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C O N T E N T S

Federation of Indian Chambers of
Commerce and Industry, 1931-33.

1. Progs: 4th Meeting, Delhi, 7th to
9th April, 1931. pp. 208 plus x
X5.2, dM2 G1
2. Progs: 5th Meeting, Delhi,
26th & 27th March 1932. pp. 68 plus v.
X5.2, dM2 G2
3. Progs: 6th Meeting, Delhi,
15th & 16th April 1933. pp. 165.
X5.2, dM2 G3
4. Report of the Representatives of
the Federation at the 2nd
Round Table Conference, 1932.
pp. B-96 and Appendix.

V2:2p;N32 G2

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9862.

**Federation of Indian Chambers of
Commerce and Industry.**

PROCEEDINGS

OF THE

FOURTH ANNUAL MEETING

HELD AT

DELHI

on 7th, 8th & 9th April 1931.

1931.

X5.2, dN2

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APPENDIX : "A".

*(Copy of a letter dated London, 29th September, 1931,
addressed by Mr. G. D. Birla to the Editor of the
Manchester Guardian.)*

STERLING AND THE RUPEE.

Currency Policy of the Indian Government.

In 1927, in the teeth of popular opposition, the Government "plus-valued" the rupee from 1s. 4d. to 1s. 6d. (gold) when other countries had either devalued their money or come back to their original parity. The legislation was passed by a narrow majority of three, and of the sixty-eight votes cast in its favour nearly forty were those of either officials or nominated non-officials and Europeans.

Public opinion was as uncompromisingly opposed to the new ratio after its fixation as it had been before. Warnings which were repeatedly given turned out to be true. The fall in the prices of articles which India exports has been much more serious than that in the prices of articles which she imports—in natural consequence of an appreciated ratio. While the fall in the case of imported articles between September, 1929, and December, 1930, was 16 per cent that in the case of exportable commodities was no less than 36 per cent. This so much affected the purchasing power of the agriculturists that eventually imports came to be as unsaleable as exports. Deficit Budgets became the rule rather than the exception. Gold resources were frittered away. Debts have continued to pile up. The total interest-bearing obligations of the Government of India, whether in rupee or in sterling, have stood as follows :—

March 31, 1924	919.00 crores.
March 31, 1927	1,006.19 crores.
March 31, 1931	1,171.96 crores.

Thus a new debt of about 252 crores (2,520,000,000) of rupees has been contracted during the last seven years, and the rate which has been paid for three months' accommodation has been anything from 1 per cent. to 2 per cent. higher than the rate at which banks have been able to obtain deposit for a like period. No wonder that at times when money has been available in other financial centres at 2 per cent. or $1\frac{1}{2}$ per cent. the Bank rates in Calcutta and Bombay have been as high as 7 per cent. or even 8 per cent. The net contraction of currency from April 1, 1926, to date has amounted to about 125 crores. Trade has suffered and so has industry. The Indian agriculturalist finds himself at present unable to meet his liabilities. He is not in a position to-day to pay either the Land Revenue or the interest on the money he has borrowed. No doubt the world depression is partly to blame but it is the appreciated rupee which has precipitated a crisis in his case.

Indian merchants have spoken, at times appealingly, at times, with bitterness, against the currency policy of the Government, but on every occasion what they have been given was a sermon on the advantages of the stability of exchange. In registering their protests they have to put up with a good deal of libellous misrepresentation, for they have been described as men who had remitted their money out of India and were pressing for a lower exchange from selfish motives. It was dishonest but nothing unusual for those at the helm of Indian affairs to indulge in and abet propaganda of this kind against their opponents.

England's malady has been similar to India's but not half as serious, and what has she done? Retrenched and suspended the gold standard; tariffs, of course, being still to come. When Great Britain chose, and chose rightly, to suspend the gold standard we might have expected, even at this late hour, similar action in India and those who heard

the Finance Member's statement that "the Government of India had decided to issue an ordinance giving effect to the decision to suspend the statutory obligation to sell sterling or gold against rupees" must have heaved a sigh of relief until the Secretary of State came out with quite a different statement in the Federal Structure Committee. "To follow gold," Sir Samuel Hoare said, "and so to increase the sterling value of the rupee at this juncture is, I am sure you will agree, out of the question. It has, therefore, been decided to maintain the present currency on a sterling basis. I am satisfied that this is the right course for India, and is the most conducive to Indian interest. The Government of India, will accordingly continue the policy under which stability in the terms of sterling has been secured in the past."

The two statements are not the same, as while the former suspends all standard, the Secretary of State adopts a new standard which is neither of gold nor of silver nor of commodities, but of a sinking sterling.

The effect of this policy may be disastrous in many ways. For one thing, the rupee, even if depreciated to the extent of 50 per cent in terms of gold, must remain at 1s. 6d. in terms of sterling, even if sterling does not depreciate more than, say, 20 per cent. It can so happen because the British Government has already taken steps to see that capital is not exported out of Great Britain, and it is impossible not to suspect that this move is designed to help the British investor to bring his money back from India at 1s. 6d. when suspending the exchange standard entirely would have depreciated the rupee, not only in terms of gold, though to a greater extent, but also in terms of sterling.

Again, assuming for the sake of argument that the rupee is in a better position than the sterling, and that there is a tendency for British capital to go out to India, what would

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then be the function of the Government of India in order to maintain the rupee at 1s. 6d.? The Government will have to buy sterling at 1s. 6d. freely when it no longer represents gold. All the rupees issued in India in this manner will have no other backing than sterling.

Such is the position to-day, at a time when the Round Table Conference is sitting to make India an equal partner in the British Commonwealth. Will the British public take note of it?--Yours, &c.,

APPENDIX "B."

Extracts from the Proceedings of the
Federal Structure Committee.

13th October 1931, 11-0 A.M.

Head No. 4.

(Distribution of Financial Resources between the
Federation and its units.)

Discussion on the Report of the Federal Finance
Sub-Committee.

Sir Purshotamdas Thakurdas : *The Report of the Sub-Committee is unanimous, and to that extent I am sure that it is particularly welcome to this Committee. I should like, if I may, to make a few general remarks before I go on to deal with some of the details. The Report deals with a difficult subject which requires careful elucidation of important underlying principles. Happily in regard to this question there are no special vested interests, liable to challenge, which have to be nursed. There is no conflict with Great Britain, and there are no sectional prejudices either. It, however, requires constructive ability and outlook of a high order to foresee the difficulties which must develop, and which will have to be faced before long, if the Federation of British India and Indian India—both sons of the soil and both interested equally in the Motherland and her progress and credit at home and abroad — is to march onwards to the goal of a powerful unit in the British Commonwealth of Nations. The sub-Committee, therefore, may rightly be congratulated on their broad vision and general spirit of avoiding encroachment on the views of either side in framing their Report.

*Vide pages 163-164.

On the various important recommendations made by the sub-Committee the one which is most outstanding is their suggestion that the field of enquiry should be divided into two parts, and that two Expert Committees should be appointed to deal with those two parts. The questions to be referred to them are of a most complicated and even, in some cases, delicate nature. It is to be hoped that this Committee will accept the Report with a strong recommendation that the personnel of the two Expert Committees should be such as will inspire full confidence, and that the Reports of those Committees will be accepted as giving a good start to the machine of Federal finance. These men must be experts, as far as possible, in the various questions - men who will, without fear or favour, decide the questions unbiassed and in as practical a spirit as possible.

I should like to make a few observations about some of the important details which require notice here. In paragraph 6 there is a sentence which requires special notice. It is the last sentence of the first sub-paragraph. The Report says:—

“No classification of pre-Federation debt as “Federal” and “Central” for constitutional purposes could be contemplated of such a kind as to affect the position of the lender”.

This is in marked contrast with what is said on page 5 of the Memorandum of the Finance Department of the Government of India, where it is observed in paragraph 11:—

“It would therefore be correct, if any such distinction were made, to regard the main portion of the Sterling Debt as a Railway liability to be assumed direct by the Federal Government. In any case it will make for simplicity if Central's liability to Federal is recognised as a wholly rupee liability.”

I have no doubt that the observation in the Memorandum of the Government of India is incorrect; and I would venture to say it was uncalled for and, unless challenged, may lead to complications.

Whilst on this subject of pre-Federation debt, I must observe in passing that the acceptance of the Report of the sub-Committee does not prejudice the broader question of an investigation of the liability of India for the whole of what is called the Public Debt of India. That is a separate issue and has to be considered on its own merits. There are those who hold strong views about this matter, and they must not be considered to be affected by the acceptance of this Report. In fact I would suggest the addition of the words "taking this term in its wider sense" to the last line but five on page 5 of the Report. That, I think, will at least bring out the difference, which I think is very pertinent to the two considerations, namely, the question of debt in this Report and the broader question to which I have just referred.

In paragraph 13 of the Report, Transit duties, whether in the Provinces or in the federating States, are forbidden, and similarly the Provinces are debarred from levying internal Customs. This should be welcome to all. Transit duties in the Provinces and federating States would involve the negation of federation. As regards internal Customs, it can only be hoped that the States before long will come into line with the British Indian Provinces.

Regarding Grants to Constituent Units, dealt with in paragraph 14 of the Report, I suggest, Sir, that of the various considerations indicated in the first sub-paragraph there should also be included, for purposes of consideration by the experts, the question of contributions to be made to taxation by the British Indian Provinces. I daresay that that is perhaps included in the words "or to some other criterion" which is in the sub-paragraph of paragraph 14.

Then, with regard to Income-tax, paragraph 15, I would like to refer to the last sentence on page 8, which reads :

"The distribution of the proceeds of Income-tax among the Provinces (even though there may initially be countervailing Contributions to the Federal Government, as proposed in the next paragraph) may also form a very

convenient means of alleviating the burden of two or three of the Provinces which, under the present system, are universally admitted to be poorer than the others."

I wonder, Sir, whether this would be desirable. If it is suggested at any stage that some Provinces should be specifically helped by the Federation, I suggest that it would be better to make a direct contribution for that purpose rather than to mix that up with the question of contributions to the Provinces out of the Income tax which we may recover from the Provinces. I always have felt that it is easier and simpler, in the long run, to make contributions on merits rather than to prejudice the claims of any Province or any Unit to its just share in the general pool.

Lord Peel : It would be partly a matter of book-keeping, would it not ?

Sir Purshotamdas Thakurdas : Yes, except that it would be some-what difficult to beat down a Province in the proportion of contributions to which it may be entitled out of the general pool.

Sir Akbar Hydari : Do you mean by the "general pool" the Federal pool ?

Sir Purshotamdas Thakurdas : No I am particularly referring to the pool with regard to the Income-Tax-Income-tax which is collected by the "Central" Authority and is then distributed after the expenses are deducted to the Provinces. That is what I think is indicated in the sentence which I have just read.

Sir Maneckjee Dadabhoj : You are referring to the British Indian pool.

Sir Purshotamdas Thakurdas : Yes, that is it.

Under paragraph 20, "Maritime States and Kashmir", I have just one suggestion to make, which may be looked upon as verbal but which I think is very necessary. I will read the third sentence of the paragraph :

"One principle which we would lay down is that, in all cases, the import tariff at the States' Ports should be not less than that at Ports in the rest of India." I would suggest that it should read :—

".....Should be the same as at ports in the rest of India."

I may be told that this was the intention of the sub-committee; but I wish to draw attention to the fact that there should be no clash with what is laid down and agreed upon in the International Convention on the Regime of Maritime Ports, which requires that the import duty at each port of a country should be the same. I daresay that this is more of technical than of practical value; but I felt that at this juncture I might just draw attention to this important commitment, and a very useful one too.

Regarding Borrowing Powers, which are dealt with under paragraph 22, the sub-Committee is unanimous that there should be no power to Units to borrow abroad and I expect that that will meet with the approval of all of us. Normally, the Federal Government should be able to borrow cheaper than separate units; but it is perhaps necessary to let Units have the right to borrow independently if they wish to, or indeed if they can. Personally, I think, for the first few years perhaps, say, ten, at least - a more strict control would be advisable. The Federal Loans Boards, even though technically advisory, and having no direct power over the various federating Units, should be powerful, by its influence and the confidence it will command in the public eye, to exercise a salutary check.

I feel that, as to paragraph 25, where some reference is made to the Commercial Departments, nothing that is said here should prejudice us from taking up the attitude which some of us desire to take up in connection with these Departments, which will, I take it, come up more properly at a later stage. I have no more remarks to make.

18th November 1931.

Commercial Discrimination.

Sir Purshotamdas Thakurdas :* Sir, I feel that the subject with which my friend Mr. Benthall has dealt at such length is not one which he has found very pleasant to dwell upon, and I can assure him that I am in common company with him when I speak on the subject. Mr. Benthall began by saying that he thought it was only right that he should be frank in dealing with this subject ; and I am sure he would expect me also to be equally frank and outspoken in expressing the views which I know are shared very largely by Indians all over my country. It is a pity that we are to-day, as far as the discussion on this subject is concerned, speaking in an atmosphere surcharged with suspicion and distrust—if you like it on both sides, but certainly from the British towards the aspirations of India. If I may summarise, in one word, the net result of what Mr. Benthall has suggested, I do not think I would be exaggerating if I say that he does not want no racial discrimination in India against the Britisher, but he would rather have—I do not know whether he insists on it or not—no discrimination regarding anything in which a Britisher is interested in India, irrespective of the merits of the subject, about which there may be some sort of restriction, and irrespective of whether there are Indians in that industry or in that particular branch of activity. The result of what Mr. Benthall required struck me at any rate as indicating : “ You shall not touch anything in which any Britisher is interested, and we want provision for it from now.” I wish to submit that that is a tall order, and, if, I may say so, it is a demand which does not appear to me to be justified.

Mr. Benthall appealed to us to put ourselves in the position of the Britisher who has an interest in India. I fully appreciate it and I can assure him that the just apprehensions of the Britisher are apprehensions which I do not underestimate and which I am quite prepared to value at their correct worth. But at the same time I would like him, when he

* Vide Pages 410-411.

is thinking over this subject further this afternoon, and before tomorrow morning to put himself in the position of the Indian who is today seeking reform and advance constitutionally, and find out for himself whether the restrictions which he has indicated do not practically amount to shackles on the development of India commercially and industrially-shackles which have no parallel in any other country or in any other British Dominion. If Mr. Benthall will only promise that he will do it, I will assure him, not only on my behalf but on behalf of every one of my colleagues here with whom I have had talks about this, that we all wish to enter into the spirit of the Britisher who seeks protection in this matter from any aggression in the future.

One instance which my friend stated was this: He said that India has been built up economically and industrially with British capital. He then pointed out his ideal that India may in the future draw capital from London in the same manner as the United States drew capital from Britain in the early years of her development. I am sure it would not be difficult for Mr. Benthall to follow me when I say that there is hardly a parallel between the two. India has borrowed from Great Britain exclusively till now, but that capital has brought on all sorts of handicaps on India-handicaps of the most serious character, and handicaps from which the United States were completely free. Let me give only one instance which cannot be challenged and which will be appreciated by everybody. I name the company-managed railways of India.

The capital for these—and these railways have done enormous good to the country, and developed it; that is not at all doubted—was lent by London. The head offices of those companies were located here. The railways were managed from a distance of six thousand miles, and what handicaps did that bring us? In any ordinary country, beyond the system of railways which developed from 1846 till 1900 and up till to-day, there would have been developed all those various subsidiary industries necessary in order that all component parts of the railways could be built in India.

Was anything like that done in India? As long as the control was here with the companies they insisted upon sending out the materials from here, even at the risk of starving the one steel company which is looked upon in India as a national institution, and the greatest of pressure was required to be brought to bear by His Excellency the Viceroy and the Commerce Member in India from time to time in order to get the company-managed railways on to the policy of purchasing their stores in India.

I can multiply such instances, but it is hardly necessary to do so. The facts which I am putting before you, My Lord, are facts which are undisputed and unchallengeable, and I mention them only to point out that the parallel which Mr. Benthall draws is no parallel at all, and the average man in the street in India feels that the capital which the City of London has lent to India has been paid over several times not only in a return by way of interest, but in what strikes him as being more ruinous than a high rate of interest, viz : heavy artificial handicaps put on the economic development of the country generally and on our industries particularly. I therefore feel that India would welcome capital on such terms only as would mean no political shackles ; in other words, India does not want any capital which will need the safeguards which we are now discussing, the safeguards which form an item which is looming so large before this Committee. Mr. Benthall further showed great apprehension about racial discrimination which may be practised by the future Government of India. I am sure, Mr. Benthall will not misunderstand me when I say that he is suffering under the reaction of what has been done up till now by the present constitution and our predecessors, the racial discrimination which has been exercised by the Government of India ever since India was taken over from the East India Company practically up to to-day. Instance the services, Sir. And as several of the members here who have had occasion ever to read the Indian Legislature Reports know two of the most popular subjects for debate on the railway estimates in the Legislative Assembly are the third class passengers' grievances, including reservation for Europeans only qua Europeans, and the great

grievance of the Indian public that the Indian had no look-in on the higher services of the railways of India for years and years. I submit that if we, or any of the extremists among us, any of the less thinking among us, have mentioned, whether consciously or unconsciously whether meaning it or merely as a phrase, whether out of annoyance or seriously as a threat, racial discrimination in the future, they have learnt it from what the Government of India has been practising in India all these years. It may take some time to divert the attention of the Indian people from it; but we are all unanimous that we want to exercise no discrimination qua racial discrimination, no discrimination against a person or a company because it is a European or a non-Indian company; but surely that does not mean that we shall agree to shut out for ever the power of discriminating both against a non-national and against a national on other grounds more reasonable and more justifiable.

19th November 1931.

Commercial Discrimination.

Sir Purshotamdas Thakurdas : *Lord Chancellor, I do not wish to deal at any further length on the past to which I referred yesterday; I desire to draw the attention of the Committee to the presentation of the case before us as it has been done in the Government of India Despatch; and, if I may say so, I feel that the presentation of this case in paragraph 184 *et seq.* of that Despatch is admirable. What are the Government of India concerned with regard the apprehensions of the British commercial community? In paragraph 184 they say:—

“The question is both important and difficult, for while we cannot but sympathise with the earnest desire of Indians to see their countrymen taking an increasing share in the commercial and industrial life of the country, we must also take account of the anxiety with which European business men regard the future after the transfer of power has taken place, and in so far as this anxiety may seem to be well founded, we are concerned to provide safeguards against injustice.”

In two subsequent paragraphs they deal with two items which they call comparatively simple items. In paragraphs 187 and 188 they deal with the main subject of the apprehensions of European commercial men because they complete on equal terms with Indian enterprise. In paragraph 188 the Despatch has this sentence:—

“Important sections of Indian opinion desire to secure the rapid development of Indian enterprises, at the expense of what British firms have laboriously built up over a long period of years. There is nothing surprising in the fact that national consciousness should thus have found expression. Indians who desire to see the growth of Indian banking, Indian insurance, Indian merchant shipping, or

*Vide Pages 411-415

Indian industries find themselves faced by the long-established British concerns whose experience and accumulated resources render them formidable competitors."

Thereafter in paragraph 189 they say this:—

"No one, we think, could fairly claim that the discretion of the Legislature should be fettered, except to the extent necessary to secure justice to those firms which had already established themselves in this country."

Now, as has been repeatedly said by my Indian colleagues who have addressed the Committee before me, and by myself yesterday, we are agreed that the strictest provision necessary to this end should be made either in the Statute or in any other manner which the Government here think necessary to ensure that no injustice will be done to a British interest, qua British interest. No injustice should be done simply on the ground that it is a non-national who will suffer by it. But I wish to ask whether a policy desirable in the national interest should be held back because a Britisher may be one of those affected by it. Such a policy should not and indeed would not be held back if an Indian or Indians were affected by it. Thus this demand of the Britisher seems amount to something unwarranted—not to use a stronger word. Are the British in India not yet prepared to identify themselves with the interests of India first, second and last even though they are assured that no injustice could be done to them as a Britisher or a non-national?

In paragraph 189, the Government of India put forward in very eloquent manner the necessity of doing justice to both British and Indian points of view. They were cautiously, if I may say so, offer no solution of the difficulties themselves. They emphasise the desirability and indeed the necessity of leaving the solution to be brought about by negotiation at this Conference. Whilst the Government of India thus find the problem to be one which does not offer a solution by means of despatches I feel that it is unfortunate that we cannot spare the time now to have this matter thrashed out in a sub-Committee or by private negotiations.

I do not think I am giving away any secret if I say that during the last five weeks or so conversations have been going on between a few in this Committee, and I do not think that those conversations threatened to break down or to result in nothing; but, in view of other factors which developed in this period here and diverted the attention of some of those who were taking part in these informal conversations, no conclusion has been yet arrived at, although I think it would be only right to say that as a result of the conversations the two opposing views appeared to draw nearer and certainly not to draw further apart.

In paragraph 188 the Government of India give out a note of caution which I would like the Committee to note carefully. They say:—

“ We feel real apprehension as to the consequences which may ensue if the present attitude of mutual suspicion and embitterment is allowed to continue and grow worse. ”

I feel, Sir, that this sentence in the Government of India Despatch, as far as this particular problem is concerned has very great significance. If no settlement can be arrived at at this Conference, I wish to ask in all seriousness; Is it likely that a better settlement would be arrived at in the future—either the near or distant future ?

Let me, Sir, refer to one subject which, although it may not have been mentioned until now may be uppermost in the minds of several here. A good deal has been said regarding the way in which the relations between England and India have been embittered and strained by the movement which has been known as the “boycott movement.” Is it likely that this movement will completely die out because we arrive at certain decisions which do not substantially accord with the objects which we wish to secure? I wish very frankly to state that statesmanship requires that by any method that you like, and at the sacrifice of any amount of time which you think is necessary, we should not be allowed to leave London—I

deliberately use the words—we should not be allowed to leave London until we have settled this question in a manner in which men alone can settle now or will be able to settle in the future. No demi god or angel from above will come down from the heavens in order to ensure settlement of this. I therefore feel, Sir, that as far as the constituency which I have the honour to represent here is concerned, I cannot do better than read out to you a resolution which they passed at their general meeting in Delhi in April 1931;—

“The Federation of Indian Chambers of Commerce and Industry disapproves of clause 14 of the Report of the sub-Committee No. III of the Round Table Conference which deals with the rights of the British mercantile community. The Federation cannot agree to any restriction on the discretion of the future Government of India, to which there is no parallel in the constitution of any other free country, as in the opinion of the Federation any restriction of the kind suggested would so fetter the future Government as to render it powerless to protect or promote indigenous enterprise and that the Federation puts its view on record that no reservations or safeguards of any nature whatsoever will be acceptable unless they are proved to be in the interests of India.”

