming, but the bulk of the Lancashire goods are for the middle and wealthy. I am of conviction that whatever is produced by the cotton mills for the consumption of the poorest masses and whatever is produced by the hand looms barely suffice to meet their wants. That is the position, and this Bill will simply aggravate that position. Now a large percentage of the cloth now turned out by the mills is on account of the Government. Enormous quantities of khaki cloth and other coarse stuffs are being produced. While khaki cloth is produced by the mills, what may be the residue of coarse cloths for the poorer classes? So long as the production of many mills is reserved by the Government for themselves, the wants of the poor can never be adequately supplied, and the present position will never improve. The middlemen, of course, are benefited in the cotton trade of India. It is the brokers, the gamblers, the speculators, who will benefit at the expense of the mill-owners themselves. That being the position, my Lord, I think that the first thing that the Government ought to do, is to control cotton. Unless cotton which is at the root of this problem is controlled, the object of the Bill will not be achieved.

"As far as the exports of cotton to Japan are concerned, I believe that at the present moment if the exports to that country are wholly or partially prohibited, there will be some reasonable relief. The prices of cotton may automatically go down by a couple of hundred rupees or more. This will be the relief on one side, and on the other side as my friend Mr. Hogg has said, you can give additional relief by importing a larger number of second-hand looms whereby you can produce more cloth for the poor. Then, alone the position will be relieved but not otherwise. I do not say anything on the question of imported cloth, as that is a very difficult question which brings in afresh the issues regarding protection or whatever else you may call it, and I do not like to enlarge on that subject on this occasion.

"There is one other point to which I should like to refer and it is this. What about the exports of Indian manufactured cloth? I do not know whether the Hon'ble Member for Commerce and Industry has considered this question. Something like eighteen crore yards of piece-goods manufactured by the Indian mills is exported abroad of the value of 4 crore rupees. Are you going to stop those—those descriptions of cloth which go to Zanzibar, South and East Africa, Aden and other places? If you do, that will go of course to alleviate somewhat the situation as far as the poor are concerned. The cloth exported to South and East Africa is for the poorer classes of people; it is the same kind of cloth as the poorer classes of Indians use. That is another question which has to be answered.

"I believe, my Lord, that at this moment this Bill must be held to be very imperfect. It has not at all been well considered. It has been very ill-considered and ill-conceived. And although the principal object is that the poor should be relieved of the present exceedingly dear price of cloth, this Bill as now framed will not achieve that object. If the Government, or the Members who considered it, had taken sufficient time to think over many difficulties to be overcome and more time also to consider the feasibility of the recommendations

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[*Sir Dinsshaw Wacha; Rai Sitanath Ray Bahadur; Sir George Barnes.*]

of the Cotton Committee, which I consider was more or less dominated by speculators in cotton, they could have framed a more practical Bill than this impossible one. I am sorry therefore I cannot support it."

The Hon'ble Rai Sitanath Ray Bahadur:—^{1-16 P.M.} "My Lord, I am in a position to bear out what has fallen from my Hon'ble friend Mr. Surendra Nath Banerjee that a great deal of hardship has been caused amongst the poorer classes of people throughout the country by the high prices of cotton cloth. It is very true that the poorer classes of the people have been driven to desperation by the high prices of cloth, and the result has been that there have been numerous cases of attempted suicide and numerous cases of hant-looting. I understand that even mosquito curtains have been torn to provide shreds of cloth to cover the shame of the women. In such a state of things, unless measures are taken to give relief to the poorer classes of the people, discontent in the country will increase. Therefore the main object of the Bill has my hearty sympathy. But at the same time, while I say that any measure that may be brought forward to give relief to the poorer classes of people should have the hearty sympathy of all right-thinking men, I do not think that the provisions of the Bill are satisfactory. This is the only industry in which Indians are very largely interested, and it would be invidious to penalise this industry alone in order to give relief to the poorer classes of the people. As has been suggested by an Hon'ble Member that if it is intended to give relief to the poorer classes, it would be better to buy cloth at a fair rate of profit to the mill-owners and supply it to the poorer classes at a very cheap rate, and to make up the deficiency by imposing taxes on industries which are making enormous profits. It is, therefore, in my opinion unfair to penalise the only industry in which Indians are engaged, and to allow other industries to make huge profits. I wish the Bill could be re-cast in a way which would not penalise the mill industry.

"My Lord, I have another suggestion to make, namely that unless the prices of raw cotton can be brought down, it would not be fair to ask the mill-owners to submit to the restrictions demanded of them. What I beg to suggest is, that if the export of raw cotton were prohibited, and if there were enough cotton in the country, then the prices of cotton would automatically go down. It is therefore necessary that some measures should be taken to prohibit the export of cotton.

"With these few words, I beg to say that, though I do not oppose the Bill, I think its provisions are not quite satisfactory."

The Hon'ble Sir George Barnes:—^{1-45 P.M.} "My Lord, there has been much criticism on the details of the Bill, but to-day we are only considering really the main principles, and I do not propose to reply in full on every detail which has been raised, but I can assure everybody who has raised any questions that the points which have been raised will have very careful consideration. I do not suppose, my Lord, that there is any more difficult thing than to devise a scheme for the control of cotton cloth in this country. I do not think that any scheme could possibly be immune from criticism. This scheme is not immune, but I believe that on the whole it is the best scheme which can be devised.

"There are one or two points which, though I do not intend to go into details now, I should like to refer to. One of the speakers suggested as an alternative scheme, or at all events as a plan which would alleviate the present position, that we should secure the import into India of second-hand looms. I took steps yesterday, because I had seen a suggestion of that kind in the press, to inquire whether any application had been made to the Government of India for any priority certificate for second-hand looms. I found that no application has been made at all, but I can assure any applicant who is able to say that he has found second-hand looms which he can purchase, and which he wishes to import, the Government will give him every support and endeavour to get him the necessary priority certificate.

[*Sir George Barnes.*]

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"Sir Fazulbhoj asked me, among other things, whether we were satisfied with the machinery proposed for distribution of this cloth. The machinery for distribution must of course be set up in the Provinces and by the Provincial authorities, and we certainly believe that the scheme which we suggest will prove effective, namely, that the various Local Governments should either set up municipal or Government shops, or license traders to sell the standard cloth at a fixed price. Then again he asked me what is meant by the words 'reasonable profit.' The profit which the Committee suggested was 10 per cent above cost. I have got here the dividends paid by the Bombay Cotton Mills, but I do not think that Sir Fazulbhoj will ask me to read those out.

"Another speaker suggested that there were large stocks in this country. Where stocks are heavy and are being held up this Council has already passed an Act giving powers by which the stocks can be commandeered.

"Then I think it was Sir Dinshaw Wacha who suggested that a remedy could be found by prohibiting the export of cotton altogether. I do not think Sir Dinshaw can have gone into the figures. Approximately half of the whole crop of cotton is exported. Our spindles and our looms can only use half the crop; what does he propose should be done with the remainder if export is prohibited?

"My Lord, I beg to move."

The motion was put and agreed to:

The Hon'ble Sir George Barnes:—"My Lord, I beg to introduce the Bill, and to move that the Bill, together with the Statement of Objects and Reasons relating thereto, be published in the Gazette of India in English."

The motion was put and agreed to.

The Council adjourned to Thursday, the 5th September, 1918.

SIMLA :
The 11th September, 1918. }

A. P. MUDDIMAN,
*Secretary to the Government of India,
Legislative Department.*