Chairman : I did not catch what clause you said. Did you say it was referring to clause 3.

Sir Purshotamdas Thakurdas : Clause 14.

Chairman : It is at page 48.

Lord Reading : I could not follow it. Is the objection of that Conference to clause 14 as agreed at the Sub-Committee.

Sir Purshotamdas Thakurdas : No, the objection of that Conference is to the vagueness about the clause which is being discussed here. The question of this vagueness has been the underlying reason of Mr. Benthall's speech.

Sir Tej Bahadur Sapru : Which clause do you mean—the clause as it originally stood there, or the clause as finally accepted.

Sir Purshotamdas Thakurdas: The clause as finally accepted.

Lord Reading: It is the amended clause 14.

Sir Purshotamdas Thakurdas: Mr. Benthall further referred to the trade relations between England and India. My friend Mr. Jayakar has dealt with this and I do not wish to supplement his remarks because I do not think there is anything more I can usefully say at this stage. But there are funny apprehensions in connection with the likelihood of India under a self-governing Government building up enormous tariff walls immediately against imports from abroad, including perhaps imports from Great Britain. I have been in the Central Legislature for the last seven years, and unless I have grossly misinterpreted the inclinations of members from the rural and urban areas in the Central Legislature I am convinced that the reformed Legislature of the sort that we contemplate in a self-governing India will be very chary about passing any legislation regarding import tariffs, and that they will bring up with greater emphasis than has been done till now the question of the interest of the consumer. I myself feel, and I have said it before now, that the opposition that has been forth-coming till now in the Central Legislature regarding any protective measure is likely to increase at least ten times if people were assured that there was no control being exercised from outside India and that the Government of India were free to take decisions on the merits of a case as it affects India alone. I say, therefore, that any apprehension regarding tariff walls being put up as soon as we come into power is based on very wrong grounds. I am convinced myself that no such apprehensions are justified at all.

Mr. Benthall thereafter referred to the question of Imperial preference, and what more eloquent conviction can he want than what the revered Mahatmaji on the other side of the table said in his first visit to Manchester, when he said that as soon as the political problem is settled he sees no reason why India should not extend even Imperial preference to Great Britain.

In regard to this, however, there is a tragedy to which I should like to refer. It was not more than about eighteen months ago that when some protection was being devised by the Government of India against imports from Japan into India, it was coupled with what was almost a dictation-I understand it was from Whitehall that this should be coupled with preference to piece goods from Lancashire. Several of those who are present here, reasoned with, implored and beseeched the Government of India to drop that part of the measure and allow the rest of the legislation to go through. Our request in this direction not having been heeded, members like my revered friend Pandit Madan Mohan Malaviya and others thought it necessary to resign from the Assembly. The tragedy of it is this, that what was carried through the Assembly in such a manner was hardly of any avail, and to my mind it has been almost a dead letter as far as being effective for Lancashire.

I therefore feel that what is required is greater trust. Trust us in India to do the right thing; trust us not to do anything unfair, and trust us also to rely more on England in a friendly spirit and in a spirit of seeking co-operation, even of seeking help from Great Britain.

Reference has been made to the Report of the Indian Fiscal Commission as far as the minority part of it is concerned, and particularly with regard to the question of Imperial preference. I know that Indian commercial community stand by every word of what has been said there, and we look forward to the day when we shall have a Legislature which will be free to impose, to modify or to withdraw or to alter Imperial preference with the vote of the elected members of the Legislature, without any weightage from either nominated or official members therein. If no preference for Great Britain has been considered in India till now, it is because we have not had the Legislature which has been envisaged in the minority Report of that Commission.

Reference has been made to activity in India regarding Indian insurance companies. Here also I have a short history to

relaté. It is about five years since we in the Indian Legislature pressed the Government of India to modify the Indian Insurance Act in a manner which would make it difficult for companies of indifferent standing from foreign countries to come to India and canvass for business by offering enormous discounts. The Commerce Member of the Government of India agreed that it was necessary to do this ; in fact, there were several promises by him that a draft Bill would be put before the Legislature in a few months time. Months passed and years passed. We got a little impatient, and we were then finally informed that the whole thing was being held up until you in England passed legislation with reference to your Insurance Act. This legislation here having been held up, the very necessary legislation in India has not seen the light of day, and it is feared that we in India shall have to wait several years longer unless the constitution is substantially changed.

My Lord, there has been great resentment shown during the last five years in India, and here also regarding the manner in which Indians push forward Indian insurance companies and want their policies to be accepted all round. I have been one of those who have had something to do with pressing the claims of Indian insurance companies in this connection. We have been told that Indian insurance companies are not as substantial and as sound, and have not such large invested capital and reserves, as British companies and some of the others. That is only natural. We started in this direction only in the last ten years. I know of one or two Indian enterprises in this connection which were started at the beginning of this century but for several reasons which I need not go into today those insurance companies had to go into liquidation. I want to say, however that there has been no case known until now where an Indian Insurance company has gone into liquidation letting down its policy holders.

All that was desired is that Indian insurance companies should be put on the approved lists of the big corporations which work in India. Some progress I must say has been achieved in this direction but it has been very hardy and slow progress

and not without considerable agitation on the part of those who are interested in this being put forward. I compare with this what I have seen during the last few weeks in London. There is at present a campaign being conducted for the purpose of making people buy British goods. "Buy British Goods" is a slogan which I myself endorse for England and it has the approval of no less a personage than His Royal Highness the Prince of Wales. Only three days back I understand His Royal Highness broadcast a very important speech asking people to buy British goods. All that we do regarding insurance business in India is that we ask people to insure in Indian insurance offices and they may select the best or any of them. I repeat that there has been as far as I know, no Indian insurance company which has let down its policy-holders.

Lord Reading : What is your argument ? It is rather difficult to follow. Do you suggest that there has been any interference with Indian insurance companies by the Government of India ?

Sir Purshotamdas Thakurdas : Not as far as the Government of India are concerned, but as far as other corporations are concerned. British banks also I understand hesitate to accept Indian insurance policies. Perhaps Lord Reading would like to know that there was a circular issued by the Government a few months back where the propaganda was in the direction of showing how dangerous it is to insure with Indian insurance companies.

Sir Samuel Hoare : I should very much like to have a copy of that circular. I have not seen it.

Sir Purshotamdas Thakurdas : I can fully understand that Sir Samuel Hoare may not have seen it, but I am sure the Government of Bombay will be able to send him a copy of it.

Sir Samule Hoare : I am informed that here in London we have no such copy and I have no information on the subject at all.

Sir Purshotamdas Thakurdas : There has been correspondence on it.

Sir Samuel Hoare ; There has been no correspondence with the India office.

Lord Reading : May I ask one question ?

Sir Purshotamdas Thakurdas : May I reply to Sir Samuel Hoare ? I will certainly try to get all correspondence in connection with this case but obviously you do not expect me to have it in my possession in London.

Sir Samuel Hoare ; No ; but you state that the Government of India were making propaganda against Indian insurance companies.

Sir Purshotamdas Thakurdas : Yes.

Lord Reading : You are not saying the Government of India, are you ?

Sir Purshotamdas Thakurdas : The Government of Bombay. The circular was put forward by the Government of Bombay.

Lord Reading : The only point I want to clear up is whether you are referring to the Government. If you are referring to the Government of Bombay I think I know something about it. I have only heard about it and you know a great deal, but am I not right in saying that the circular-I am not defending it, I have not seen it and if it is what you purport to say I should not attempt to defend it-am I not right in saying that it was issued in consequence of the movement carried on to boycott British insurance ?

Sir Purshotamdas Thakurdas : It was issued at the time of the Civil Disobedience Movement, but I wonder how the Government of Bombay or any Provincial Government of India would be justified in issuing a circular under the official authority of the Government running down any Indian insurance Company or the Indian insurance movement as a whole.

Sir Samuel Hoare : We had better wait for a copy of it.

Sir Phiroze Sethna : May I be allowed to say in regard to this circular, that in the Council of State I asked the Government of India if they knew that this circular was issued by the Government of Bombay and, if so, that it was issued with their knowledge and consent ? In their reply the Government of India could not deny the existence of this circular, which was distributed broadcast with the help of police sepoy in the city of Bombay. The circular was aimed more at Indian banks than at insurance companies, and I referred to it, My Lord, in my speech of last year, a copy of which I have just sent for from the Secretariat.

Chairman : We will try and clear this up.

Sir Purshotamdas Thakurdas . Sir, a good deal of the suspicion that I referred to in the beginning has arisen from the Bill which is now known as the Coastal Traffic Bill. I personally feel that it can not be the intention of anybody, including Mr. Benthall, to withdraw from the new Government any power that the existing Government have. In fact, what is *intra vires* to day I do not think should be made *ultra vires* hereafter. But in connection with that I have come across a somewhat striking circular letter here since I arrived which I propose to read to this Committee. It is a circular letter which was sent to all candidates for Parliament at the last election. It is a letter issued by the Mercantile Marine Service Association of Tower Building, Water Street, Liverpool—an association which claims to be the senior representative body of British Shipmasters and officers. It is a comparatively short letter, but it is so important that I am sure my colleagues would like to hear it.

Chairman : What is the date of it ?

Sir Purshotamdas Thakurdas : The 20th October 1931. It reads thus. The heading is:—

“ 45,000 British Seamen unemployed.

Sir,

There are over 700 British-owned ships lying idle in the ports of the United Kingdom.

Foreign-owned ships, carrying smaller crews and paying wages below the British standard thus capture cargoes which should be carried in our British vessels.

In our coastal trade it is estimated that foreign-owned vessels will this year carry over 750,000 tons of cargo from port to port in the U. K.

Foreign maritime countries confine their coasting trade exclusively to their own nationals, not only with success, but with profit. Why should we not take a leaf out of their book and insist on British cargoes being conveyed under the Red Ensign.

In the coastal trade alone it is computed that no less than 66 vessels flying the British flag are thus deprived of trade and 600 British merchant seamen debarred from earning a living.

In our national interests this unfair competition should be stopped, otherwise this country will lose entire control of the carrying trade.

My Council, the senior representative body of British Shipmasters and Officers, wish me to respectfully enquire what you are going to do to combat the unfair competition which drives British-owned ships into dock and our sailors into idleness.

I am, Yours faithfully,

THOS. SCOTT,

Secretary"

If, Sir, this is the aspiration of an important association in Great Britain—the country which rules the waves and which has the most premier position on the high seas—is it surprising that we in India should aspire to a little activity in that direction? The details of it are not a subject to be considered in this place; the Legislature in India would be the right place, and there are the usual powers reserved under the constitution, to which everybody agrees, with the Governor-General.

Why make so much of the aspiration of a country which feels that it has been kept back from its natural share in shipping activities? And how do you in London justify this circular which has been sent out by the most powerful of interests in the premier country in the world which has command over the seas? I wish therefore, only to point out that the Coastal Reservation Bill and our aspirations in connection with it should not act as a red rag to Britishers here. I cannot help feeling that unfortunately too much importance has been given to that one Bill, and I feel that under the new constitution and the protection about racial discrimination which we are offering there is power reserved in the ordinary course which will meet with anything unfair being done.

Mr. Benthall has referred to reciprocity in countries which are to be given the rights he asks for in India. I know that many will see comparatively little objection to it, but I want to point out that so far as trade with Great Britain is concerned the effects of reciprocity will be of little or no value to India. What has India to gain from England reciprocating in the way which Mr. Benthall has indicated? It has to be noted that in spite of the relations between Great Britain and India during the last hundred years at least there is no Indian House or firm established here which does commercial business with India on a scale which can be computed in any responsible proportion to what is being done by British houses. I am not criticising it: I am only mentioning a fact. For whom is the system of finance which is known here in the London money market as "house paper"? This means that all firms which have their head offices here, or important offices here,

and have branches in India, are allowed to send out exports to India for import there, and instead of drawing on their branches or agents in India they discount that paper here with the endorsement of one of the exchange banks here. That has in practice been restricted to British firms only and no Indian firm or house has come in for that facility. Again I say I am only mentioning a fact; I am not criticising it. It may be said that it is due to the lack of enterprise of Indians. Possibly, but if, after a hundred years the enterprise of Indians in London is at such a low ebb as this I only wish to point that reciprocity cannot mean much to us for a long time. The Bank of England has a rule-very necessary perhaps, and may be very justifiable: I am not complaining about it-that any paper which is discounted by it must have the signature of at least one British party or bank. In addition the Baltic Exchange and the jute salerooms here were not open to Indians until very recently. Jute is a monopoly crop of India, and it was not until 1929 that, thanks to the efforts of Lord Irwin and one or two other British commercial friends here, the doors were thrown open to one Indian firm in each of these two places. Even in the jute salerooms here, where it is the sole monopoly of India that is dealt in, the doors were closed against any Indian firm or personnel being members of it.

I, therefore, feel that whilst we note the reciprocity which would be available to us, and which is open to us to-day, there is nothing in it which affords any sort of advantage which can attract the Indian.

Mr. Benthall says we are equal partners in a Commonwealth of Nations, and asks us to avoid the risks of discrimination and bitterness. In fact, he asks us to come into an equal partnership where, if I may use a colloquial phrase "what is mine is my own, and what is thine is ours jointly." I would be a partnership in a commonwealth which has no precedent or parallel. It would put a clog on the economic advancement of India and impose an irredeemable mortgage on the economic improvement of the country, and render all improvement of political status such as is envisaged by this Conference completely nugatory.

My earnest appeal is that the British commercial interests should trust the Legislature and rely on the powers vested in the Governor-General in the ordinary course. They should trust to the theory that money knows no artificial boundaries, and that greater co-operation between Indians and Britishers is bound to come about with the satisfactory solution of the political problem. There is no distrust of external capital *per se*; what is being distrusted is any capital which may lead to handicaps to the development of the country as it should develop, handicaps which would not be allowed in any country.

Why should India prefer for trading and purposes of borrowing any other national to the Britisher? India will need all the capital which anyone can give her, but she will take it and appreciate it only on the usual commercial terms, without involving political shackles. Of all the various nations, the British know Indians and India best, both our strong or good points and our weak or bad points. There is no need to imagine or apprehend any discrimination being exercised by India under the new constitution on the Britishers there. Will not a self-governing India, with all the responsibility it must carry, be conscious of the risk of any unjustified action?

The atmosphere of suspicion under which both sides labour requires to be dispelled by self-confidence on the side of the Britishers and a pledge on the Indian side that they will not discriminate to the injury of the other side. These things should dispel that atmosphere. In fact, as I have said, we are quite prepared to have it in the Statute that there shall be no discrimination *per se* against any non-national.

I look forward to greater co-operation between Indians and Britishers after we know that we are free to manage our own affairs. There is, however, one condition, namely that this question should be settled now, without further embitterment and distrust. If England wishes the solution of this question, and I do not doubt

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it, you will be able to solve it best now. What further factors hereafter can simplify the solution? Further investigation and delay must mean impoverishment and set-backs, and what more fertile soil for communalism and for undesirable tendencies in general can there be than poverty, and increased poverty hereafter? And that may occur as a result of the discontent which may be aroused if the question of political progress is not settled now.

Finally I wish to refer to the psychological effect of the right step now on India. India is known to be a land where the people do not easily and lightly forget any good turn done to them. We are known to be a set of people who are always grateful for any good turn. I submit that this is the occasion when, if this question is settled without delay, Indians will feel grateful, and the two countries will be drawn nearer and nearer together and no further artificial safeguards or shackles will be necessary. I have done, My Lord.

24th November 1931.

Financial Safeguards.

Sir Purshotamdas Thakurdas : Lord Chancellor, when you addressed us at the beginning of the discussion of the three items of Army and External Affairs, Commercial Discrimination, and Finance, you expressed a desire on the same lines as what you have just said, that it would be wise to express our views in general terms and not in detail. I fully perceived then the necessity for not dealing with any special grievance of India regarding either exchange or currency, or the financial control as at present exercised on us in India from Whitehall, but I cannot help feeling at the same time, My Lord, that, as far as the international world is concerned, India has, if I may say so, very little influence. We have met here to influence you and those on your right, and to put before them the aspirations of India-if I may call them so, the minimum aspirations of India, as to what form of Government and what particular safeguards in the interests of India alone would be acceptable to us. If anything more than that is imposed, we would not look on it as an advance.

Your Lordship has referred to the present condition of world finance. I wonder if you did not mean the present condition of affairs generally in the world, financial, economic and otherwise.

In spite of this we feel we ought to submit to the Conference here and specially to the British cabinet and through them to the British public our views as to how we would like the finances of India to be managed. We say the finances of India should be managed by a Minister responsible to the Indian Legislative Assembly and responsible in the most complete manner. Safeguards we are prepared to accept whenever they are proved to be in the interests of India but any safeguard regarding finance other than this cannot be conceived by us to be justified. Your Lordship has referred to world conditions. It strikes me, My

Lord, that there is a peculiar significance in the way in which the most undesirable occurrences have, as it were, been concentrated into the period of our sittings here during the last few weeks or rather months. They have conspired to make your difficult task more difficult and certainly less beneficial to us. One of them is the Parliamentary Election here and the consequent diversion of the attention of yourself and your colleagues on this Committee to matters other than those directly concerned with this Conference. It would almost appear as if our task, which was difficult in any case, was to be made more difficult by some of those world factors. But every evil has its redeeming feature and so I think I may say that if you can come to a clear understanding in such an unfavourable atmosphere, there is hardly any danger of our conclusions being either extravagant or being taken in a mood of over-enthusiasm. There strikes me, at the moment, a little oppression in opening the discussion on this question. I am oppressed by a feeling of some unreality due to what has been appearing in the Press and what one hears outside—that is that we are merely to put forward our views and that there is not to be any exchange of views between you and us regarding this question. If that is the best which can be done by the Cabinet and by you here, all I can say is that we have no option in the matter.

Finance, My Lord, is one of those subjects which, in the future Government of India, should be completely transferred to and put in charge of a Minister without any safeguards at all except of course those which are ordinarily involved in the constitution and those which may be proved to be in the interests of India. The control of finance has been admitted to be fundamental, for finance has a bearing on all the activities of Government. It is agreed that it is highly technical but it is a vital part of administration. The Government of India in their Despatch emphasise the necessity of safeguards not merely on the ground of the credit of India and of the Government of India; not only on the ground of maintaining the capacity of the Government of India to borrow, and the solvency of the Government, but also they say it should include the vast private

capital invested in India by Britishers. I venture to say that this is not a proper ground to be put forward. There is a difference between capital borrowed by the Government from outside India and capital invested by the non-national trading community to which Mr. Benthall referred in the discussion on commercial discrimination. Is there any wonder that we in India feel very apprehensive of any external capital if at this juncture and in consideration of how the future finance of India should be managed, we are told that in the vast magnitude of the interests to be safeguarded by the Secretary of State there is also to be considered not only the credit of the Government of India *per se* but there is also to be considered the question of the British capital invested in India.

These considerations, however, one sees with some relief are not in the opinion of the Government of India to create a permanent and insurmountable obstacle, but it is opined that there must be "careful preparation", to use the words of the Government of India. It is said that Parliament must demand some signal guarantee for the future. Exactly what the "signal guarantee" is not to be to be indicated more precisely in the Despatch. We are told that a sudden and fundamental change would create uncertainty and doubt as to the future policy, and it may mean financial and economic disaster to India. I venture to ask; where is the suddenness about this demand by us? Have we not been asking for liberty to control finance in India for ten years at least, if not longer? What is the use of the change if it is not to be fundamental but is to be only in petty details? Government admit that a change is always unsettling. May I add that it is unsettling at any stage and at any time. Do I understand, therefore, that those who support the Government of India point of view mean that we are never to have a change because a change is unsettling? Will amounts borrowed by the Government of India in the United Kingdom go down in the interval between now and the period when they feel that the preparation which they indicate is complete? In short, will all these grounds, if accepted, not always be there and thus deny India the right of managing her own affairs in the domain of finance?

My Lord, I do not wish to refer to any of the actions of the Government of India either of commission or omission, regarding India's grievances in connection with the management of her finances during the last ten, twenty, and thirty years. I have here with me a very useful brochure, which was published by the Federation of Indian Chambers of Commerce and Industry last April, under the heading: "Indian Currency and Exchange, 1914-30; How Government have managed it." I venture to recommend it to anyone who has the time to read it and wishes to get more information and details; every fact mentioned in this brochure is taken from Government records and from authorised publications. But whilst I do not wish to criticise here the various actions of the Government in the past, I cannot help saying that all these together create a picture which as far as we in India are concerned tries our patience and convinces us that any future reforms will be useless if finance is not completely transferred to us to be managed by us and by a Minister responsible to the representatives of the people in India.

I sincerely do not wish to say anything regarding the comparatively sparing and, if I may say so, miserably inadequate manner in which the Finance Member of the Government of India from time to time has been able to control the increase of expenditure in the Military Department of the Government of India. I do not think it is an exaggeration to say, that if we had a Minister responsible to the Legislature, he would have been out of his office several times before the current expenditure of the Government of India for the Military could be at anything like 50 crores. Before the war, Sir, our expenditure was 29 to 30 crores, and there were continued complaints against that expenditure as being too high and absolutely crushing to India. In our index number we have gone back to nearly 100 in India and the military expenditure has been kept even now at about 50 crores; it was 54 crores last year and we are told that it will be somewhere about 47 crores this year. I call this, in one word, a scandalous amount of burden on the poor taxpayer of India, and all I can say is, that a Finance Member

who owed responsibility to the Legislature would certainly have seen that this expenditure was very substantially reduced long before now.

I wish, therefore, now to deal with one or two peculiar features in Indian finance. One of these features is that the item of defence—which is proposed to be kept reserved and not completely transferred—of pay and pensions, and of interest on India's indebtedness, these three items between themselves absorb eighty per cent. of the Central Government's net revenue. In paragraph 173 of their Despatch, the Government use these words. I am reading now from page 148, paragraph 173 (b) :—

“(b) in this case the total of the charges, including only cost of the Army, interest on loans and pensions, amounts to about eighty per cent. of the net revenue of the Central Government. When a ‘first charge’ absorbs all but a narrow margin of the total revenue, the security implied by the nomenclature disappears. In such a case, the authority responsible for seeing that these payments are made, has an intimate concern in the whole financial administration of the country.”

Of the three items, two are such as cannot be reduced substantially—namely, pay and pensions, and interest—but the third is one which needs very substantial reduction. It is this same consideration which makes us say that nothing but a Minister completely responsible to the Legislature will satisfy us, and that no safeguards devised by this Conference in the shape of control from outside India will be acceptable to us.

There is one more feature of the finances of India which I think requires to be mentioned. A good deal has been said regarding India's credit. The borrowings of India today—I give the figures available as up to the period 31st March, 1931—amount to approximately 1,171 crores. They are roughly half and half—half in rupees and half in sterling. The rupee borrowing is 654.95

crores, and the sterling borrowing i. e. the total foreign borrowing of India works out at 517 crores with exchange at 1s. 6d. to the rupee. For all practical purposes we may say that the total indebtedness of India is half in India and half in Great Britain. I do not overlook the fact that a certain part of the sterling borrowing may be held by Indians or that a certain part of the rupee borrowing may be held by Britishers; but as figures are not available to the public we may take it that half the interest in the credit of India, the borrowings particularly, is in London, and the other half is in India. With this special feature I wish to ask whether it is conceivable, in fairness and in ordinary common sense, if I may say so, that we in India would be so rash as to ask for any system of reform which would endanger the safety of those in India who hold the Government paper—this 654 crores of rupees.

Is it not that the interest of the British investor is identical with the interest of those of us in India who hold Government paper and Government indebtedness? I wonder whether the Britisher here who asks for special safeguards regarding his holding of Indian Government paper is genuinely apprehensive about the solvency of India so far as the existing debt is concerned, or whether there is anything else which makes him so apprehensive.

With regard to the solvency of India, we have been repeatedly told that India is one of the few countries in the world which has a comparatively light amount of debt. We are told further that most of the debt of India is productive debt, and that the unproductive figure in the total debt of India is comparatively very small. If I am not mistaken, responsible representatives of the Government of India have said that it is almost a bagatelle.

Why, then, is there this extra caution and this apprehension that the management of finance in India cannot be left with the Legislature in India, and especially cannot be left to be looked after by those whose interests are the same as the interests of those who hold Government of India paper here?

We are told that Government have responsibility regarding exchange and currency. "The underlying idea in all countries", it is said, "is that the currency authorities should be free to conduct a policy in accordance with the dictates of sound finance, detached from all political influence". I fully agree with that, with this caveat that the political influence which has to be detached should be not only political influence to India but should also be political influence from here. What other influence do the India Office here, and the Secretary of State exercise but political influence? Why, then, ask for finance to be a reserved subject and say that as far as the Reserve Bank is concerned it should be free from political influence in India?

I submit, My Lord, that, whilst I and those whom I have the honour to represent here are all for a sound bank being started whenever it is feasible to start it, and may agree to political influence being kept outside it, it is all the more imperative, in our opinion, that it should be ensured that the political influence from here, which is stronger, surer, and, I venture to submit, not always in India's interest, should not be there either directly or indirectly in any form or shape. We cannot possibly risk political influence from here being in the slightest degree exercised either on the Government of India in the Finance Department or in connection with the Reserve Bank.

We therefore feel, Sir, that no Reserve Bank would be acceptable to India unless it is started by a Statute in the Indian Legislative Assembly. That is my firm conviction. We will be a party to nothing else. We would rather go without a Reserve Bank than have one started by any Legislature other than our own in India. You can there have the necessary restrictions about political influence being kept out, but it should also be free from any other political influence from any other quarter.

This question of the Reserve Bank, My Lord, brings me to the question of exchange and currency. That is the domain where Your Lordship's hint and very wise advice I propose to accept in the very fullest degree.

There are two problems in connection with exchange and currency questions in India. One is the immediate problem, which I may not touch upon in detail because that is the one question which, dealt with here ever so cautiously, may have that influence which Your Lordship wishes to see avoided.

But I submit that that does not shut me out from dealing with the question of the management of exchange and currency in the future. Before I leave this question of the immediate problem of Exchange, may I say in few words in general? Your Lordship has referred to what has been forced on the Government here—the breaking away from the gold standard. Whether we in India could have afforded to keep on the gold standard at the point where it was kept until September last is a question on which I have strong views. It is a question to which I do not think I need more than merely refer in passing here, but there is no doubt about it that India was tied to the chariot wheels of England and as soon as England made up her mind to go off the gold standard the order went out that India should go off the gold standard too. I personally think it saved the reputation of the Government of India and of the Finance Department because I do not think that they had enough gold reserves to carry on the gold standard in the extravagant manner in which they were carrying on, dissipating their reserves in a manner which would not have been done if we had a responsible Minister. Still, your action here last September did save their face, and saved a complete breakdown in India. We were told a week earlier that we could not go off the gold standard because the credit of India was in jeopardy, but as soon as England made up her mind to sacrifice her credit India's so called credit did not matter. In the Legislative Assembly there was a demand for an adjournment of the House, and the Division on the adjournment motion was one of the biggest divisions I remember. Practically every elected member—and I think a few nominated members, though I am not sure about them—voted for the adjournment motion here, and this motion which is generally regarded in our country as a motion of censure was carried in the Legislative Assembly.

Thanks to Sir Samuel Hoare we have had two informal conferences at the India Office since 5th October last, and we hoped that the matter should be discussed further. We hoped that in view of the strong opinion expressed by the Legislature we should hear something more about it. I can assure Sir Samuel Hoare, and those in control at the India Office that none of us wished to have a single inkling earlier than would be given in the ordinary course to the public, but we felt that we were entitled to press on the India Office our apprehensions regarding economic conditions in India being worsened. If England, which had gone back only to the pre-war ratio to gold, found it necessary, with all her riches and her resources and her credit, to go off the gold standard, how could it be expected that India, an agricultural country, and admittedly poor country with less credit and less resources, could continue without great distress, to maintain her ratio to gold at $12\frac{1}{2}$ per cent. above the pre-war ratio. But since 25th September we have gone up in sterling from 1s. 5 $\frac{1}{2}$ d. to 1s. 6-3/16d. to the rupee. I can only say that there is a great feeling in India that the grossest injustice has been done to India again. I will leave my remarks at that as far as the immediate problem is concerned.

Regarding the permanent problem of the question of Indian currency it is suggested that there should be control until a Reserve Bank comes into being. That period is indefinite, and is getting more and more indefinite as world conditions get worse and worse. It is suggested that during that period there should be control from the India office, until a Reserve Bank is established and the day to day management is handed over to it. Until that period it is said that there should be control from here. Various suggestions have been made as to what can be done for this period of transition. We in India feel that as far as exchange and currency is concerned the India Office certainly has not a record of which they can be proud or with which we can be satisfied. The two Commissions which inquired into the question of the currency of India during the last eleven years certainly have not proved to be Commissions which have been able to see more clearly than the ordinary man in the street. Why not let the people of

India, who are directly and primarily affected by these matters, risk their own good fortune, and make an effort to run their own show.

I therefore feel Sir, as far as the management of exchange and currency is concerned, while the Reserve Bank appears to some of us to be a long time in coming (and may circumstances be such that a Reserve Bank can be assured next year), until then, in the interregnum we feel that we cannot rely on the wisdom from Whitehall being exercised on the Indian Problem in a manner which would be less risky than what we can do in India with our little knowledge. If we make mistakes in India there will not be any suspicion that those mistakes were made in any interests than those of India. And in this connection there is a very unfortunate sentiment expressed in the Government of India despatch.

Chairman: What page is that ?

Sir Purshotamdas Thakurdas: Page 151, Paragraph 176, the last sub-paragraph:—

“ We should hope that it would be possible to convince Indian opinion of the desirability that such a bank should work in close co-operation with and on lines approved by, the Bank of England.”

Why should the Reserve Bank in India be tied down to work on lines approved of by the Bank of England ? We recognise that the Bank of England is the premier bank, that it has influence and that it has experience to which I personally take off my hat every time.

Chairman: Then would you agree with the last sentence in that paragraph ?

Sir Purshotamdas Thakurdas:

“ Whatever the future for India may be, she must always be greatly dependent upon her standing in the London

money market, and nothing could be of greater service in this direction than a close co-operation between a Central Bank for India and the Bank of England. ”

I am coming to that.

Chairman: You agree with that, I suppose.

Sir Purshotamdas Thakurdas: I will come to that in a moment.

Chairman: I said: you agree with that view.

Sir Purshotamdas Thakurdos: I am going to deal with it in a minute, if Your Lordship allows me. I was going to say, Sir, there is no reason why the Reserve Bank in India should be committed to work on lines approved by any bank; and whilst I myself have a very great opinion of and great respect for the Bank of England, I personally feel that India should be left free to take advice, guidance and counsel from such institutions as she likes.

Personally I have not the least doubt that if the people in power here have self-confidence we would every time come to England and go to the Bank of England, but we do not want to be tied down to it. That is my reply to what Your Lordship asked. I personally feel that every time you lay down that we shall go to Whitehall we feel that we may do better elsewhere. But if you feel that Whitehall has such knowledge, such experience, is such a repository of wisdom regarding Indian affairs, why not leave us free? We must resort to it for advice in our own interest. And, similarly any Minister of the Government of India who is responsible to the Legislature will go to the one place where he can get the best advice. I myself have not the least doubt that the Bank of England will be the one place where he will go, and the Bank of England would be the one institution from which we would want guidance but we would not agree to it being laid down anywhere that our bank should work on lines approved of by either the Bank of England or for the matter of that, by any Bank. I feel that whilst

we want all the good will that we can get from the London money market, the London money market is not going to lend us money simply because we have a Secretary of State here who has control over Indian affairs. The London money market will lend money only if the economic condition of India is sound, only if our budgetary position is balanced, only if things in India are settled down and are going on normally, and whilst I would solicit all the good will from the London money market and from the Bank of England, I would not agree to any handicap or any safeguard being put on to the Indian constitution for the mere purpose of getting their good will. I expect their good will to be there, and to be available to us as a business proposition whenever we can put before them a proposition which is sound on its own merits and not owing to any artificial trammels like Whitehall controlling our destinies.

Now, My Lord, in paragraph 176 the Government of India Despatch refers to special difficulties regarding the present financial and economic position in India. I fully agree with that. Since that Despatch was written, those difficulties have, if anything, increased.

Chairman : Quite right.

Sir Purshotamdas Thakurdas : And have not diminished; and all that I can say is that the diminution of them and any relief under those conditions, require a bold step to be taken from here in the direction of meeting the wishes of India.

Chairman : Would you agree with the last sentence of paragraph 176 ? You were just quoting paragraph 176, and you said you agreed with it. Do you agree with the last sentence ?

Sir Purshotamdas Thakurdas : Which Sir ?

"It would indeed hardly be possible to imagine a combination of circumstances more unfavourable to an immediate change of policy, which might result in shaking public confidence in the credit of India".

I do not agree with that at all. I agree with the description of the conditions in the interior of India as indicated in paragraph 176.

Chairman : I put in fairness to you, because you said you agreed with paragraph 176, and then I said I assumed that that meant you agreed with the last sentence as well ; but you make an exception there. I follow.

Sir Purshotamdas Thakurdas : The last sentence is not a description of the circumstances existing in India ; it is their own inference.

Chairman : Yes you do not agree with the last sentence.

Sir Purshotamdas Thakurdas : I do not agree with the last sentence. I contend that the delay in the reforms may have contributed to a certain extent, but that is not pertinent to my subject.

The Government of India indicate a certain period of preparation-that is in paragraph 179-and they say that they will have to work out a financial programme for the future which will inspire confidence. One wonders what is this financial programme which His Excellency the Governor-General's Executive Council have in mind. I wonder if we could have any information on that score from Sir Samuel Hoare.

We feel that the programme which requires to be worked out now is the programme of trusting the people of India. Give them the right as was said by somebody here, to make mistakes in working out their own destiny, with the usual safeguards.

The Government of India accept the position that eventual transfer is implicit in the Government's declared policy of advance, and they also accept that the control of finance is vital to any form of self-government. How can they expect India to be satisfied without that complete control ?

The Report of the Federal Structure sub-Committee at the last Round Table Conference, paragraphs 18 and 19, indicates the safeguards which were then suggested. They referred to financial stability and to the credit of India outside and at home, and I infer that from these two considerations it was suggested that it was necessary to reserve powers to the Governor-General with regard to Budgetary arrangements and borrowing. But would not the powers of the Governor-General, in the usual course, which are indicated in paragraph 21 of that Report, be sufficient? Continued deficit budgets not covered and reckless borrowing, would hurt the Indian investor first and most directly. The price of the Government paper would go down, and it would hurt the Indian investor as much as it would hurt the investor here in London. Why not, therefore, trust the Indian public, which has a vested interest in the matter of Government borrowings, to safeguard the position?

Personally, My Lord, I feel with regard to both these questions that it is the Indian investor who will be anxious that the Finance Member of the future shall not run away with the bit in his mouth and risk doing something which may jeopardise the holdings of Indian investors.

We therefore feel, My Lord, that as long as we are trusted there is no necessity for those who have lent to the Government of India to ask for any special safeguards, and I submit that when we are told that the time is not yet, and that there has to be a period of preparation, we cannot help feeling that this will be construed by many as merely a blind and an excuse. I trust that that cannot be the intention of the Cabinet here, but things are not going to improve because of delay. Whenever power is transferred, it will have to be transferred in full confidence to the Indian Legislature. What new factor is expected to develop which will make the task easier a year hence, or two years hence, or if some people prefer it, five years hence?

The credit of India, I submit, cannot be allowed to be spoon-fed by the Secretary of State any longer. People in India and in England and elsewhere will lend money to the Government only if the economic condition of the country warrants it. People will not lend if they find the Government has a succession of deficit budgets. The Secretary of State has lately paid rates of interest on behalf of India here which have certainly been the highest paid by any respectable major Government in London at that period. How, therefore, can it be said that the mere fact that the Secretary of State will have some sort of control will by itself be of advantage to India ?

And here I want to make it clear that it is generally agreed, at least in private conversations, that no retained control of the Secretary of State as at present is necessary or desirable. I ask: If the Secretary of State has some sort of control on the future Finance Department of the Government, how is it going to make a difference ? I feel, Sir, that what is required is principally: Are you prepared to identify the interests of those who hold the Government of India's paper here with the interests of those who hold it in India ? And, as I said, the figures show that the borrowings are half here and the half there-in fact more than half in India. As far as the London holder is concerned, he has the Governor-General there with the powers which are indicated in paragraph 21.

Regarding the question of successive Budgets being deficit Budgets and being allowed to be kept at that, I venture to ask, Sir, whether that has not happened till now whilst the control of the Secretary of State from here was on ? What were the Budgets in the years 1920, 1921 and 1922 like in India ? And was not a substantial increase in the amount of India's indebtedness due to these deficits ? Had not that to be finally consolidated into a sort a permanent debt ? How can you lay down anything here which would be satisfactory under a certain set of circumstances which we cannot envisage today but which may indeed come in the near future or the distant future ? How can you today lay down anything to provide that you cannot have more than one deficit budget or more

than two deficit Budgets ? Personally I would not like a single deficit Budget to be carried forward ; but certain circumstances in India e. g. famines or continued depression of trade and so on, may make it imperative and may make any other course almost a danger. I therefore feel that there also, inasmuch as Government paper in India in future will depend for its attractiveness or otherwise on the manner on which our Budgets there are balanced, to that extent the best safeguard that you can have is the credit which that Government will command both abroad and at home. The Upper House in the Central Legislature would have direct voice in the Budget and any legislation and the public at large would be continuously watchful if they realised that they were free to manage their affairs in the manner best suited to India.

I want to say one word before I conclude regarding the Statutory Railway Board question. The Railways of India are one of the best assets of the taxpayer in India ; they constitute one of the largest assets of the taxpayer in India. That is a source from which not only do the Central Government receive substantial revenue every year, assuming the machine to be decently well managed, but it is most useful to bring the distant parts of India together and make India one. It is also a very useful weapon in the development of industries and with regard to relief being made available to the growers of India's crops. The Government of India deal with all this fully in their Despatch. We want a Statutory Railway Board to be started, but again that must be done by a Statute of the Indian Legislature and by nobody else.

I wish to say that we are as keen that the Statutory Railway Board should be started in India—with the consent of and by a Statute of the Indian Legislature—as I said we were regarding the Reserve Bank. If any efforts are intended to put on to us in India any machinery in this connection devised by any other Legislature than the Indian Legislature, all I can say is that it will meet with the strongest opposition and will lead to most unnecessary suspicion. I do hope that this will be left to the Legislature in India.

In conclusion, My Lord, India must have control of Finance in India, and no control of Finance from England, either day-to day control or otherwise. The only control would be the normal powers exercisable by the Governor-General. I feel that I cannot do better, in this connection, than read out one sentence from the appeal which my Right Honourable friend Mr. Srinivas Sastri, made in the Federal Structure sub-Committee last year. He has one telling sentence. It is fairly long quotation. I do not wish to read it all, but there is one sentence in it with which I can most fittingly conclude my remarks. My Right Honourable friend said:—

“ I am therefore positive that we should have finance transferred to the Government of India without any restrictions or safeguards, without any suspicions as to our capacity to manage our finances honestly or efficiently, and it is only if we are placed in untrammelled control that we can find ourselves truly in the new constitution.”

I have finished, My Lord,

25th November 1931.

**Discussion on financial Safeguards with special reference
to Statutory Financial Committee.**

Sir Purshotamdas Thakurdas : May I say one word about the Statutory Financial Council to which Mr. Benthall referred ?

Chairman : Yes.

Sir Purshotamdas Thakurdas : The question was discussed between a few, but nothing definite was arrived at. As Mr. Benthall has suggested that this should go into the Report, I want it to be on record that as far as I am concerned I do not commit myself to it. There are many loose ends which require to be tied very carefully and clearly and clearly before I can give my consent to a Statutory Financial Council of the nature indicated by Mr. Benthall. At the same time, however, I concede that there may be in it germs of a satisfactory agreement as far as India is concerned when the details are considered. But until that is considered I do not commit myself to any part of the Statutory Council to which Mr. Benthall referred. As a matter of fact when that was discussed between a few friends here, it was a Financial Council or a Council of Financial Experts in an advisory capacity and nothing more.

Mr. Iyenger : And that is the idea of Mr. Benthall even now.

Sir Purshotamdas Thakurdas : The word "Statutory" I heard for the first time today at this table, and I myself fail to see the utility and necessity of a Statutory body like that, even after the Reserve Bank has come into being, and here I refer to what Sir Akbar Hydari said just now. Therefore, I feel that the thing is now appearing to expand, and I am anxious to have it on record that I keep myself perfectly open regarding the details which require to be considered.

* Vide page 463.

Sir Tej Bahadur Sapru : Will Your Lordship permit me to say just one word ?

Chairman : Yes Sir Tej.

Sir Tej Bahadur Sapru : The idea proceeded from me yesterday and I wish to explain the Statutory Advisory Council that I had in mind.

Sir Purshotamdas Thakurdas : Is it Advisory or Statutory; please ?

Sir Tej Bahadur Sapru : It must be under the Statute; you cannot have a Council like that by mere administrative order. I have no fear of the word "Statutory". My idea was this, that the Statute itself should provide for the establishment of an Advisory Council during the period of transition in regard to matters of exchange and currency. If experience shows it to be of utility, we might perpetuate it.

Chairman. I follow that.

Sir Purshotamdas Thakurdas : It would mean that the Statute would not lay it down as a permanent body.

Sir Tej Bahadur Sapru. During the period of transition. I said so in my speech yesterday.

Sir Purshotamdas Thakurdas. Does it mean during the period of transition until the Reserve Bank is established ?

Sir Tej Bahadur Sapru. Yes; that is what I said in my speech yesterday.

Chairman. I think you have made the position quite clear. Yours is a temporary thing for the purpose of seeing how it will work, and, if it works satisfactorily, then you think it should be perpetuated—at any rate continued.

Discussion on the Draft

Fourth Report on Commercial Discrimination.

The Chairman read to the Members of the Committee the paragraph of the Draft Report and invited comments thereon.

Chairman : * are there any comments on paragraph 1 ?

Then we will pass to paragraph 2.

Mr. Gandhi : I should like this added, Lord Chancellor, at the end of that paragraph :—

“Some, however, contend that the future Government should not be burdened with any restraint, save that no discrimination should be made merely on the ground of race, colour or creed”.

Chairman : I will certainly put that in. Where do you want that to go ?

Mr. Gandhi : At the end of the second paragraph.

Chairman : Now we come to paragraph 3, please.

Sir Phiroze Sethna : May I suggest the addition here of the the word “only” ? I suggest we should say, “by reason only of his race”.

Chairman : You want the word “only” put in ?

Sir Phiroze Sethna : I suggest that.

Lord Reading : That implies that you can do it for other reasons. Why do you want “only” in ?

Sir Tej Bahadur Sapru : It would weaken it.

Chairman : Yes, it weakens it.

Sir Samuel Hoare : I think you had better keep it as it is. I know what you want, but I think it would weaken it if you put that in.

Chairman : Now we will take paragraph 4, please.

Sir Akbar Hydari : With regard to the last sentence, we should like what His Highness the Nawab of Bhopal said put in here.

Chairman : I will ask Mr. Carter to make a note to that effect. That ought to have been in.

H. H. The Nawab of Bhopal : You have a note of what I have said.

Sir Akbar Hydari : The wording may be what His Highness said.

Chairman : Yes, I have it.

We will now turn over the page to paragraph 5. I believe you have something on this, Pandit Malaviya ?

Pandit M. M. Malaviya : Yes. I think it is necessary to be careful here not to go too far. A Swiss or American or any other Company might come and establish itself in Bombay or in some other place and the advantages which the National Government may be prepared to give to a national institution or indigenous institution, it may not be willing to give to an institution, which does not come under that description, and we should not encourage the idea, as is done in paragraph 6, that these bounties or subsidies would be available for "all who were willing to comply". The Company might comply with certain conditions, but it might still be unfair to the indigenous industries to grant it assistance.

Chairman : I follow your point, and I think we must put your caveat in there.

Pandit M. M. Malaviya : It is not a matter of a caveat ; if we agree to it, it can be submitted by the Committee.

Sir Samuel Hoare : I am not sure about Pandit Malaviya's point. Do you wish to exclude all foreign companies, or foreign companies as distinct from British companies, or what is your suggestion ?

Pandit M. M. Malaviya : British companies would come under the provisions already laid down. It should be made clear that even British companies which are willing to comply with the rules laid down should not expect to get the advantage of any protective action which may be taken by the Indian Government. They are entitled to ask that there should be no discrimination against them, but they are not entitled to ask that, because they are British, they should have advantages which we may want to give to indigenous concerns.

Chairman : I thought the next sentence sounded very well. It came from Mr. Gandhi, and that is why I put it in—“The principle should be a fair field and no favour.”

Mr. Iyengar : Suppose we decided or desired to give a subsidy to Indian steel as against Belgian steel which is dumped. Would it be right for the Belgian Company to put up plant and machinery in India and apply for the same subsidy ?

Lord Reading : Does that mean you want it to apply to Indian steel and not to British companies ?

Mr. Iyengar : That is the point, My Lord. You will remember that when we had the Steel Protection Act we did discuss the matter, and the Legislative Assembly was particularly careful not to make it a condition that British steel, as such, was

given preference. We specified a certain class of steel, to which we gave free access into our country and against which we refused to give a subsidy. I am not referring to the question of giving preference to British steamers, that is a different question. What I am now referring to is the point that the purpose of the subsidy might be defeated if we were to say the subsidy is available for the foreign companies against whom the subsidy is sought to be granted.

Lord Reading:—What I am trying to ascertain is this; is your point foreign companies as distinguished from Indian and British companies?

Mr. Iyengar: On the question of British companies, Mr. Lord, there are previous paragraphs which deal with the question of discrimination and reciprocity.

Lord Reading: But it still leaves that question open. I only want to know what you mean. Do you mean by that that there may be discrimination in this sense that you may give assistance to an Indian company which will not be available to a British company?

Pandit M. M. Malaviya: I do mean it, My Lord.

Lord Reading: I thought you did.

Sir Samuel Hoare: I am entirely against that myself, I think that is quite unfair.

Pandit M. M. Malaviya: But my point is that there is a distinction to be made between giving discrimination to a British company and giving advantages to a British company which we want to give to Indian companies. Of course, that would not apply to Europeans who are settled in India or carry on business there.

Chairman: I will make a note of your point, Pandit Malaviya; but as at present advised I am afraid I cannot alter that. I

should like to discuss the matter again with you. I quite see your point. You say discrimination is not the same thing as giving a bounty. Well, I quite follow what you mean; but I do not want to have repercussions of this thing which may get us into difficulties either here or abroad at present. I will record your opinion. If you and Mr. Iyengar will be kind enough to draw up a short sentence, I can put it at the end of this; so that we will put it in. This is one of those things in which I think we should be rather foolish, having regard to the difficulties of putting tariffs on against people or not giving them bounties, and getting into difficulties with other people, if we are not very careful. What I mean to say is this, it is not the sort of decision we can take at the eleventh hour and the fifty-ninth minute. Let us put your caveat in, let it remain there. It is one of those things which will have to be discussed again later. I am not against you; I mean I am not against your putting that in; I will certainly have it put in; but as far as I am concerned, I must stick to that paragraph.

Pandit M. M. Malaviya: I want to put another point before Your Lordship in regard to what Lord Reading said. Take an ordinary case of a Japanese Company: supposing a Japanese Company goes and settles down in Bombay, starts some business and claims the same advantages that we give to an Indian, I do not think you would like a Japanese Company to be able to claim it of us. Take a Danish Company, a French Company, or an American Company, you would certainly not wish those companies to be entitled to claim the same advantages that would be granted by a National Government to Indian Company,

Sir Samuel Hoare: Yes, but then what we are interested in is the British Companies. Would you be prepared to say it would be available to all British Companies?

Mr. Iyengar: My Lord, I would take it in this way.

Sir Samuel Hoare: May I just have an answer to that question?

Pandit M. M. Malaviya : May I ask you, Sir Samuel Hoare, and Lord Reading, to help us by saying whether that would be a proper thing to ask for a British Company which is trading in India.

Sir Samuel Hoare : My answer would be "yes".

Pandit M. M. Malaviya : That is to say you ask that the protective assistance or bounty or subsidy or other advantage should be given to a British Company which is trading in India merely because it is being given to a national indigenous industry. Such advantages are given to an indigenous industry because they are wanted on principles which are recognised, but to share that advantage with well-established British Companies I do not understand, though I am open conviction. I should like their help to understand.

Lord Reading : I do not want to repeat the argument I have put, but I think what you are saying does bring in the danger that I pointed out when we were discussing it ; and you see it does not help us very much to say you would not like this to be done with regard to a Japanese or a Belgian Company. It does not touch the point. The point is that you want to get it in general language, so far as I understand. If I am wrong so much the better. It would make it applicable also to a British Company. You said quite frankly that you did ; that is what I pointed out before when I was speaking, that I thought it was most objectionable and I should object to it most strongly. I think if that were done you would destroy everything we are doing at the present moment. I thought the principle was that no distinction would be drawn between a British Company and an Indian Company. Of course, I mean a British Company which is carrying on its business there. We had already reached that.

Sir Purshotamdas Thakurdas : May I ask one question, Lord Reading ? Does the last sentence or the previous paragraph

apply to this: that is "the right to attach reasonable conditions to any such grant from public funds."

Lord Reading: That is the External Capital point, is not it; funds, registration of a company there, a certain moderate proportion of Directors, and so forth?

Sir Purshotamdas Thakurdas: Yes, whatever those may be.

Lord Reading: Yes, I expressly said I did not raise any point with regard to that. I agree.

Sir Purshotamdas Thakurdas: Then it would not be a bar under the enunciation of the principle of "a fair field and no favour", if the Legislature, when they sanction a bounty or a subsidy, have the power to lay down certain provisions which will qualify for it. They can be such conditions as would suit a certain industry. I only wanted to know whether that last sentence did apply to these and was included in this principle or not.

Mr. Sastri: May I ask a question?

Chairman: Yes.

Mr. Sastri: Is my recollection right that round this table last year as we were discussing this subject, the spokesman of the British Mercantile Community in India admitted that it was perfectly legitimate for the Indian Legislature, where it sanctioned bounties in order to create a certain indigenous industry, to confine it to the industries managed and owned by nationals of India as distinct from non-nationals of India. Am I right in my recollection?

Chairman: I did not so recollect that.

Pandit M. M. Malaviya: Mr. Benthall said it this year also.

Mr. Benthall: I do not recollect it, but I made our position quite clear that we accepted the Report of the External Capital Committee, with one small exception, which was a matter of wording and not of sense.

Lord Reading: My recollection is that it never went further than that; it was accepted in that sense, and just in the same way that I think Mr. Benthall spoke and I spoke with regard to it; that is to say that you may have conditions of a rupee company registered in India with a certain proportion of directors. There was a little more controversy about shareholders, for reasons I will not go into now, but otherwise that was agreed.

Mr. Sastri: Was it not based on a distinction between nationals and non-nationals?

Lord Reading: May I point out, Mr. Sastri, that that strikes fundamentally at the root of non-discrimination if you do that generally. You cannot possibly do that and maintain the principle of no discrimination; because if you were right, you see, it would be possible then to do the very thing which you remember I suggested was the dangerous point; that is to subsidise an indigenous industry with the idea that it would compete successfully with a British industry, that is a British-owned industry which had been carrying on its business there for a number of years and made its reputation there. That was the very point.

Mr. Sastri: But, Lord Reading, I think this opens a very wide door. When the Legislature grants a subsidy to an industry it as a matter of fact takes the subsidy out of the general funds raised by taxation upon the people. It would only be justified in doing so if there was an expectation that as a consequence a purely indigenous industry would benefit. If it was an industry which might be considered non-national there would be no justification for taxing the people of the country.

Lord Reading: May I point out that in this country we have some organisations of that character where we pay subsidies. We do not make any distinction in the case of business which is carried on by persons who are outside this country. What we insist on is that the company or firm shall carry on its business in this country. By that we get a certain amount of employment and taxes are derived from it. That is how it is done. I do not know of any case where there is a distinction drawn between a company whose shareholders reside in this country and a foreign firm who may establish a business here.

Mr. Jayakar: We are seeking to have subsidies paid only to industries which may grow up in the country.

Lord Reading: So are we.

Mr. Benthall: May I point out to Mr. Sastri that my community are very large taxpayers in India, and will have to bear their full share of the burden?

Mr. Jayakar: In my opening speech I tried to make out a case for a class of industries which I called infant industries; that is, industries which are just struggling into existence and to which the Government might think it necessary to give some protective bounties. Why should it be wrong for the future Government of India to protect an infant Indian industry? I am not speaking of industries which are able to stand on their own legs but of industries which have just come into existence. Why should not the future Government of India have the power to give some protection to such industries without giving the same to other industries not on the ground that they are British, but on the ground that they are able to sustain themselves?

Mr. Sastri: Mr. Benthall has raised the point that the European community in India are taxpayers, and, therefore, come under the class which I intend to benefit. He is quite right; I do not deny that for one moment but I wish the benefit of this to be extended to all who reside in India and become nationals of that

country. Mr. Benthall is speaking for those who reside in India and pay the ordinary taxes. If that is his object I have no objection, but the thing would apparently extend to all who, not residing in India and not forming a part of the population of India, would merely export their capital into India and benefit by this. I am thinking only of that.

Lord Reading: They would have to set up the industry in India in order to get the benefit of this, would not they? It could be done simply by sending goods, or anything of that kind.

Pandit M. M. Malaviya: The match industry has already been set up in Bombay.

Lord Reading: I was dealing with Mr. Sastri's point. It is very much what happens here and is being discussed at this moment. For example, you may put protective duties on for a particular purpose, to protect a national industry, and the effect of it sometimes is that foreign countries come and set up their works here. We never interfere with that if they choose to do it; and come and take part in the national organisation and give employment and carry on their business here.

Mr. Sastri: I am thinking of bounties and special subsidies which are paid to struggling industries, and which certainly come out of the general taxes of the country. I am not thinking of the ordinary protective duties which England seem now to be adopting; I am thinking of another extension of this subsidising of industries.

Lord Reading: We do that also. There is the case of sugar-beet, and we do not raise any distinction about the companies.

Chairman: A fair field and no favour.

Pandit M. M. Malaviya: You do not produce much sugar yourselves.

Lord Reading : Oh yes.

Sir Akbar Hydari : Perhaps I may say what our own practice has been in Hyderabad. It is that wherever we want to give any help from public funds we do lay down certain conditions, which are not based upon racial discrimination, but upon these facts—that a certain proportion of the directors shall be Hyderabadis and also a certain number of the shareholders. Having regard to the difficulties to which Lord Reading has referred, we say that a first refusal of a certain number of shares shall be given either to Hyderabadis or to the Hyderabad Government, but afterwards there are no further conditions.

Lord Reading : I do not oppose that for a moment.

Chairman : I agree with every word you have said.

Sir Tej Bahadur Sapru : The words here are "It should, however, also be made clear that bounties or subsidies, if offered." Does not that imply that it is entirely discretionary with the Government to offer or not to offer ?

Lord Reading : It is, obviously.

Sir Tej Bahadur Sapru : The words are "if offered."

Pandit M. M. Malaviya : That is to say, if they offer to one industry, that is their option; but if they once offer to one industry, the question is, should it be made available to every member of that industry ?

Chairman : That is too subtle for me ; it beats me all the time.

Lord Reading : The Government must offer ; it cannot help it.

Chairman : Very well . I think we understand the point .

Sir Purshotamdas Thakurdas : Do you mind changing the words in the third line ? It says here "all who were willing to comply with the conditions prescribed", and I suggest we should say "all who were willing to comply with such conditions as may from time to time be prescribed by the Legislature". This is implied by the reply which I got to my last question. Otherwise this might seem to apply to the last three lines of paragraph 5, where reference is made to the External Capital Committee.

Mr. Benthall : You might say "in accordance with the paragraph above."

Sir Purshotamdas Thakurdas : The point is that the conditions should be such as may from time to time be prescribed by the Legislature.

Mr. Benthall : In accordance with the recommendations of the External Capital Committee.

Sir Purshotamdas Thakurdas : No. The reference to them is merely illustrative and not exclusive ; that is what I want to make clear. Surely you do not want to restrict this to those conditions only ? It should be open to the Legislature to lay down the conditions from time to time in accordance with what circumstances demand, provided they are not of racial character, but you cannot tie the whole constitution down for ever to those recommendations only.

Lord Reading : But they are not tied down.

Sir Purshotamdas Thakurdas : I was replying to Mr. Benthall.

Lord Reading : The words simply are that they shall comply with the conditions prescribed in the Government's offer.

Sir Purshotamdas Thakurdas : There may be a misunderstanding; it may be thought that the "conditions" are the con-

ditions laid down by the External Capital Committee in 1925. The Legislature, however, should have the right to vary these conditions from time to time.

Mr. Jayakar: Could not we say "would be available to all who were willing to comply with such conditions as may be prescribed?"

Sir Purshotamdas Thakurdas: No, "with such conditions as may be from time to time prescribed by the Legislature".

Lord Reading: I do not think we could have that. The Legislature might specify—we must assume it for the purpose of discussion—that there must be, say, one hundred per cent. directorate, one hundred per cent. of the shareholding Indian, and so forth. You could not possibly have that.

Sir Purshotamdas Thakurdas: It would be racial discrimination to say one hundred per cent. What I am trying to make out is whether it is the intention in drafting this to tie whole thing down to the details laid down by the External Capital Committee. (Cries of "No.") Then, if it is not, the Legislature should be completely free to vary them in accordance with the circumstances.

Mr. Jayakar: It may not be the Legislature; it may be the department which will lay down the conditions.

Sir Purshotamdas Thakurdas: With bounties and subsidies. I think it must be the Legislature.

Pandit M M. Malaviya: It must be.

Sir Purshotamdas Thakurdas: I do not think it could be done by Departmental order. The Legislature must vote the money.

Mr. Iyengar : In the nature of things the Legislature should from time to time impose the conditions, because a subsidy should operate on a sliding scale on varying conditions so as to make it effective and so that it shall not be a burden on the taxpayer, and therefore the Legislature cannot be tied down to any definite conditions on which alone subsidies could be allowed.

Mr. Benthall: The External Capital Committee went into this matter at great length, and came to the conclusion that when bounties were given in this way a very limited amount of discrimination would be reasonable. They defied what they thought was reasonable and we accepted it in my first speech.

Sir Purshotamdas Thakurdas: If it is clear, then I agree; but unless it is clear, I am afraid I cannot possibly agree to this. You cannot tie this down to the terms suggested in 1925.

Mr. Jayakar: Your fear is that the words " Conditions prescribed " may be taken to be the conditions prescribed in 1925, but if we were to say " such conditions as may be prescribed " that should solve the problem.

Sir Purshotamdas Thakurdas: But by whom ? Presumably it will be by the Legislature, the money for the bounties and subsidies will be voted by the Legislature.

Chairman : I suppose, Sir Purshotamdas, they would go o the Federal Court if there was any dispute about it ?

Sir Purshotamdas Thakurdas : That comes later.

Chairman : I know, I was only asking you.

Sir Purshotamdas Thakurdas : What is it, My Lord ?

Chairman : It does not matter, thank you.

Sir Samuel Hoare : I think it is all right as it is, My, Lord.

Pandit M. M. Malaviya : " Will be available to all who are willing to comply with such conditions as from time to time may be prescribed by the Legislature."

Sir Purshotamdas Thakurdas: Yes.

Lord Reading: No, I would never agree to that, I think that is introducing the very principle of discrimination which we want to prevent. It is giving the power to do it; I am not saying it is doing it, because the Legislature may never do it; but it is giving the power to do it. That is what I am trying to prevent.

Sir Purshotamdas Thakurdas: Your Lordship's intention is that it should be restricted by those conditions which were laid down by the External Capital Committee of 1925, which cannot be altered ?

Lord Reading: No.

Sir Purshotamdas Thakurdas: May I understand what is meant by those words as put down by the draftsman?

Lord Reading: If you ask me, I should say the conditions prescribed by the offer of the bounties or subsidies, subject to this, that there should be no discrimination, except in so far as you might possibly imply it by the conditions of the External Capital Committee, which are obviously permitted.

Sir Purshotamdas Thakurdas: Are those the only conditions which Your Lordship is prepared to accept?

Lord Reading: No, I have said not. You may lay down certain conditions as is done in this country. You may lay down conditions intended to cover those conditions which may be apprehended, and which may be other than those merely of the External Capital Committee ; but those conditions could not be of a discriminatory character.

Mr. Benthall: Such as that the industry had to start at such a time in order to earn the bounty.

Sir Purshotamdas Thakurdas: We have agreed that they should not be conditions of a purely racial character. Once they have restricted it to that I do not think we would be prepared to accept any other restriction, My Lord. That is the whole point.

Mr. Iyenger: The whole point of Sir Purshotamdas' difficulty is what "the conditions" denotes—the conditions referred to here or the conditions referred to in the previous paragraph in the recommendations of the External Capital Committee. In the nature of things, as Lord Reading has pointed out, whenever a subsidy is offered by the Government through the Act of the Legislature, conditions will be prescribed there, and it is those conditions which are referred to.

Lord Reading: Yes.

Mr. Iyenger: So I strongly support Mr. Jayakar's suggestion to make clear such conditions as may be prescribed.

Lord Reading: I do not raise any objection to that; that is only a paraphrase.

Chairman: Yes—"such conditions as may be prescribed".

Lord Reading: Certainly I do not raise any objection to that.

Chairman: Now paragraph 7 please.

Mr. Gandhi: It says: "With regard to method, it appears to the Committee." Will you add this: I have simply said; "save for the exception taken in paragraph 2."

Chairman: Certainly, Mahatma—"save for the reservation in paragraph 2". I am much obliged to you. I ought to have done that. Now paragraph 7.

Sir P. Thakurdas: May I just enquire about line 8 in paragraph 6? There you use the words "usually under British management and financed with British capital." What are the implications of that?

Chairman: We must not tie ourselves down too much by definition. We are putting it rather vaguely.

Lord Reading: Surely that is only a recital; it is not an operative part.

Mr. Iyenger: It is a mere description.

Sir P. Thakurdas: All right, Sir.

Chairman: Now paragraph 7.

Sir P. Thakurdas: In paragraph 7, I see in the third line:—"the constitution should contain a clause prohibiting legislative or administrative discrimination."

I wonder how it would be feasible to come to any decision about this. Later on I see the draft Report suggests that these matters might be referred to a Court of Law.

Lord Reading: I remember myself very distinctly that the words "Legislative or administrative discrimination" were used and as I understand the discussion it was accepted that no distinction could be drawn between legislative or administrative acts. Otherwise it might be within the power of the administration to make discrimination of all kinds.

Sir Purshotamdas Thakurdas: I know that. I raised the question because I did not hear it in the course of the distinction this time. I want to know; if seven tenders were made and British and Indian Firms tendered on equal terms, but an Indian tender was accepted, which was Rs. 5/- higher than the British

tender, would that be considered a just cause for a Court suit? Is there any precedent for anything like this in any constitution? It is most unusual, I submit, and I very emphatically differ.

Chairman : Very well, thank you very much. You differ. We will put down that one Member disagrees.

Mr. Joshi : I also disagree.

Chairman : Very well we will say two Members disagree. Are there any comments on paragraphs 8, 9 and 10? If not we will take paragraph 11.

Mr. Joshi : On paragraph 11, I should like to say that I think in certain circumstances it would be within the power of the Government of local bodies to take without compensation private property as a penalty for certain criminal offences or for public purposes. I should like to know what is contemplated.

Chairman : What is it you want? Is it the old law of attainder?

Sir Tej Bahadur Sapru : I would not agree to that.

Chairman : What do you suggest? Is it that if anybody, say, commits murder his property should be confiscated.

Mr. Joshi : In certain cases property is being confiscated to-day.

Chairman : For what?

Mr. Gandhi : For Sedition. I can give you the instance.

Mr. Joshi : Yes, for sedition.

Lord Reading : Is it without compensation?

Sir Tej Bahadur Sapru : May I deal with this ? I think the case that is being referred to is that of Mahendra Pratap Singh, Raja of Hathras. I know that case very well, because I had to deal with the matter in my professional capacity. It was found that he had joined the enemy during the war and therefore he was declared to be an enemy and his property was confiscated but it was regranted to his son.

Chairman : What do you want put in ?

Lord Reading : Would it not do if you put in "Save under process of existing law".

Mr. Joshi : But the law may be changed later on.

Chairman : You cannot help the people of India changing their laws. You cannot have them like the laws of the Medes and Persians.

Mr. Joshi : There is a second point. It might be necessary to take property for public purposes. The owners of the property may have done nothing on account of road improvements made by the municipality or the Government. There is no reason why property should not be taken in such a case without compensation. As a matter of fact in certain conditions it may be in the interest of the property-owners themselves that their property shall be taken without compensation.

Under certain circumstances private roads are compulsorily taken over by municipalities without compensation, in the interests of the town itself. Certain owners of private roads, it may be, refuse to improve those roads and refuse to provide lighting, and therefore the municipality has to take them over without compensation. Under these conditions we must provide for certain occasions on which property may be taken by statutory bodies without compensation.

Chairman : What I feel about this, Mr. Joshi, is that I should very much like to leave something for you to do when you are a member of the Federal Government of India. You can then propose an amendment to this effect.

Mr. Joshi : But if you make this a fundamental right, every law that is proposed will be declared to be void.

Chairman : We cannot have that, no.

Sir Akbar Hydari : I have been asked to make it clear that so far as this fundamental right is concerned, that no one should be deprived of his property save by judicial tribunal, that this may interfere to a certain extent with the rights of Indian States.

Chairman : You are quite right. I will see that something is put in.

Mr. Benthall : I should like to pay a tribute to the great courtesy which we have received throughout our negotiations with my Indian colleagues, and to the many constructive suggestions which they have made

Chairman : I am sure we all agree with that. Thank you very much.

Mr. Joshi : May I ask one question ? What about the position of Labour legislation as a Federal subject ?

Chairman : Well, that is a very proper question. We had better take that tomorrow.

Friday, 27th November 1931.

**Consideration of the Draft Fourth Report
on Financial Safeguards.**

Chairman : With the leave of the Committee, I will do as we always do. In accordance with our practice, I will read through the whole of the Report and then come back and I invite you to make any comments you desire to make on each one of the paragraphs.

The Chairman read paragraphs of the Draft Fourth Report dealing with Financial Safeguards and invited comments thereon.

Chairman : Now if you will kindly go back to the first page, paragraph 1, does anybody want to make any criticism on paragraph 1 ?

Pandit M. M. Malaviya : In sub-paragraph (2) you say:—
“That the financial credit of any country rests in the last resort upon the confidence of the investor, actual and potential”.

Are those words actually essential?

Chairman : What it means is the investor or people who may become investors. Supposing I am not an investor in India, I might still be a man who perhaps wanted to invest in India and so I should be a potential investor.

Pandit M. M. Malaviya : Then the potential investor may be not merely an English investor, but other people too ?

Sir Samuel Hoare : That is just what it means.

Chairman: Yes, that is what it means.

Pandit M. M. Malaviya : It means both actual and potential. It is essential to keep those words ?

Chairman : It is almost an Irishism, as we call it. A man is not an investor, but he may be an investor. It sounds funny to put it in that way, but it is intended to cover people who actually have invested money, and therefore we want to retain their confidence, and people who, at some future date, may become investors. If there is nothing else on this paragraph, will you turn over the page and we will come to paragraph 2?

Sir Purshotandas Thakurdas : May I ask whether the members who were present last time agreed with sub-paragraph (4) of paragraph 1 ?

Chairman : You mean whether the people who were parties to the last Report will also be parties to sub-paragraph (4) ?

Sir Purshotandas Thakurdas : Whether they think this is a correct inference from their Report ?

Chairman : Let us read it again.

“And that a change in her financial relations with the United Kingdom which involved a sudden severance,—” those are the words, “sudden severance.—”

“of the financial link between the United Kingdom and India would disturb confidence and so place the new Indian Government and Legislature at a grave disadvantage.”

I should think most of us—all of us, I should think would agree to that word “sudden.”

Sir Purshotandas Thakurdas : But then the question arises whether what they suggested is sudden.

Chairman : Yes, but all they are committed to here is this statement :—

“that a change in her constitutional relations with the United Kingdom, which involved a sudden severance of the financial link between the United Kingdom and India, would disturb confidence.”

Sir Purshotamdas Thakurdas :—My point is that the change we indicated in the last Report could by no means be said to be a sudden severance of the financial link. Therefore, that phrase as I read it is rather a far fetched inference to make from that Report. However, it is not for me, as I was not a party to the Report, to say what it meant. I am only enquiring whether those who were parties to that Report agree with the inference.

Pandit M. M. Malaviya : I think it is objectionable to put this paragraph in.

Sir Purshotamdas Thakurdas : If I may say so, it is not for us who were not present last time to criticise. It is for those who were present to say.

Chairman : Sir Tej Bahadur Sapru, Dy you object ?

Sir Tej Bahadur Sapru : I see no objection to it. The paragraph says :

“And that a change in her constitutional relations with the United Kingdom, which involved a sudden severance of the financial link between the United Kingdom and India would disturb confidence and so place the new Indian Government and Legislature at a grave disadvantage.”

The word “sudden” in my opinion, has reference to the temporary, or shall we say, transtitional changes we contemplated at that time. It is a quite a different question whether we shall have transitional changes, but once you accept transitional changes the word “sudden” is true.

Pandit M. M. Malaviya : That proposition, as I understand it, is now formulated for the first time. It is not reproduced from what was said last year. Am I right in saying that ?

Chairman : It is not a question in which you are involved at all.

Pandit M. M. Malaviya : If this is formulated for the first time in these words, I suggest it is not justified. It says :—

“ And that a change in her constitutional relations with the United Kingdom, which involved a sudden severance of the financial link between the United Kingdom and India, would disturb confidence and so place the new Indian Government and Legislature at a grave disadvantage ”.

A sudden severance of the financial link can only mean exercise by the Secretary of State of the authority he possesses over the Indian Government in matters financial. I do not think in the discussions which have proceeded it has been agreed that that control shall continue to be exercised.

Other arrangements have been considered in order to create confidence during the period of transition, but these do not necessarily imply the continuance of the financial link by the exercise of the financial powers of the Secretary of State. The only financial link which connects England with India officially is the Secretary of State.

Mr. Iyengar : I would suggest that instead of the word “ link ” in this paragraph the word “ relations ” should be used.

Chairman : Sir Tej Bahadur Sapru is satisfied with this wording. I think we had better leave it.

Sir Tej Bahadur Sapru . I should like to add one word arising out of the remarks by Pandit Malaviya. He seems to think that those who agreed with the substance of the proposition last year contemplated the continued control of the Secretary of State. I do not interpret this as assuming anything of the kind. But apart from the control of the Secretary of State, there are other financial links, and I believe the word “ sudden ” in this paragraph is used to denote the period of transition. We are satisfied that there would be a Reserve Bank, and we should have to make some provision for that purpose.

Mr. Benthall : Can we not make the word "links" in the plural ?

Chairman : I accept Sir Tej Bahadur Sapru's interpretation. It is certainly what we meant.

Sir Purshotamdas Thakurdas : If the plural is to be used, I beg to submit that it is not being contended by the other side that we are disturbing more than one link. It is not suggested that any other link may be touched. Therefore the plural would not be applicable at all. The link is the Secretary of State's control. There is only one link. What is the other link Sir Tej Bahadur Sapru has in mind ?

Sir Tej Bahadur Sapru : Well, the relations between the two countries. I certainly did not mean by the financial link the link of the Secretary of State.

Sir Purshotamdas Thakurdas : I do not know whether it would be agreed that that is not intended.

Pandit M. M. Malaviya : May we know what the financial link indicates in this paragraph if it does not indicate the control which the Secretary of State exercises over the Government of India ?

Chairman : You have heard what Sir Tej Bahadur Sapru has said. I cannot put it better than that. We are now stating what those gentlemen who were here on the last occasion put forward ?

Pandit M. M. Malaviya : Sir Tej Bahadur Sapru has said that it does not mean the continuation of the financial powers of the Secretary of State. Is that accepted by the Secretary of State?

Sir Samuel Hoare : To me it is a general term. I do not want to define what it is. I think it is much better to leave it general like this. It is stating the fact which

was the very basis of our discussions last year. If it had not been for this fact that a sudden severance of the link, whatever that link might be, would shake India's credit, there would have been no discussion of safeguards, and I imagine that a good many of the gentlemen who agreed to safeguards last year would not have agreed to them.

Sir Purshotamdas Thakurdas : The difficulty is this, that we who are parties to this Report, before we give our assent to it, must understand what each word and phrase carries.

Sir Samuel Hoare : I would not admit that at all in a sentence of this kind. It is merely a historical fact of what took place last year.

Sir Purshotamdas Thakurdas : And it is just that historical fact that I do not agree with.

Sir Samuel Hoare : You may not agree with it but it was the fact as it emerged last year. Historically speaking, I think this accurately describes one of the results of our discussions last year.

Sir Purshotamdas Thakurdas : Sir Tej Bahadur Sapru does not inform us that that was his intention, by any means.

Lord Reading : Would not it meet the situation if you make it in the plural and say "links" instead of "link" ?

Pandit M. M. Malaviya : That would make it worse, because at present we are trying to cut only one link.

Mr. Jayakar : I suggest if there is the slightest chance of these words "financial link" being misconstrued it will be better to put the words "financial relations".

Pandit M. M. Malaviya : We are providing safeguards which will satisfy British interests, and no other interest will suffer. All the discussions we have had have been to ensure that there shall be no want of confidence by disturbance of other relations. As this stands, my objection to it

is that it puts forward a proposition which is not correct and which will not fit in with what we have been discussing. We have been discussing safeguards which should be agreed upon. This statement, "a sudden severance of the financial link between the United Kingdom and India would disturb confidence", cannot mean anything except the relationship which the Secretary of State has to the Government of India, and to say that the sudden severance of that link will disturb the confidence and so place the new Indian Government at a great disadvantage is to go against the propositions which have been agreed upon.

Chairman: I do not quite follow that. If you would be good enough to look at the beginning of it again, it is their proposal in this connection.

Pandit M. M. Malaviya: That is why I asked whether this was the language that was formulated last year. It is not so. This has been formulated for the first time this year, and as it has been formulated for the first time this year, I request that the language used should be such as can be agreed upon and which should seem to us who are here now exactly to express what was decided upon last year.

Lord Reading: Is not the true position here that we are merely stating what were the fundamental propositions upon which the Report of last year was based? And that is surely a matter on which those who were present are best able to speak.

Pandit M. M. Malaviya: Those discussions are recorded and this goes beyond them

Lord Reading: It really does not. It states what the proposition is based upon.

Pandit M. M. Malaviya: Suppose it is decided that the control which the Secretary of State at present exercises over the Government of India should be exercised hereafter in India by such arrangement as Your Lordship, for instance, has already

contemplated, of the establishment of a Reserve Bank, and by another arrangement such as is in contemplation of a Financial Advisory Board, then I submit the link which connects England through the Secretary of State with India at present would be severed.

Lord Reading: This does not touch that. This statement does not affect anything you have said.

Chairman: I think we could all get agreed upon this by the insertion of a couple of words. Pandit Malviya is of this opinion; he says: "On the last occasion the Committee came to certain recommendations or certain views and you want to state them". But you have not stated them properly because I do not think, from what I know or from what I have heard, that the proposals of the Committee on the last occasion were based upon these fundamental provisions, and so I think what I shall put in now is this:—

"Their proposals in this connection were based by some of them"—

that is by some of the members of the Committee—

"Upon the following fundamental propositions".

Certainly mine were; that includes me. And then you will be able to say: Well, you were foolish enough, Lord Chancellor, to base your proposal upon those fundamental propositions, but other people did not; "and that will meet your point. It will read:—

"The proposals"—not "their proposals"—"the proposals in this connection were based by some of the members upon the following fundamental propositions".

Pandit M. M. Malviya: Would your Lordship say, "in view of some of the Committee" or "in the opinion of some members of the Committee"?

Chairman. I can say that. Where do you want that to come in? "The proposals in this connection were based in the opinion of some members of the committee upon the following propositions."

Pandit M. M. Malaviya : Yes.

Chairman : Very well, I will accept that.

Pandit M. M. Malaviya : Will you also kindly put in in some place an expression to show that some of us do not agree that this is a correct view of what took place last year ?

Chairman : No, I will not put that in.

Lord Reading : How can those who were not present express a view as to that ?

Chairman : How can you express that view ?

Pandit M. M. Malaviya : From the records.

Chairman : I cannot do that. You can point that out later on. I really have met you very fairly, if you will permit me to say so. Now paragraph 2.

Sir Purshotamdas Thakurdas : My Lord, regarding paragraph 2, I see the words "Reserve Bank" occur in this for the first time and perhaps the only time. May I ask whether it is proposed to say anything regarding how the Reserve Bank can be started whenever it is possible to start it, and by legislation where ? That is a point, Your Lordship will remember that I specifically referred to, and I do think it is important for us to know whether this Committee is going to express any opinion on that score or not.

Chairman : Well, what would you like to put in ?

Sir Purshotamdas Thakurdas : My personal opinion is that it should be started by a Statute in the Legislative Assembly.

Sir Tej Bahadur Sapru : Will you have : " by the creation by the Indian Legislature of a Reserve Bank " ?

Sir Purshotamdas Thakurdas : I will be quite satisfied with that, Sir.

Mr. Sastri: I see Lord Reading indicating dissent.

Chairman: I think I will accept that.

Sir Tej Bahadur Sapru: "Pending the creation by the Indian Legislature".

Chairman: Yes "Pending the creation by the Indian Legislature". Will that meet you Sir Purshotamdas ?

Sir Purshotamdas Thakurdas: That is what I think myself, Sir. Thank you.

Sir Akbar Hydari: "Indian Federal Legislature", Sir ?

Sir Purshotamdas Thakurdas: Of course. It will certainly not be by any of the Provincial Legislatures. It will have to be Federal or Central. Of course, Federal.

Sir Akbar Hydari: Federal.

Chairman: Well, I will put in "Federal",

Sir Purshotamdas Thakurdas: Certainly, Sir; "by the Indian Federal Legislature."

Mr. Benthall. It might be done before the commencement of federation.

Lord Reading. How can it ?

Sir Purshotamdas Thakurdas: There will be no federal Legislature then.

Mr. Benthall: The Reserve Bank might be started next year if conditions improve.

Sir Samuel Hoare: I think there is something in Mr. Benthall's point. It is unlikely in the present state of the world. I mean everybody wants to start the Reserve Bank as soon as possible. There is no doubt about that.

Mr. Iyengar: I think Mr. Benthall has in view the prospect that you may not have a federation for some years.

Mr. Benthall: That is possible, yes.

Mr. Iyengar: And therefore he wants to make sure that whether the federation comes or not the Reserve Bank shall come

Chairman: There is nothing to prevent anybody doing anything. It is only dealing with after federation.

Mr. Benthall: No, but I would leave out the word "Federal" and make it "Indian."

Mr. Jayaker: It leaves it possible for both countries.

Lord Reading: I think Indian Legislature is as good as the other.

Chairman: Then we will leave out "Federal" and put in "by the Indian Legislature." Now on the next page please paragraph 3.

Pandit M. M. Malaviya: I want to say a few words about paragraph 2 yet. May I?

Chairman: Yes, please.

Pandit M. M. Malaviya: The paragraph speaks of the creation "of a Statutory Advisory Council, so constituted as to reflect the best financial opinion of both India and London, which would be charged with the duty of examining and advising on financial and monetary policy." I thought the proposal put forward by Sir Tej Bahadur Sapru was that there should be an Advisory Council on matters of currency and exchange.

Sir Tej Bahadur Sapru: That is so.

Pandit M. M. Malaviya : Therefore, I suggest it should be so stated. The paragraph should read "charged with the duty of examining and advising upon questions of currency and exchange."

Sir Samuel Hoare : Financial and monetary policy means that.

Chairman : That is what it means.

Lord Reading : If he wants to limit it, I do not see any objection, but you are giving them something wider

Chairman : Well, Pandit Malaviya, I will accept your words but, if you will forgive me saying so, they are against your own interests. I accept them, but I think it is not wise of you.

Pandit M. M. Malaviya : Are you omitting the word "Financial"?

Chairman : I accept what you suggest, but they are limiting words. I advise you to keep in the words in the paragraph which do not limit but you can have whichever you like. I accept the words you suggest, but they are words which militate against your own interests. We will make the paragraph read "Charged with the duty of examining and advising on currency and exchange".

Pandit M. M. Malaviya : I asked, is it to advise on financial policy generally? I thought it was limited to currency and exchange. I have no objection to the words "Monetary policy" being retained, but I object to the word "financial".

Chairman : I accept it and I will cross out the word "financial" and leave it at 'monetary policy'. The day will come, I am afraid, when you will regret it, but that is not my fault. Paragraph 3, please.

Sir Purshotamdas Thakurdas : I took it when the question of this Statutory Advisory Council was being discussed that it was only to go on until a Reserve Bank comes into being.

Chairman : I see what you mean.

Sir Purshotamdas Thakurdas : It may be kept on afterwards if found useful, but it need not. It would be only for the period before the Reserve Bank comes into existence.

Mr. Jayakar : The words in the paragraph are "pending the creation of a Reserve Bank".

Sir Purshotamdas Thakurdas : Does that mean with the creation of a Reserve Bank it would go out?

Mr. Jayakar : Of course.

Sir Purshotamdas Thakurdas : I do not know.

Mr. Benthall : I should have liked to say a good deal more if we were going into detail, but I think it better to leave it as vague as possible.

Chairman : Will it meet your views if I put on record that in the opinion of some members of the Committee it should come out? I will do that.

Sir Purshotamdas Thakurdas : It may not be necessary to have it afterwards.

Chairman : Very well, we will put it in this form; "some of the members are of opinion that it will not be necessary to have this Advisory Council after the Reserve Bank comes into existence". In what part of the paragraph would you like that inserted?

Sir Purshotamdas Thakurdas : After the words "Monetary Policy". I would further suggest, Sir, that it should be stated that the Statutory Railway Board will be set up only by Legislation in the Indian Legislature.

Chairman : That has not yet been discussed. It is a matter we shall have to leave for future decision. I agree that it is an important thing, but we have not discussed it.

Sir Purshotamdas Thakurdas : I thought that no one had criticised what I had said on the point.

Sir Tej Bahadur Sapru : There was no unanimous decision on that point on the last occasion.

Sir Purshotamdas Thakurdas : I feel that some expression of opinion ought to go out from this Committee on the question.

Sir Tej Bahadur Sapru : There is no mention of a Statutory body whatever.

Mr. Joshi : The Statutory Board should be created by the constitution itself.

Sir Tej Bahadur Sapru : There is nothing in the Report about it.

Sardar Ujjal Singh : As a matter of fact, I pointed out that if a Statutory Authority was going to be established it should be left to Indian Legislature.

Sir Purshotamdas Thakurdas : May I read from the second Report of the Federal Structure sub-Committee presented at the meeting of the Conference on January 15th ? I quote from paragraph 19. "In this connection the sub-Committee take note of the proposal that a Statutory Railway Authority should be established, and are of opinion that this should be done, if after expert examination this course seems desirable."

Sir Tej Bahadur Sapru : The Report of the Plenary Session shows that we all objected to the Statutory Authority being created at all.

Sir Pursotamdas Thakurdas : May I take it that this present Report is not being conformed to the one I have just quoted ?

Sir Tej Bahadur Sapru : Of course not.

Sir Purshotamdas Thakurdas : I thought earlier we were confirming this Report. I am quite satisfied.

Chairman : Mr. Gandhi has something that he wants to add at the end of paragraph 2.

Mr. Gandhi : I wish to add at the end of paragraph 2, after the words "responsible Government" the words "and that the derogation from complete control would hamper the Finance Minister in the discharge of his duty."

Chairman : Those words are noted.

Now we come to paragraph 3, please.

Sir Purshotamdas Thakurdas : In the first sentence of paragraph 3 you have this : "The majority of the Committee adhere to the principles enunciated in their previous Report". In view of the discussion I raised on sub-paragraph 4 of paragraph 1, I am afraid I cannot be one of the majority who adhere to those principles.

Chairman : If you will kindly look at the sentence a moment "The majority of the Committee adhere to the principles enunciated in their previous Report: " It was not your Report at all, but I will make it clear that it does not apply to you. It was not meant to apply to you.

Sir Purshotamdas Thakurdas : Then "The majority of the Committee" there means the majority of the Committee present at the last time ?

Chairman : Yes, not you.

Then going on, is there anything more on paragraph 3?

Now turn over to page 4.

Subject to those alterations which you have been good enough to indicate and which I have adopted, I will sign the Report on behalf of the Committee.

Now Mr. Joshi, please.

Mr Joshi: I should like to know what sort of proposal you propose to make on the question as to the power of the Federal Legislature and the Federal Government to legislate on Labour questions affecting the whole of India.

Chairman: I think what I propose to say, subject to your agreeing to it, is this. Mr. Joshi's point is of great importance. A solution of the difficulties to which he has drawn our attention will have to be found when the precise relationship between the legislative powers of the Federal and Provincial Legislatures is finally determined. In this particular matter there has not been an opportunity this Session to advance further than the general conclusions reached at the last Session and we cannot therefore report on the details of it, but further consideration will have to be given to it. Will that meet your wishes and views?

Mr. Joshi: Yes.

Chairman: Thank you very much. Then what I will do is this. That must appear somewhere, and I think it had better be appended in its proper place in the Report on the Legislatures. That, I think, would meet your views.

Mr. Shastri: Lord Chancellor, are we now winding up this Federal Structure Committee?

Chairman: I am afraid so: I am very sorry; I should have liked to have gone on.

Mr. Shastri : If so, will you allow me, as one who has been faithful in attendance in this Committee and one who, I hope, has also been equally faithful in allegiance to this Committee and its work, to say a few words to express our feelings of complete confidence in you as our Chairman.

Chairman : Thank you very much, Mr. Sastri.

Mr. Sastri : My Lord, words fail me to convey this vote of thanks. It is a vote in which our hearts are all deeply engaged. We remember the extraordinary courtesy and patience with which you permitted us to wander over a range which already wide in itself, was I fear not wide enough for the purposes of the discussion of some among us.

Chairman : Quite right,

Mr. Shastri : You gave us a free hand, and if I may say so, in allowing us to revel in our freedom you have possibly contributed to the efficiency of this Committee's work. Moreover, Sir, there is just one word which I would like to say at the end of our sittings, and in this I hope I carry the judgment and the wishes of every single member of this Committee. Our Committee's work has been of the utmost importance to the mission which has brought us all to this country. It has in India and in England aroused the greatest possible attention. It is quite likely that in much that we said and in much that we did we have made errors of judgment. It is quite likely that in much of the work that we have actually done we have not succeed in carrying the judgment and the wishes of either the people in India, or the people in this country ; but amongst ourselves, although there were sometimes differences of a sharp kind between one section and another, there has prevailed a most wonderful spirit of cordiality, a spirit of give-and-take upon all sides, British and Indian, Indian States and British India, Labour and non-labour. Upon all sides there has been an admirable spirit and a willingness that the labours of this Committee and, therefore, the labours of the Con-

ference, should reach a successful and happy issue. That dominant feature of the proceedings of the Committee has been in large measure secured, I believe, by the absolute impartiality and by the rulings of our Chairman, by the way in which when we sometimes fell from the high standard which he would have set, he continually reminded us that in our speeches and in our deliberations we must not fix our eyes upon the little part of India and Indian policy to which we belong, but upon that future united and integral India which we are all trying to built up. The ideal the Lord Chancellor never allowed to fade from his own mind or from the mind of any one of us. For that act as well as for others we stand deeply indebted to you and we believe that if ever we are engaged upon a task of equal difficulty and complexity we could never wish ourselves greater good fortune than to have a Chairman of your type and your character.

Chairman: Thank you very much.

Sir Tej Bahadur Sapru: My Lord Chancellor, will you permit me to say one or two words following the very warm tribute which has been paid to you as Chairman of this Committee by my friend Mr. Sastri? I cannot add many words. I will only venture to say this much, that whatever the future is going to be and whatever the result is going to be our labours here, everyone of us will agree that we owe to you a deep debt of gratitude for the manner in which you have conducted our proceedings this year as well at last year. It has been a genuine pleasure to have worked with you and for many of us it will be a very pleasant memory when we have gone back from your delightful country. I would only venture in the tribute that has been paid to your Lordship to associate the members of the staff and your advisers who have borne the brunt of the day. The outside world judges the work of this Conference by the amount of oratory that has flowed round this table, but the outside world does not know what amount of thought and labour has been put into the various decisions that have been arrived at and the amount of labour involved in

the Reports that have been prepared and prepared so skilfully and with so much rapidity. I would like, therefore, to express a genuine sense of admiration for the manner in which they have worked with you.

Mr. Jinnha : My Lord Chancellor, I should like to endorse every word that has been said by Right Honourable Mr. Sastri and Sir Tej Bahadur Sapru. May I add one word more ? It is this. I think we fully expected you, Sir, to discharge your duties impartially, justly and fearlessly, but what you have done is not merely what was expected of you. You have made us all feel that you have discharged your duty in that direction. It is one thing for the Chairman to be impartial, but it is another to make every member of the Committee feel that you have acted up to those principles. You have upheld our rights and our privileges as members of this Committee in a manner which I say no other Chairman could possibly have done, in spite of all the trying situations that have arisen from time to time. I wholeheartedly congratulate you that you have won the heart of every member of this Committee. What may be the result of the work of this Committee is another matter but you have discharged your duty magnificently.

Chairman : Thank you very much, Mr. Jinnah.

H. H. The Nawab of Bhopal : We of the Indian States wish to associate ourselves with every word that has just been said, and we all join most sincerely in the vote of thanks that has been moved to you, Lord Chancellor, and with the tribute that has been paid to members of the staff.

Mrs. Subbarayan : I entirely associate myself with the warm tribute paid by Mr. Sastri and Sir Tej Bahadur Sapru and others. As a new member, a lay member, and a minority of one, I found that your kindness and encouragement mitigated my terrors on entering an assembly of experts. Our deliberations have been carried on in an atmosphere of genuine friendliness and sympathy which have radiated from the Chair upon the Committee, and I am sure we are all very grateful to you for all your kindness.

Chairman : Your Highness, My Lords, Ladies and Gentlemen, I am very touched—no one could help being touched—by your very kind expressions of opinion, and the cordial way in which all of you have received the too kind remarks made by the various speakers. But I should first of all like to say how much I have been helped in my labours by the distinguished civil servants who have been here in daily attendance. I do not think it is any secret—if it is a secret, it shall no longer be one—that since you left these shores on the last occasion I have been presiding over a committee of civil servants, seven or eight in number, who have been discussing all the questions that we have discussed here. We have often met as many as four times a week, and our meetings are to be counted not by the dozen but by the score, and memoranda have been produced which are of the greatest possible assistance to us all. I desire that those civil servants should have the chief share in any praise that may be mentioned.

As for myself, although the task may be a difficult one especially when I have had to hurry you up, as happened this week, it has been an exceedingly pleasant one, and I want to say this, first, last and all the time, I am in favour of a Federal India. I am not going to desert you, and I am going to take good care that nobody does desert you, and I do not think anybody desires to do so. In my view a Federal India is not only possible, I think a Federal India is probable. And the sooner we can satisfy your aspirations the better for everybody. I am not going to say goodbye. I hope I shall meet you again somewhere, some day, and I hope at any rate that I shall one of the first to be able to congratulate India upon having achieved what I know to be its ambition, and what I know will bring it peace and prosperity at the last. I thank you.

FOURTH REPORT OF FEDERAL STRUCTURE COMMITTEE.

1. The Committee, when discussing the subjects covered by this Report, viz., Defence, external Relations, Financial Safeguards and Commercial Discrimination, did not have the advantage of hearing the views of the Muslim members of the British Indian Delegation who reserved their opinion on such questions until such time as a satisfactory solution had been found of the problems which confronted the Minorities Committee. Some other representatives of minorities similarly reserved their opinion.

Defence.

2. Our consideration of the question of Defence in its constitutional aspect is based on the principle enunciated in the Defence Sub-Committee at the last Session that "The Defence of India must, to an increasing extent, be the concern of the Indian people, and not of the British Government alone".

3. The view was strongly put forward by some members that no true responsibility for its own government will be conferred on India unless the subject of Defence (involving, of course, the control of the Army in India, including that of the British troops) is immediately placed in the hands of an Indian Ministry responsible to an Indian Legislature, with any safeguards that can be shown to be necessary.

4. The majority of the Committee are unable to share this view. They consider that it is impossible to vest in an Indian Legislature during the period of transition the constitutional responsibility for controlling Defence, so long as burden of actual responsibility cannot be simultaneously transferred.

5. The majority of the Committee therefore reaffirm the conclusion reached in the Committee at the last Session that "the assumption by India of all the powers and responsibility which have hitherto rested on Parliament cannot be made at one

step and that, during a period of transition, the Governor-General shall be responsible for Defence,* being assisted by a "Minister" of his own choice responsible to him and not to the Legislature.

6. At the same time there is no disagreement with the view that the Indian Legislature must be deeply concerned with many aspects of Defence. It is undeniable that there can be no diminution of such opportunities as the present Legislature possesses of discussing and through discussion of including Defence administration. While the size, composition and cost of the Army are matters essentially for those on whom the responsibility rests and their expert advisers, yet they are not questions on which there can be no voicing of public opinion through constitutional channels. The Legislature would thus continue to be brought into the counsels of the Administration in the discussion of such outstanding problems as the carrying out of the policy of Indianisation. Further, there must be correlation of military and civil administration where the two spheres, as must sometimes inevitably be the case, are found to overlap. In the latter connection the suggestion was made that a body should be set up in India analogous to the Committee of Imperial Defence in Great Britain. Some members of the Committee considered that even though responsibility for the administration of the Army might remain, during a period of transition, with the Governor-General, the final voice on such questions as the size, composition and cost of the Army should rest with the Legislature.

7. To secure the measure of participation contemplated under paragraph 6 by the majority of the Committee, various suggestions were made the cardinal feature of which, in almost all instances, was the precise position to be assigned to the "Minister" appointed by the Governor-General to take charge of the Defence portfolio. It was assumed that his functions would roughly correspond to those of the Secretary of State for War in the United Kingdom. Among the more important proposals made were the following:—

* See paragraph 11 of the Second Report of the Federal Structure Sub-Committee.

- (I) The "Minister," while primarily responsible to the Governor-General, should, as regards certain aspects only of Defence, be responsible to the Legislature.
- (II) The "Minister," though responsible to the Governor-General, should be an Indian; and he might be chosen from among the Members of the Legislature.
- (III) The "Minister," of the character contemplated in (II), should be considered to be a Member of the "responsible" Ministry, participating in all their discussions, enjoying joint responsibility with them, and in the event of a defeat in Legislature over a question not relating to the Army should resign with them though, of course, remaining eligible for immediate re-appointment by the Governor-General

8. While some of these suggestions contain the germs of possible lines of development, it is impossible to escape from the conclusion (a) that, so long as the Governor-General is responsible for Defence, the constitution must provide that the Defence "Minister" should be appointed at the unfettered discretion of the Governor-General and should be responsible to him alone, and (b) that this "Minister's" relations with the rest of the Ministry and with the Legislature must be left to the evolution of political usage within the framework of the constitution.

9. The view was put forward that, while supply for the defence services should not be subject to the annual vote of the Legislature, agreement should be sought at the outset on a basic figure for such expenditure for a period of, say five years, subject to joint review by the Legislature and representatives of the Crown at the end of such period, with special powers in the Governor-General to incur expenditure in cases of emergencies. The details of any such plan should receive further careful examination.

External Relations.

10. Very similar consideration to those governing the constitutional treatment of Defence apply in the case of the subject of External Relations, and in general the views expressed by members of the Committee on this subject followed closely their opinions regarding the constitutional provisions in relation to Defence. In particular the majority of the Committee reaffirm the view taken in the Second Report of the sub-Committee (paragraph 11) that the Governor general should be responsible for External Relations.

11. There is, however, a difficulty in connection with External Relations which hardly arises in the case of Defence, viz., that of defining the content of the subject. The reserved subject of External Relations would be confined primarily to the subject of political relations with countries external to India and relations with the frontier tracts. Commercial, economic and other relations would fall primarily within the purview of the Legislature and of Ministers responsible thereto; in so far, however, as questions of the latter character might react on political questions, a special responsibility will devolve upon the Governor-General to secure that they are so handled as not to conflict with his responsibility for the control of external relations. There will accordingly be need for close co-operation, by whatever means may prove through experience most suitable for securing it, between the Minister holding the portfolio of "External Relations" and his colleagues the "responsible" Ministers.

12. Some misunderstanding may have been caused by the description, in paragraph 11 (ii) of the sub-Committee's second Report, of External Relations as including "Relations with the Indian States outside the Federal sphere". As set out in the Prime Minister's declaration at the close of the last Session, "The connection of the States with the Federation will remain subject to the basic principle that in regard to all matters not ceded by them to the Federation their relations will be with the Crown acting through the agency of the Viceroy".

Financial Safeguards.

13. In paragraph 11 of their Second Report the sub-Committee in recording the general agreement to which reference has been made in an earlier paragraph of this Report, that the assumption by India of all the powers and responsibility which have hitherto rested on Parliament cannot be made at one step, recorded the consequential opinion that, during a period of transition in certain situations which may arise outside the sphere of the Reserved Subjects, the Governor-General must be at liberty to act on his own responsibility, and must be given the powers necessary to implement his decision. And in paragraph 14 and 18 to 20 of the same Report, they then proceeded to indicate in some detail their view of those situations in the financial sphere for which such special provision would be necessary. The proposals in this connection were, in the view of the some members of the Committee, based upon the following fundamental propositions :—

- (1) That it is essential that the financial stability and credit of India should be maintained ;
- (2) That the financial credit of any country rests in the last resort upon the confidence of the investor, actual and potential;
- (3) That one result of the connection which has subsisted between India and the United Kingdom has been that her credit in the money markets of the world has hitherto been in practice closely bound up with British credit; and
- (4) That a change in her constitutional relations with the United Kingdom which involved a sudden severance of the financial link between the United Kingdom and India would disturb confidence and so place the new Indian Government and Legislature at a grave disadvantage.

14. The proposals designed to avert such a situation have been further discussed at the Committee's present Session. While some members consider that in present circumstances the proposals in paragraphs 18 to 20 of the Second Report may not prove sufficient, others have advanced the view that they erred on the side of caution, and that since there was no ground for postulating imprudence on the part of the responsible Executive and Legislature of the future, nothing further was required in order to ensure financial stability, in addition to the normal powers of veto which would vest in the Governor-General, than the establishment, pending the creation by the Indian Legislature of a Reserve Bank, of a Statutory Advisory Council, so constituted as to reflect the best financial opinion of both India and London, which would be charged with the duty of examining and advising upon monetary policy. (Some of those who took this view were of opinion that it might not be necessary for the Statutory Advisory Council to remain in existence after the Reserve Bank has been established). It was, however, suggested by those who held such views that it might be advisable to provide that in the event of the rejection by the Legislature of the Government's proposals for the raising of revenue in any given year, the provision made for the last financial year should continue automatically to be operative.

Some members again, who had not participated in the Committee's earlier discussions, went further in their objection to the financial safeguards, and expressed themselves as unwilling to contemplate any limitations upon the powers of an Indian Finance Minister to administer his charge in full responsibility to the Legislature, on the ground that a constitution which did not concede complete control of finance to the Legislature could not be described as responsible government, and that derogation from complete control would hamper the Finance Minister in the discharge of his duties.

15. The majority of the Committee adhere to the principles enunciated in their previous Report. They feel strongly that if

the attitude of caution with which they approached this question last January was justified as they are convinced by the considerations stated in paragraph 13 of this Report that it was the financial crisis which has since overwhelmed both the United Kingdom and India in common with so many other countries has still further reinforced its necessity. They feel further that in the conditions of complete uncertainty and instability now so widely prevailing, it would serve no useful practical purpose here and now meticulously to examine or to attempt to decide upon the precise means to adopt to ensure and command confidence in the stability of the new order, and a safe transition to it from the old. The majority of the Committee therefore record it as their view that the conclusions reached in the Committee's Second Report form an appropriate basis for approach to the task of framing the constitutional definitions of the powers and interplay in the sphere of finance of the various elements which will compose the Federal Authority which they envisage, and that it would be premature at this stage to attempt to elaborate the application of these conclusions. While they are prepared to explore more fully the suggestion of an Advisory Finance Council, they cannot on the basis of the discussion that has taken place commit themselves to the view that such a council would adequately secure the effective maintenance of confidence in the credit of India, which must be the essential test of the measures necessary in the sphere of finance.

Commercial Discrimination.

16. On this subject the committee are glad to be able to record a substantial measure of agreement. They recall that in paragraph 22 of their Report at the last Conference it was stated there was general agreement that in matters of trade and commerce the principle of equality of treatment ought to be established, and that the Committee of the whole Conference at their meeting on January 19th, 1931, adopted the following paragraph as part of the Report of the Minorities sub-Committee:—

"At the instance of the British commercial community the principle was generally agreed that there should be no discrimination between the rights of the British mercantile community, firms and companies trading in India, and the rights of Indian born subjects and that an appropriate Convention based on reciprocity should be entered into for the purpose of regulating these rights."

More than one member in the course of the discussion also reminded the Committee that the All-Parties Conference in 1928 stated in their Report that "it is inconceivable that there can be any discriminating legislation against any community doing business lawfully in India."

17. The Committee accept and re-affirm the principle that equal rights and equal opportunities should be afforded to those lawfully engaged in commerce and industry within the territory of the Federation, and such differences as have manifested themselves are mainly (though not entirely) concerned with the limits within which the principle should operate and the best method of giving effect to it

Some, however, contend that the future Government should not be burdened with any restriction save that no discrimination should be made merely on the ground of race, colour or creed.

18. The Committee are of opinion that no subject of the Crown who may be ordinarily resident or carrying on trade or business in British India, should be subjected to any disability or discrimination, legislative, or administrative, by reason of his race, descent, religion, or place of birth, in respect of taxation, the holding of property, the carrying on of any profession, trade or business, or in respect of residence or travel*. The expression "subject" must

* As regards the interpretation of this sentence, see the remarks of Sir P. Thakurdas and Lord Sankey in the Plenary Session of 28th November, 1931, on presentation of the Report.

here be understood as including firms, companies and corporations, carrying on business within the area of the Federation, as well as private individuals. The Committee are also of opinion that, *mutatis mutandis*, the principle should be made applicable in respect of the same matters so far as they fall within the federal sphere, in the case of Indian States which become members of the Federation and the subjects of those States.

The States representatives expressed themselves willing to accept this principle provided that those who claim equal rights under it do not ask for discrimination in their favour in the matter of jurisdiction and will submit themselves to the jurisdiction of the States.

19 It will be observed that the suggestion contained in the preceding paragraph is not restricted to matters of Commercial Discrimination only, nor to the European community as such. It appears to the Committee that the question of Commercial Discrimination is only one aspect, though a most important one, of a much wider question, which affects the interests of all communities alike, if due effect is to be given to the principle of equal rights and opportunities for all.

20. More than one member of the Committee expressed anxiety lest a provision in the constitution on the above lines should hamper the freedom of action of the future Indian Legislature in promoting what it might regard as the legitimate economic interests of India. The Committee do not think that these fears are well-founded. Key industries can be protected and unfair competition penalised without the use of discriminatory measures. The Committee are, however, of opinion that it should be made clear that where the Legislature has determined upon some system of bounties or subsidies for the purpose of encouraging local industries, the right to attach reasonable conditions to any such grant from public funds is fully recognised, as it was recognised in 1925 by the External Capital Committee, and is recognised today by the practice of the Government of India itself.

21. It should however also be made clear that bounties or subsidies, if offered, would be available to all who were willing to comply with such conditions as may be prescribed. The principle should be a fair field and no favour. Thus a good deal was said in the course of the discussion of the need for enabling Indian concerns to compete more effectively with larger and longer-established businesses, usually under British management and financed with British capital. Where the larger business makes use of unfair methods of competition, the general law should be sufficient to deal with it; but many members of the Committee were impressed with the danger of admitting a claim to legislate, not for the purpose of regulating unfair competition generally, but of destroying in a particular case the competitive power of a large industry in order to promote the interests of a smaller one.

A view was expressed by some members, with reference to this and the preceding paragraph, that so far as the grant of bounties and subsidies is concerned it must be within the competence of the Legislature to confine them to Indians or companies with Indian capital.

The position of others was that set out at the end of paragraph 17.

22. With regard to method, it appears to the Committee that the constitution should contain a clause prohibiting legislative or administrative* discrimination in the matters set out above and defining those persons and bodies to whom the clause is to apply. A completely satisfactory clause would no doubt be difficult to frame, and the Committee have not attempted the task themselves. They content themselves with saying that (despite the contrary view expressed by the Statutory Commission in paragraph 156 of their report) they see no reason to doubt that an experienced Parliamentary draftsman would be able to devise an adequate and workable formula

* Two members would not include administrative discrimination within the scope of the clause.

which it would not be beyond the competence of a Court of Law to interpret and make effective. With regard to the persons and bodies to whom the clause will apply, it was suggested by some that the constitution should define those persons who are to be regarded as "citizens" of the Federation, and that the clause should apply to the "citizens" as so defined; this indeed was a suggestion which had been made by the All-Parties Conference. There are however disadvantages in attempting to define the ambit of economic rights in terms of a political definition, and a definition which included a corporation or limited company in the expression "citizen" would be in any event highly artificial. The Committee are of opinion, therefore, that the clause should itself describe those persons and bodies to whom it is to be applicable on the lines of paragraph 18, and that the question should not be complicated by definitions of citizenship.

23 If the above proposals are adopted, discriminatory legislation would be a matter for review by the Federal Court. To some extent this would also be true of administrative discrimination; but the real safeguard against the latter must be looked for rather in the good faith and common sense of the different branches of the executive government, reinforced, where necessary, by the special powers vested in the Governor-General and the Provincial Governors. It is also plain that where the Governor-General or a Provincial Governor is satisfied that proposed legislation, though possibly not on the face of it discriminatory, nevertheless will be discriminatory in fact, he will be called upon, in virtue of his special obligations in relation to minorities, to consider whether it is not his duty to refuse his assent to the Bill or to reserve it for the signification of His Majesty's pleasure.

24. The question of persons and bodies in the United Kingdom trading with India, but neither resident nor possessing establishments there, requires rather different treatment. Such persons and bodies clearly do not stand on the same footing as those with whom this Report has hitherto been dealing. Nevertheless,

the Committee were generally of opinion that, subject to certain reservations, they ought to be freely accorded, upon a basis of reciprocity, the right to enter and trade with India. It will be for the future Indian Legislature to decide whether and to what extent such rights should be accorded to others than individuals ordinarily resident in the United Kingdom or companies registered there, subject of course to similar rights being accorded to residents in India and to Indian companies. It is scarcely necessary to say that nothing in this paragraph is intended to limit in any way the power to impose duties upon imports into India, or otherwise to regulate its foreign trade.

25. It had been suggested at the last Conference, and the suggestion was made again in the course of the discussion in the Committee, that the above matters might be conveniently dealt with by means of a Convention to be made between the two countries, setting out in greater detail than it was thought would be possible in a clause in an Act the various topics on which agreement can be secured. The idea is an attractive one, but appears to present certain practical difficulties. The Committee understand that the intention of those who suggested it is that the Convention, if made, should be scheduled to and become part of the Constitution Act. It was, however, pointed out that such a detailed Convention would be more appropriately made between the United Kingdom and the future Indian Government when the latter was constituted, and that, in any event, it seemed scarcely appropriate in a Constitution Act. On the other hand, the committee are of opinion that an appropriately drafted clause might be included in the Constitution itself, recognising the rights of persons and bodies in the United Kingdom to enter and trade with India on terms no less favourable than those on which persons and bodies in India enter and trade with the United Kingdom.

26. In conclusion, there was general agreement (subject to the view of certain members, set out at the end of paragraph 17) to the proposal that property rights should be guaranteed in the

constitution, and that provision should be made whereby no person can be deprived of his property, save by due process of law and for public purposes, and then only on payment of fair and just compensation to be assessed by a Judicial Tribunal. In the case of States, this principle may need some modification to avoid conflict with their internal rights. A provision of the kind contemplated appears to the Committee to be a necessary complement of the earlier part of this Report. Such a formula finds a place in many constitutions, and the form used in the Polish Constitution seemed to the Committee to be specially worthy of consideration.

Signed, on behalf of the Committee,
SANKEY.

St. James's Palace, London.

27th November, 1931.

APPENDIX "C (1)".

SPEECH OF MR. JAMAL MOHOMED SAIB AT—

Plenary Session, on 30th November 1921.

Mr. Jamal Mohomed :—I ask for indulgence as one of the latest nominees to this Conference and as one who had not the privilege of serving on any of the Committees. I take it, Sir, that we have been invited to come here for the consideration and construction of the future constitution of New India, if I may say so, in all its aspects as laid down by the Prime Minister in his speech of January last, when he closed the first Session of this Conference. That speech put a new faith into some of us in India, and we took it that this time the British Government and the British Parliament meant business. If you do not mind my saying so, Sir, some who were rather disinclined to attend the first Conference took the earliest opportunity to come here when invitations were extended to them for the second Session. What was the main idea of the Round Table Conference? The idea was that both Indian and British Delegates should discuss and thrash out among other things the constitution of an all-India Federation, the main feature of which would be responsibility at the Centre, with safeguards in the interests of India, to enable the British Cabinet, of which the Prime Minister was and is the trusted and respected head, to put through Parliament the necessary Bill at the earliest opportunity to give effect to the solemn pledges given by two England's great and farsceing statesmen on behalf of its Government and people—a people deservedly famous for their love of liberty and championing of the weak. I refer to the Prime Minister as well as to Lord Irwin, the great ex-Viceroy who represented His Gracious Majesty our Sovereign King-Emperor. Not only members of the British India delegation with almost one voice advocated, pleaded, and supported this all-India Federation idea, but it had also been affir-

med and re-affirmed by that wise and patriotic son of India, His Highness the Nawab of Bhopal, the Chancellor of the Princes' Chamber, and by the admirable speech of Sir Manubhai Mehta, the representative of the other great and noble Prince, His Highness the Maharaja of Bikaner.

May I submit to you, with all humility but with all the emphasis I can command, that India and its people—the Agricultural, Commercial, Industrial and Labour Classes of India—will not be satisfied with anything less than the granting of responsibility at the Centre simultaneously with Provincial autonomy. Both of these should be started together and by the same Bill,

When you thus satisfy the legitimate desire and aspirations of a great people—in the inculcating of which your own people played no mean part, you will at the same time also be putting, once for all, an end to the deplorable but wide-spread discontent and unrest in the country. The lasting gratitude and goodwill of a grateful people thus earned is worth something indeed.

Let it also be remembered that India has a large and rapidly growing population, and that it is a country rich with natural resources scarcely yet tapped and developed, but in the utilisation and development of which your assistance, mental and material, will be much sought after. May I venture to suggest to you therefore with all humility, that it may be worth your while to secure and cultivate the goodwill of this India of the future.

Sir, I will just say a few words, with due apologies to the Prime Minister, about the safeguards before I close as some at least of those sitting round this table seem to be unduly worrying themselves about them. My Lord, I know that the Prime Minister heartily detests and dislikes that word, and as he has rightly interpreted, it is an ugly word to us, naturally rousing great suspicions in our hearts by its past associations. However, I cannot help slightly touching upon them, if for no other reason at least because of the fact that they had been looming rather too largely in the deliberations of the Committee.

Everyone of the Indian Delegation has assured you in the plainest language possible that in India, noted for its tolerant spirit, there shall be no discrimination against race, creed or colour. All that is meant is that India, like other countries, should have certain reserve powers for use in case of need, and only then, and not otherwise. Perhaps my countrymen are a bit over-anxious about these reserve powers. But I beg to point out that they have some justification for this anxiety by their unhappy experiences when they stepped into such ventures as shipping, insurance, etc. If at least in the future the vast resources and organisations of the non-national concerns are not brought to bear to throttle and kill the small ventures of Indians in their own country, I do not see why any one should fight shy of these reserve powers, which every State possesses, implied or declared. We do not want to injure even a foreigner in our country, and that being so why should there be any doubt or distrust of us in the mind of the Britisher who has done something for us, to awaken us from our long slumber, and with whom we have, and God Almighty willing we will continue to have, so many ties common to us all as members of the British Commonwealth of Nations.

The question of the security or right of property has also been raised in the discussions. We Indians have also properties of our own. My lord, will you allow me to say it, that we know it only too well that the security of property is the very foundation of ordered society, and that no nation can go forward in its onward march if the spirit of venture and endeavour is sapped at the very basis.

As regards financial safeguards, all particularly agricultural, industrial and commercial classes, are united and insistent on having no safeguards whatever in this respect. We want absolute and full financial control. In the discussions of the Federal Structure Committee it was stated that there should be safeguards with a view to helping India in its borrowings. They referred to credit, confidence and that sort of thing in this connection. Well they would like us to believe that we would be in a bad position with

regard to borrowing. Really there should be more confidence in the investing public when India herself guarantees such loans. After all the Secretary of State is only an agent. When you have the principal herself standing for it, why should you not trust her ?

What about your lending out money even to the small unstable republics in South America. Will you not then trust us, a nation of three hundred and fifty millions with vast resources, a people of honour, and, moreover partly trained by yourselves ?

Again, let me remind you, My Lord, that our national debts were not so heavy before the Great War ; they were comparatively smaller ; but since then it has accumulated. That is more due to the wrong currency and exchange policy of the Government. And, further, we feel that in the future we may not be requiring so much help from others. Even if we do require help, I think India and its people are quite good enough as securities. Then something was said about funds not being made sufficiently available for defence. Well, I would just like to say a few words on that. We should be fools if we kept our country undefended. We are more concerned in the defence of our country because we are more directly interested and we would be the first to suffer. After all, you are six thousand miles away, well-defended by your mighty Navy. If there is any attack on us from outside, we shall be the first to suffer, and you may take it that we would take pretty good care to keep ourselves well defended

Then it was also said that funds may not be available to maintain sufficient troops, for internal troubles. Well, we may have little quarrels now and then, just as in any other country or in any other community. There is some difference of opinion or quarrel ; that may be so even among brothers. We may be quarrelling to-day, and tomorrow we may be all right. However, let me point out to you, Sir, that between ourselves we have more in common than there could be between Indians and the outside world, and if our own people suffer, we are likely to feel it much more than anybody outside.

My Lord, in this connection I would like to point out, that for centuries we were living in anity. It passes my comprehension why these troubles and quarrels should have developed only within the last few years; and even now these communal quarrels are rather uncommon in Indian States. I know recently there had been one or two little quarrels in Mysore and Kashmir; but, generally, it is not to be found in the Indian States. Moreover, there are many who feel that it is artificial and due to some mischief makers or notoriety-seekers.

It may be urged that Indians have not enough experience and skill as financiers. In view of the manner in which Indian finances have been managed within the last few years, it is surprising that anybody should be bold enough to say that Indian financiers would do worse than British financiers or experts sent out to India.

Then there was some talk in the discussions about reserved powers as regards Currency and Exchange. It is a very bitter subject and the less said about it the better, because if, during the past few years anything did more to estrange, embitter and rouse the people in the country, it is this policy of the Government. That being so, the less said about it the better. Since the War, the policy of the Government, so far as exchange and currency are concerned, has been the worst that could be imagined; and, apart from the fact they commit serious blunders, the most unfortunate part of it is that they will not correct themselves in time. They will not listen to the appeals and pleading of the people; they merely say, "We have no open mind in the matter, we are going to use all the resources at our command to maintain the decisions we have already made."

Even recently, what happened? In spite of the fact that the whole country disapproved of the policy, and the Assembly recorded its vote against it unanimously, as far as the non-officials were concerned, and even the Government of India, evidently getting tired of their old ratio policy wanted to get out of it, the Secretary

of State, a gentleman by the way, who had newly come to his office, sitting here six thousands miles away — I do not want to attack him personally, it is the system I am talking about— dictates a certain policy and imposes it against the will of the people and the Assembly, and even of your own agents on the spot. That has given enough proof, if proof were needed, why there should be no such safeguards so far as exchange and currency are concerned. In fact, it is the best proof why that system should be done away with forthwith.

Then, My Lord, there is also the question of certification. There is no doubt that India is very poor, semi-starving, and heavily taxed. And there is world depression and our revenues are falling. What is being done? The very revenue-yielding departments — commerce, industry and agriculture — are being more and more taxed, with the result that they yield progressively less and less revenues, and the Government will not retrench adequately in either their civil or their military expenditure.

So far as the military safeguards are concerned, we may be a little nervous about them. Though it may be a question of defence. it also means taxation, and in the case of the last Budget, against the twice recorded vote of the Assembly Certification was resorted to, simply for a crore of rupees.

Under these circumstances, it is no wonder that we are rather nervous about these safeguards which are so much thought of here.

APPENDIX "C (2)".

SPEECH OF MR. G. D. BIRLA

AT THE

Plenary Session, on 30th November, 1931.

My Lord, I represent in this Conference along with my two Colleagues, Sir Purshotamdas Thakurdas and Mr. Jamal Muhammad, Indian commerce, trade and industries.

Sir, the Federation of Indian Chambers of Commerce and Industry which I have the honour to represent here, is an organisation to which nearly forty-five commercial bodies from all parts of India are affiliated. We have got the entire coal trade affiliated in our Federation. We have got the entire Indian insurance business affiliated to our Federation. We have got the entire shipping trade so far as it is in the hands of Indians, affiliated to our Federation. The tea trade, so far as it is in the hands of Indians, is affiliated to us. The Ahmedabad Cotton Mills, The Punjab Cotton Mills, The Bengal Cotton Mills, and a good many of the Bombay Cotton Mills are affiliated to the Federation. The same is true of the Indian Jute trade, the bullion trade, and Indian Banking. Perhaps, besides the Congress Delegation, ours is the only Delegation which is properly elected by the representative bodies and who have come here with a certain mandate. The views, therefore, which I may express here, may be taken as the views of the Indian mercantile community.

Sir, at the conclusion of the last Round Table Conference, when the Premier made his famous declaration, we had the privilege to consider it and at that time we felt that the responsibility at the Centre, as enunciated at the last Round Table Conference, was hedged in by so many considerations, so many reservations and safeguards that it would not lead us to the goal which we had in view. Frankly speaking Sir, we were not at all satisfied with the

Statement which the Premier made at the conclusion of the last Round Table Conference. But our misgivings were very much allayed when the famous Pact was concluded between Mahatma Gandhi and Lord Irwin, and it was definitely made clear that all the safeguards and reservations were to be in the interests of India. Having this prospect before us we came here with reasonable hopes of finding a satisfactory solution of the constitutional problem. We came here with the determination to do our best; we came here if necessary to make compromises, and to reconcile our conflicting views. We have been working here for the last nine weeks, and it is time that we should frankly state what we feel about our deliberations so far.

If I may say so frankly, we are not at all satisfied with what has taken place here. It has been stated by some of my colleagues here that the Round Table Conference has been a success. I should not be fair to myself and my colleagues if I did not say that we do not take the same optimistic view of our deliberations. Let me put before you, Sir, in a few words what we feel. For the first six weeks we had no discussion on the essentials. We came here to discuss the reservations and such safeguards as may be demonstrated to be in the interest of India; and for six weeks we did not have a whisper of discussion on the safeguards. Then we had some half-hearted discussion, and, if I may put it so the net result has been that, far from making any advance on the conclusions arrived at the last Round Table Conference, we have receded to the region of the Simon Report or the Government of India Despatch. After all, we have to judge of our success or failure from the reports which have been presented to this Conference, and I submit that the reports do not warrant any optimistic view.

I will confess that so far as the questions of military and external relations are concerned, I do not propose to touch them because they are beyond me; but if I may briefly analyse the reports—particularly the report dealing with financial safeguards, I may say that there is not a shadow of control proposed to be given to the future Indian Government in the sphere of Finance. Sir, let me

briefly put before you a picture of the present Finance Department of the Government of India. What is it that the Finance Department at present does? It controls the currency and exchange, and it also controls the revenue and expenditure of the Government. The Budget of the Government of India, excluding Railway finance, amounts to nearly 90 crores. Now let us analyse it and see what amount of control, if any, we are getting on the finance of India. I would start first of all with the Reserve Bank and the control of currency and exchange; but before I do so I may also point out that there is another department of the Government of India which is called the Commerce Department and which controls the Indian railways. The Budget of the Indian Railways amounts to nearly 40 crores.

Mr. Joshi: 100 CRORES.

Mr. Birla: I mean the net budget. I am not talking of the gross budget. It is 40 crores. Now, Sir, that is a very important department; and when we talk of financial control with safeguards, the natural inference which one is to draw is that the Commerce Department will be transferred to popular control without any safeguards; but I doubt whether that is so. We have not at any length discussed the position of the Indian Railways, but a small paragraph has been put in on page 19 of the Federal Structure Committee's Report of the last Round Table Conference where it is stated that "in this connection the sub-committee took notice of the proposal that a statutory railway authority should be established, and are of opinion that this should be done if after expert examination this course seems to be desirable." Nothing is mentioned as to whether this Statutory Board is to be constituted by the Federal Legislature or by any other authority. Nothing has been mentioned as to who is going to control the future policy of the proposed Statutory Board. This is a very important department, and I regret to note that, in spite of the fact that the matter was brought to the notice of the Lord Chancellor by my colleague, Sir Purshotamdas Thakurdas, in the Federal Structure Committee, no notice was taken of it, and a department which has control of 40 crores (net), or of about 100 crores (gross), has still been left un-

touched, with its functions and policy undefined. Therefore, I cannot say whether it is the desire of this Conference that this department should be entirely put under the control of the popular minister, or if there are going to be certain reservations even in regard to this department.

Coming to the Finance Department as it is constituted as such; let us see, Sir, what reservations or safeguards have been proposed. I will take first of all the question of currency and exchange. It is proposed that a Reserve Bank should be established to control day-to-day transactions so far as they concern currency and exchange, but, as regards the power of amending the Indian Currency Act, it is still proposed that the matter should be left with the Governor-General. I will read this paragraph:—

“With the same object again provision should be made requiring the Governor-General's previous sanction to the introduction of a bill to amend the Paper Currency and Coinage Act, on the lines of section 67 of the Government of India Act.”

Thus so far as currency and exchange are concerned, they are not to be entirely transferred to popular control. The Reserve Bank would be there and it would be creation of the Federal Legislature, but the fundamental powers so far as the question of policy of exchange is concerned will still rest with the Governor-General.

Then, Sir, we come to the general budget, that is, the revenue and expenditure, which, as I said, amounts to 90 crores. Well, the finance of the army, it is proposed, should be controlled by the Crown, and that takes away 47 crores. Then there is the question of debt services, and that amounts to 15 crores and is again to be reserved to the Crown. Then there is the question of pensions and other things amounting to 10 crores, and that again is reserved for the Crown. Out of a budget of 90 crores, 72 crores or even more is to be reserved to the Crown. Out of the total functions of the Finance Department, currency and exchange is to be controlled by the Governor-General. Out of a budget of 90 crores, 72 crores are to be controlled by the Governor-General. May I ask, Sir, what is left after that?

I was not at all surprised when I found that wide powers were proposed to be given to the Governor-General, the powers with regard to intervention in budgetary arrangements given in paragraph 18 and certain powers given in paragraph 14; because, when you mortgage 80 percent of your revenue, you must give powers of that sort. When my esteemed friend Sir Tej Bahadur Sapru, was joining issue with Lord Reading on the question of certification, I could not help feeling that he was not looking at the facts squarely; I felt that Lord Reading was more logical; because, if you hand over 80 percent of your revenues to the Crown, how could you insist that safeguards should be less rigid? I maintain, Sir, that as long as 80 per cent. of our revenue is mortgaged there is no way of avoiding these safeguards. Therefore the financial control could never be effective whether it is today or twenty years hence or even hundred years hence so long as this position is maintained. I maintain that until you reduce this mortgage the financial control will never be effective. If we want to have control over our finances let us first of all deal with the basis on which these safeguards are built. Let us reduce the mortgage first and then discuss safeguards. Safeguards then probably would be tolerable even if they are rigid, but as the position stands at present, and with the proposals before us of reserving 70 crores out of 90 crores to the Crown, I say that even if the safeguards are relaxed it is not possible to get any effective control over finance. We must see things as they are and not deceive ourselves into thinking that by creating an Advisory Council here or by doing some thing else there we are going to get anything of the kind we desire. Therefore let us first of all see whether we can or cannot reduce the mortgage.

I maintain that with sincerity and good will it is possible to reduce these heavy charges. I as briefly as possible, Sir, propose to lay before you how it is possible. It is possible as I have said only if there is good-will, if there is genuine desire to come to some honourable settlement. If there is no desire and no good-will then the task becomes impossible. But in any case I think it my duty to lay before you my views in this connection.

Let us take first of all our military charges. In 1913 they amounted to 33 crores. They went up to 59 crores and now they are about 47 crores. The Simon Commission stated that comparing the figures of 1913 with those of 1928 the increase was 100 per cent. Military expenditure in India in 1928 as compared with 1913 registered an increase of something like 100 per cent. Now Sir, what has been the increase in other countries. These are not my figures. The figures have been compiled by the Simon Commission and I am only quoting them. In the Dominions the increase was only 33 per cent. In Great Britain the increase has been 48 per cent. Would you not admit, Sir, that this increase is simply monstrous? What is the reason for this increase? Prices have not risen since 1913. We have come back to the same level. It is quite correct that there was an increase in prices in the interim period but now the level is more or less the same as in 1913. No one can suggest that the danger to the peace of India has been in any way aggravated since 1913. I should say that with the invention of new weapons, with aerial warfare, with the growing mechanisation of the army, military expenditure should have gone down. It is impossible for any one to maintain that such an increase is at all justified.

I am a layman and cannot analyse in detail where the army expenditure should be reduced but as a layman and a man with common-sense I can at least say this much that there is no justification for any increase above the figure at which it stood in 1913, which was 33 crores. I say, Sir, that with genuine desire and goodwill it is possible to bring down the army expenditure at least to the level of 1913. Then, Sir, the Simon Commission said that it is not fair that all the military expenditure should be charged to the Indian revenues. I agree. I wish, Sir, that the Prime Minister had been in the Chair just now because this was his opinion also. In fact he went to the length of saying that 90 per cent. of the Indian Military expenditure should be charged to the Imperial revenues. I would be a little modest. He said 90 per cent. and I will be satisfied with less, but I think no one can resist the proposition that a substantial portion of our military charges are for Impe-

rial purposes and should not be debited to the Indian revenue. Now, Sir, I think all will agree that it is possible to bring down the military expenditure to a much lower level. That is one item over which I think we ought to have substantial agreement. It is in the interest of England, it is in the interest of India that we must economise in that direction.

Coming to the next item, namely, of debt service, I need not assure you, because the Congress has already assured all, that it is not the intention of any one to escape one single farthing of our just obligations, but there are claims which I maintain ought to be examined. The Congress has issued a Report, and I know that some of you may simply laugh and say that this is a ridiculous claim which could never be entertained, but I maintain that some of the claims that have been made by the Congress could be justified, at any rate. Any impartial observer would come only to one conclusion, that there are a number of items which should never have been debited to the Indian revenue: expenditure on account of the Egyptian War, expenditure on account of the Sudan War, expenditure on account of the Abyssinian War. May I ask what India had to do with all these wars? Is it not fair that we should examine our obligations and see whether some of the Items which were debited to the Indian Revenue should not now be debited to the British Revenue? Then, again, if it is contended, as it has been even by the Simon Commission that a portion of the military expenditure should in future be charged to the Imperial revenue, may I ask: what about the past? It is all right to say that adjustment should be made in future, but I say, what about the past? It is only a question of principle. If in the past the total expenditure has been charged to the Indian exchequer and if it is proved that a portion in future should be debited to the British revenue there is no reason why we should not adjust also our past accounts. I am sure there is a very strong case for the investigation of our liabilities, and if our liabilities were examined by any impartial tribunal - I do not mean the League of Nations - I say if our liabilities were examined by any impartial tribunal composed of Englishmen and

Indians they could come only to one conclusion: that India has been treated unjustly and that a large amount should never have been charged to the Indian revenues, and that now there should be an equitable adjustment of India's burden.

If, Sir, we attacked only these two items we could make a substantial reduction. Then, if we could so reduce our mortgage, probably the safeguards would be tolerable. Probably you would not insist on safeguards of the kind on which you are insisting at present, because then the percentage which is now 80 would go down; it may be below 50, it may go down even to 40, and therefore you must not be insisting on the same rigidity as you are insisting on today. I again suggest, Sir, that if we are to insist on complete financial control, whether today or twenty years hence, you will have to face this problem; you will have to reduce these mortgages. Until then it is not possible to have effective control.

Now, Sir, let us consider this question from another angle. What is the implication of an 80 per cent mortgage? We Indians have maintained all along that the Indian administration is a most costly administration. It may be very efficient. All the same it cannot be denied that it is a very costly administration. Now supposing the future Finance Minister, with the approval of his Cabinet, decided that economies should be made in certain respects, where is he going to make those economies? Out of 90 crores, 72 crores is already reserved to the Governor-General which the Finance Minister cannot touch, which he should not touch. There are only 20 crores left. What economies is he going to effect in 20 crores? He may effect paltry economies here and there but he cannot make any substantial economy. And, over, and above that, he must have money for future developments in India. Where is he going to find the money? You are putting a sort of permanent seal on the extravagance of the past administration. He cannot touch your 70 crores; he must impose new taxation; and how is he going to find new taxation? He must be faced with a deficit budget every year. Do you think this is the kind of financial control which we want? It is something like having possession of

the Treasury vaults without its contents. I do not think any self-respecting Finance Member could carry on with all these rigid safeguards and will care to accept office with a stipulation that 72 crores every year, without questioning the justification, shall be handed over to the Governor.

Sir, much has been said about satisfying the City financiers. Speaker after speaker got up and talked of our sterling debts, as if all our liabilities confined to them. I was a little pained when I heard my esteemed friend Sir Padamji Ginwala get up and say that his peace of mind would not be disturbed even if he found the mortgagee in possession. In fact I was very much pained to hear that. We all take it for granted that we have to satisfy only the City financiers; but we forget that half of the Indian liabilities have been provided by the Indian investor.

Sir P. Ginwala: I am sorry to interrupt my friend, but I made no distinction between sterling and rupee debts at all.

Mr. Birla: Well, Sir he said even if he found the mortgagee in possession—

Sir P. Ginwala: The legal position was such. I did not say he was in possession—

Mr. Birla: I am coming to that. He said that even if he found the mortgagee in possession—

Sir P. Ginwala: No, not the mortgagee in possession—even if the legal position was that the mortgagee was in possession.

Mr. Birla: Who is the mortgagee? Is it the City Financier alone?

Sir P. Ginwala: No; I did not say that.

Mr. Birla: It is not the City financier alone. Well, it is if also the Indian investor, may I ask if the Indian investors have

sent their representatives here to ask for these safeguards? For whose benefit are we providing these safeguards? Satisfy the City financier by all means; I am prepared to satisfy him; but I would issue a warning to my friends not to run too much after the City financier, trying to woo him, because you have not only to satisfy him, but, more than that you have to satisfy your Indian investors; and if you mortgage 80 per cent. of your revenues the Indian investor is not going to be satisfied with that sort of finance. He does not want that sort of safeguard. In whose interest are you going to mortgage 80 per cent. of our revenue? Surely not in the interest of the Indian investor.

I therefore maintain, Sir, that you may satisfy the City financiers, but do not ignore the Indian Investor, because if you lose his confidence you cannot maintain the credit of the Indian Government even for one day. This Government could not do it and your Government shall not do it. It is impossible for any Government to maintain the credit of India without inspiring confidence in the Indian investor. Who is going to provide money for all the new developments? Certainly not the City financiers. It is the Indian investor who is going to provide the money, and you should do nothing which may lose you his confidence.

Did the Argentine or America, when they borrowed money from London, provide any safeguards in their constitutions? Why should the City financiers ask for constitutional safeguards from us? After all, we have been with them and we want to be with them as their partners. The Argentine is not your partner; America is not your partner. Still America borrowed a large amount of money before the War, and they never provided any safeguards of the kind which you are providing in our constitution. They did not provide anything of the kind in their constitution. Therefore I issue a warning that you should not ignore the Indian investor. And I want to make it clear that the Indian investor does not want these safeguards, he detests these safeguards, because these safeguards which are proposed are not in his interest; they are in the interest of the City financiers. He knows very well that if 80

percent of the revenue is mortgaged to London to the Governor-General then his position is simply jeopardised. His position is not at all secure. And therefore, we strongly oppose these safeguards.

It may be asked whether it is possible to prepare a workable scheme and to that I would answer that it is. I said at the beginning that it was possible to prepare a workable scheme provided there is goodwill, there is sincerity, and there is a genuine desire to come to some sort of amicable settlement; but, Sir, I very much regret to have to confess that that atmosphere is totally lacking at present here.

The last Report by the Federal Structure Committee on safeguards is worse than it was last year. It has been decided that you cannot define financial safeguards at present. The shadow of control which the last Round Table Conference proposed to give has been obliterated and indeed wiped out of existence. I maintain, therefore, that it does not look at present as if there was a genuine desire to come to an amicable agreement. We have been talking of safeguards and that sort of thing so far simply to waste our time. If there was a genuine desire to do so, I maintain it is possible to arrive at an amicable solution; but, whatever may be said, whatever protests may be made from the Government benches, the fact remains that if the mandate "Wind up the Conference and send Gandhi back" has not been obeyed in letter, at least it has been obeyed in spirit. Tomorrow may show a change of heart, but up to this time I confess frankly that I do not see any genuine desire to come to any workable agreement.

You may, if you like, Sir, blame us for not having arrived at a communal settlement. I deplore the fact and I confess our failure. If you like you may exploit it, but may I put this point to you. Have you perfect unanimity in your own country? Have you settled your minority problem? Are you all united on the question of tariffs and many other problems? Certainly not. Why then should you exaggerate our disunity? There are

reasons for this disunity, and I hope we shall be able to come to some agreement among ourselves; but I would warn you not to exaggerate it and not to take advantage of it.

The Conference may be wound up and Mahatma Gandhi may be sent back, but, may I ask, what next? Have you got any programme? People here swear by law and order, and I should like to say, Sir, that we business men too, are equally for law and order. It is under law and order that business men thrive. Disturbance, discontent and anarchy do no good to any one, certainly not to business men.

The difference, however, between us and those reactionaries who have been crying hoarse for law and order and who have been swearing by strong government is this, that while we really want law and order in India the reactionaries here are actually driving the country towards disorder, strife and anarchy. They are not leading the country towards law and order. We were sermonized on the efficacy of persuasion and reason. It was said that the policy of the Congress was a policy of negation, a policy of destruction, a sterile policy. What have you proved? We have been discussing, reasoning and trying to persuade you for the last nine weeks. What is the result? We are nowhere. Has it not been proved by your actions that the policy of persuasion and of reason has failed?

I am sorry to have to say that, but, as a simple-minded man, I cannot draw any other inference. You have said in so many words that the policy of persuasion has failed, and what is it that you are doing? You are challenging the Congress to start the civil disobedience movement again. In whose interest do you want to head the country towards disorder and strife? Surely not in the interest of India; surely not in the interest of England. I feel puzzled because what are the implications of the civil disobedience movement? I do not want to frighten. I have no desire to do so but as a business man I think, Sir, it is my duty that I should lay these facts before you. Now, what are the implications of the Civil disobedience movement, the no-tax campaign. As a result of

it the land revenue constituting an item of 35 crores, suffers. Excise goes down. That constitutes an item of 20 crores. Business suffers and the result is that the income-tax goes down. Boycott foreign goods and Customs decline. The breaking of the salt laws means that the salt revenue goes down. The result is that there is again a deficit in the budgets, Central and Provincial. You have been emphasising the importance of the credit of India. What happens to the credit of India and how are you going to balance the budget? Not through new taxes because no source of taxation has been left untouched. Not through borrowing because when a country is in a disturbed condition no investor, whether he be an Englishman or an Indian, cares to invest his money in Government securities. The result is that you must be prepared to remit money from England to govern the country. I put this question: In whose interests is this all going to happen? Is it going to do any good to your trade in India, any good to your industries, any good to your sterling? Whom is it going to benefit? I ask the question and I feel puzzled. The other day a friend of mine paid Englishmen the compliment of being a nation of shopkeepers. It was a compliment. When I see a nation of shopkeepers,—I am using that phrase in a complimentary sense—when I see men of common-sense, business men ready to remit money simply to govern a country which could be governed in other ways, better, cheaper and really satisfactorily, I do not understand for whose benefit it is all happening. There is the other side of the picture. Lord, then Mr. Snowden once rightly remarked that if you increased the purchasing power of each person in India by a farthing per day, there would be an increase in your trade of 60 million pounds per annum. Those are the two pictures. Why should we not choose the better of the two? Why cannot we come to some sort of honourable settlement by which we can have peace and prosperity in the country? Law and order I certainly want, but I say that law and order cannot be maintained unless the country is governed with the consent of the people.

No Government can be strong enough to govern a country without its consent. Therefore I maintain that if you desire

law and order the condition is that you must govern us with the consent of the people or the people must govern themselves and be your friends and your partners. I warn you again that you will be making the greatest mistake of your life if you do not take the opportunity of coming to a friendly settlement. An English friend of mine said the other day "Fellows, you made the greatest mistake of your lives in not coming to the Round Table Conference in 1930, when the Labour Government was in power and the Government was very sympathetic." I do not know whether there is any truth or not in that statement but I say it is truth that it would be the greatest mistake of your lives if you do not take the opportunity of coming to terms with India. I know the youth of my country. It is quite possible that a few years hence you will not have to deal with men like Mr Gandhi who has proved in many respects a greater Conservative than many of you, you may not have to deal with Princes, you may not have to deal with capitalists like myself, you may have to deal with new men, new conditions, new ideas, and new ambitions. Beware of that.

There are two clear paths, one of them will lead to ruin, destruction, strife and anarchy; another to peace, contentment and prosperity. Which will England choose? I hope, sir, that the statemanship of England will rise to the occasion and choose the path of goodwill, contentment, peace and prosperity.

APPENDIX "C." (3)

SPEECH OF SIR, PURSHOTAMDAS THAKURDAS, KT.,

AT

Plenary Session, 30th November 1931.

Sir Purshotamdas Thakurdas : My Lord, I should not have thought it necessary to overburden the already heavy list of speakers which is in your hands if I had not thought it my duty to put before the full Conference two points which I think require to be considered by the Conference as a whole. I do not wish to refer at all to the necessity of the Government decision, which we will hear tomorrow, not being restricted only to the introduction of Provincial autonomy but also giving us fair and reasonable scope in connection with Central responsibility.

I wish to restrict myself today, Sir, to a more immediate purpose, the purpose being the problem which faces India in common with the rest of the world as a result of what has been called the "economic blizzard" which has been blowing all over the world. May I venture to ask what it is that this Government proposes to do in connection with saving India from the worse effects of this "economic blizzard"? Ever since I came here, I have been greatly struck by the manner in which you here, Sir, forgetting your party differences, called for a National Government, and the emphatic and unequivocal manner in which your electors returned a National Government. One cannot help being impressed by the extraordinarily short notice which your House of Commons gave to the country at large before putting on heavy import duties to the extent of 50 per cent. recently and in some cases power to collect that duty with retrospective effect. This cannot but strike one as being a National Government working on lines which are regarded as national. What is to be done in India for the next year or two, may I enquire? Is the Government in India to be carried on in the same old manner in which

it has been carried on during the last five, ten or twenty years, with protests from the taxpayer, with protests from the commercial community, with protests from the industrialist, with great groans from the agriculturist, for whom everybody is never tired of proclaiming the greatest sympathy? I venture to submit to you, Sir, that the Legislative Assembly in India has given signal proof of its disapproval of the manner in which they regard the administration that is being carried on. For only a few days back we heard of the Assembly having thrown out the Finance Bill which carried the emergency taxation to the extent of about seven crores or so. I heard in the City here very serious complaints from men who do not know the conditions in India, but who judge of them from what they think would ordinarily be done here. I venture to ask whether this is not a thing which requires immediate action from the authorities whilst you are making your enquiries and are making up your minds as to what should be done next regarding our constitutional reform? Is it to be expected that any further taxation will be voted easily by the legislature in India, be it either Central or Provincial?

Sir, I had the honour and the privilege of leading a deputation in 1922 before Lord Reading, and then I was in company with representatives of British commerce. It was a deputation which consisted of representatives of two wings of commerce in India. We both then said that we felt that the taxable capacity of the Indian had been reached, and in the case of the Indian commercial community I said that it had been overburdened. Taxation since then has not gone down in India; it is going up by leaps and bounds. Last April fourteen crores was voted by the Legislative Assembly. Only this morning another six to seven crores was suggested; the Assembly threw it out. The Viceroy, after meeting leaders of parties at the Viceregal Lodge at Delhi, had to certify it. I wish to ask whether it is the intention of the British Cabinet to tolerate for the next year or two years this administration being carried on in India by certification and in spite of protests from all over the country?

Your currency policy here, Sir, seems to me to be strikingly different from the way in which India is being treated. You cut away from the gold standard here over-night or by a method which was once described in India as a nocturnal adventure. You did that and your people here are taking the comfort that prices are going up for the agriculturist. But the interest of England regarding higher prices is insignificantly small compared with the interest of India regarding higher prices to her agriculturists. You import raw materials, and therefore your depreciated exchange does not benefit you to the same extent in England as it benefits us in India, with 80 per cent. of our population engaged in agriculture, with the credit of the country, nay, the very existence of the country depending upon her agricultural operations. By the currency policy which has been followed and persisted in spite of protest from all over the country, you still persist in maintaining in India an exchange which is not only lower but is certainly higher than the one which prevailed on the 21st September last. On the 21st September last, when England was on the gold Standard and India was on the gold standard, the sterling exchange was 1s. 5½d. You have gone down here from 4.86 to 3.40 to the £ today I hear. India has been kept linked to sterling, but the sterling has gone up from 1s. 5½d. since 21st September last. It went up by as much as 7/16th and is at 1s. 6-1/8d. today. We are given the consolation that as sterling depreciates against gold, so India benefits as far as the gold standard countries are concerned. But I venture to ask how many countries there are among the customers of the raw material of India which are on the gold standard? Is not sterling the main currency in which the dealings of western Europe at present are carried on? If so, how do you justify this in the name of justice and fair play? How do you justify the sympathy which you claim to have for the masses of India and the agriculturists? This appreciation has, I submit with all deference, no parallel in any country which can talk of doing justice to the masses of another country over which it rules.

I submit, Sir, that this a palpable act of injustice which is intolerable and which must be set right.

There is, however, one further point about it which is a tragedy. You have not only linked us to sterling, but you have linked us to sterling down below, and you have left the top open. According to the Statute, the Government of India need not come in to resist any rise in the exchange except at 1s. 6d. gold, and 1s. 6d. gold today, with a 20 per cent. and more depreciation against gold, would work out at about 1s. 9d. sterling. Is this fair? Is this tolerable? I am surprised that for the last six weeks, although we have been appealing to the India Office and asking them to examine this matter, we have not had any reply at all.

We are told that conditions all the world over are bad. Conditions may be bad all the world over, but people there may have the power to bear it. We refuse to bear it, and we ask for justice. Here is an earnest of what you may be giving to us tomorrow and hereafter. In the name of the agriculturists of India, I say that either all this that we are going through here is—to use a word which I do not want to be misunderstood—a sham or you must do justice to the tiller of the soil in India, who has been groaning under the handicap and injustice which has been concentrated on him ever since 1924.

Sir, the next few months in India will be very critical months. The next few months will be critical all over the world. In India they will be critical for the tiller of the soil, and, for the masses in the rural areas generally much more than people who have not been to India or who are not acquainted with the conditions in India can possibly realise.

I wish to ask, Sir, whether, when the tune is called by somebody else, it is fair to ask the Legislative Assembly in India to go on paying the piper? Is it fair for you to expect the Legislative Assembly, if they realise and understand what is meant by voting error upon error of additional taxation, to go on giving you a blank cheque when you do not attend to these very primary objects, for which over here in your country you take swift action without even waiting to consult anybody outside your Government

offices? You took action by executive action, and then went to Parliament to get that action of 21st September last ratified.

I fear, Sir, that the conditions which threaten us in the near future in India will create a lot of difficulties in the administration in India even during the next year or two years. I understand that people here feel somewhat perturbed about the credit of India. A great deal has been said about the necessity of India maintaining her credit. A good deal has been said here and in the Federal Structure Committee regarding persons in the commercial community and engaged in business in India realising the necessity of preserving India's credit. In fact, Sir, the higher ratio over our pre-war ratio was kept up in India over a period of three years at the sacrifice of India's hard-earned gold and sterling resources in the currency reserve, in the name of India's credit abroad. I find, Sir, that that credit of India to which so much importance is being attached and I am one of those who do not minimise that importance was referred to by Sir Samuel Hoare in the final statement which he made at the Federal Structure Committee in connection with the financial safeguards. I would not trouble the Conference with my remarks on that statement, but unfortunately, as things have been going on here, Sir Samuel Hoare could only make that statement after our discussion was over, and immediately after his statement was made we had no option but to go on to the consideration of our draft Report on the financial safeguards.

I will read a pertinent sentence from Sir Samuel Hoare's statement. The quotation runs as follows :—

“One word as to the necessity of safeguards. So long as the Crown remains responsible for the defence of India, the funds necessary for that purpose will have to be provided and the principal and interest on sterling debt issued in the name of the Secretary of State for India must be secured, as must also the salaries and pensions of officers appointed under Parliamentary authority; and, as the provident and pensions funds which have been fed by subscriptions

from officers have never been funded, but remain a floating obligation on the revenues of India, responsibility for payments to retired officers and their dependents must remain with the Secretary of State until any new government is in a position to provide sufficient capital to enable trust funds to be established."

All through the discussions, Sir, we never heard from anybody-there was of course no Government spokesmen at the Federal Structure Committee-that the Secretary of State's intention was that until we were able to fund these pension obligations we could not expect to be masters in our own house. May I ask Sir, whether any countries can be named to me-because I am very ignorant about information in this connection regarding other countries-where these liabilities are funded and kept separate? If they are so funded are they so funded in the securities of that Government, or are they funded in gold, or are they funded in Sterling securities or the securities of a foreign country? It strikes me that this order of the Right Honourable gentleman, the Secretary of State for India, is somewhat on the tall side, but it must be good enough for India in order that India may maintain her credit abroad.

I fully agree with one of my friends who stated that if a party must borrow it is the ordinary practice that he must satisfy the lender. Of course if I must borrow who will look at me unless I am prepared to say yes to the lender's terms? But surely, Sir, I have the right, the privilege of always judging for myself whether I will borrow or will not borrow. I therefore feel that if so much is to be made of India's borrowings abroad it is imperatively necessary for His Majesty's Government to instruct the Government of India never to borrow afresh outside India except with the consent and definite resolution of the Legislative Assembly. Surely that is a proposition to which nobody can take exception. I am one of those, Sir, who have always put great faith in the development of my country, but if such arguments are to be hurled at me when I come and ask for the freedom of my country, if I am to be faced

with all these — shall I call them?—truisms about a borrower having no choice and the lender's terms having to be accepted, I will say as a citizen of India and a son of India that we do not want to develop our contry until we can borrow in our own country.

In fairness His Majesty's Government must instruct the Government of India that no money should be spent for the development of India unless that money is raised in India. No borrowings should be made here, and we will save you the trouble of having to ask for safeguards for two years or five years or ten years. No borrowings should be made abroad, except with an implicit resolution of the Legislative Assembly. The figures of India's borrowings abroad are of some interest. In 1924 the Sterling debt of India was 324 million pounds. In 1925 it was 341 million pounds. In 1926 it was 342 millions. In 1927 it was 349 million pounds and to-day it is 388 million pounds. That is to say, between 1924 and 1931 the Sterling debt of India has gone up from 324 million pounds to 388 million pounds, an increase of 64 million pounds. The purpose for which this debt was incurred this is neither the place nor the occasion to dilate upon, but this one thing I can say not only on my own responsibility as a person who has a little to do with lending and borrowing but also speaking on behalf of the Indian commercial community—I am sure I have their backing—I may say in the name of every British Indian Delegate here that we do not want hereafter to borrow abroad for the development of India unless and until we can be sure that that will not be advanced against us as a bar to our liberty and our freedom in future. We would much rather that our country stayed where it is than borrow somebody's money and later on be told :—“ You cannot have your freedom and your liberty and you cannot be masters in your own house because you have borrowed from me.” We have to pay the debt which we have incurred up to now. I was surprised when some of my colleagues here emphasised the necessity of India repaying her debt. No responsible Indian has said that India will not repay her debt. I have never heard anybody saying that.

The word "repudiation" has been used lightly, but the meaning of the word "repudiation" has been explained very fully by no less accurate a person than Mahatma Gandhi. There is no question of India not paying her debt. If owing to the "economic blizzard" through which the world is passing the immediate debts of India within the next two, five or ten years, are not met punctually, we may have to renew them. If, owing to the economic condition of a country you find that that country cannot pay up her dues, surely there is no shame in her saying:—Please give me a further short credit, I will repay you. After all, who are responsible for the management of our country's economic condition up to now? His Majesty's Government, and not the people of India. On our records of the Central Legislature you will find repeated protests, most emphatic protests from elected representatives of the people against some of the economic policy which has been forced upon India in the last ten to twelve years. I therefore feel that one of the results of this Conference should be that until His Majesty's Government make up their mind as to what stage of reform India shall have next and the sons of India decide the question of borrowings in their own Legislature, as long as this present form of Government continues, no further sterling debt should be incurred except to meet the existing debt. Let all other borrowings abroad stop. That is what we have come to. We feel it is intolerable, when you confess that India is solvent, that India has not too much debt, that anybody here should say: Because you have our money therefore you shall not have your freedom. I do not feel, therefore, that this is the minimum which His Majesty's Government owe to India, namely that no more reasons—or perhaps some would say excuses—should be given for further safeguards, and that further borrowings abroad on behalf of India should be stopped and should not be avoidably incurred.

I feel, Sir, that I have to refer to one small oversight, as I think it to be. I have here the Fourth Report of the Federal Structure Committee, and on page 10 thereof in paragraph 22, I see a reference in the last but one line to paragraph 3, which I

presume is only an oversight. It should be paragraph 18 and not paragraph 3. I want to point this out so that the Secretaries may see that an error does not go into the final copy.

Sir, the other point on which I wish to speak is this: I wish to refer to paragraph 23 of the Federal Structure Committee Report under Commercial Discrimination. The financial safeguards and the commercial discrimination questions were both discussed in less than two and a half days, and the Reports had to be disposed of, under the time-table which was laid down for us, within less than two hours each. I felt so much oppressed by this that I felt it my duty to write to the Lord Chancellor and point out to him that, owing to the fact that one Report reached us at about 8 a. m. and then had to be considered and passed before we rose for lunch the same day, I did not find myself ready to be committed to the Report minus the protests which I had got recorded.

The Lord Chancellor very readily saw my objection and said that my letter would be noted. I may say that he did meet one point which I raised last Saturday regarding the suggestion which was mentioned here. I wish now to refer to paragraph 23; I am reading from the last line on page 10 :—

“It is also plain that where the Governor-General or a Provincial Governor is satisfied that proposed legislation, though possibly not on the face of it discriminatory, nevertheless will be discriminatory in fact, he will be called upon in virtue of his special obligations in relation to minorities to consider whether it is not his duty to refuse his assent to the Bill.”

Sir, the question of a piece of legislation being not on the face of it discriminatory, but being in fact discriminatory, is a matter which I as a mere layman somewhat fail to understand. As to this sort of phrases, either as to administrative discrimination being referable to the Federal Court, or Legislation, which though not on the face of it discriminatory, is in fact discriminatory, these are what I call efforts to overdo the discrimi-

nation part and to over-safeguard it. All I can say on behalf of my constituency is that I cannot agree to this, and I want it to be recorded that these safeguards as they are drafted in the Report do not and cannot possibly make for a workable constitution. It may for some make for self-satisfaction that everything is agreed to and the Conference advanced. I myself cannot be a party to any constitution to any report where things are not put on a basis which will permit the constitution working smoothly, without unnecessary interference and without unnecessary litigation.

In conclusion, I will wind up with this one hope: May Great Britain look at the problem which faces her Prime Minister tomorrow, which we have faced here and which we have come here to help her to solve, in a manner which will reflect credit and glory on all her statesmen of the past, who by their utterances in the House of Commons gave us hope that Great Britain was prepared to lead India on the path of liberty and freedom.

APPENDIX "D".

MR. BENTHALL ON THE CONFERENCE.

(*Reprint from the "Hindustan Times" Delhi, dated 19-3-1932.*)

The future plans of the European communities have been set out and their work reviewed in the document published below, which is stated to be the property of the Royalists of Calcutta. It discloses ample material bearing on secret pacts and deep-laid conspiracies. The document is a thorough repudiation of the claims made by the European community of their having built up Indian industries and augmented the nation's wealth.

We give below a resume of Mr. Benthall's general remarks on the occasion when your Committee met him recently. No attempt has been made to summarise the discussion subsequent to Mr. Benthall's remarks but it is proposed to invite Mr. Benthall to address a later meeting of liason members, and we hope to ask him then to deal with any questions on criticisms submitted by members.

Analysis of Mr. Benthall's Remarks.

1. Situation to be met at Conference.
2. Conditions of debate difficult.
3. Value of R. T. C. as educating (1) British public opinion, and (2) World opinion.
4. Gandhi discredited with his Indian fellow-delegates.
5. Gandhi returned to India empty-handed.
6. Gandhi failed to settle the communal problem—result the Minorities Pact.
7. Reaction of Hindus to the Minorities Pact.
8. Attitude of Muslims.

9. All outstanding points of difference between European representatives and their extremists opponents argued strictly on their merits.

10. Important point of principle involved in Minorities Pact. Are the Europeans a "minority" or a colony of the British people resident in India?

11. "Commercial Safeguards—In the main the "substance" granted in a very satisfactory manner. These sanctions very much more important than the safeguards themselves.

12. Position to-day.—Attempts to whittle away the Report on Commercial Discrimination.

13. An agreement or convention with Indian leaders to be greatly preferred to a restrictive clause in the Act. A tripartite agreement between Great Britain, India and Burma would have great advantages.

14. Financial safeguards—The old safeguards stand unimpaired, but were barely discussed at the Conference.

15. General Policy—The fulfilment of the Federal Scheme as outlined at the first Conference. Congress and the Federated Chambers attacked it.

16. Defects of Scheme, e. g. (1) Safeguards in connection with Police totally inadequate. (2) The Princes as a stabilising element a doubtful quantity.

17. British Government's Indian policy must be a national policy to avoid dangerous reactions when Labour comes into power again.

18. After the General Election the Government's policy undoubtedly changed. Attitude of European representative to the change. Reasons for their attitude.

19. The result was a promise of co-operation by 99 per cent. of the Conference including Malaviya. Even Gandhi was disposed to join the Standing Committee, but his hand has since been forced by his lieutenants. Question now whether saner elements of Indian opinion will stand for Conference method or not.

Carr's Speech.

20. Sir Hubert Carr's speech explained :—

1. We went to London determined to achieve some settlement, if we could, but our determination in that regard was tampered by an equal determination that there should be no giving way on any essential part of the policy agreed to by the Associated Chambers of Commerce in regard to financial and commercial safeguards and by the European Association on general policy. It was obvious to us, and we had it in mind throughout the Conference, that the united forces of the Congress, the Hindu Mahasabha and the Federated Chambers of Commerce would be directed towards whittling down the safe-guards already proposed. It is so frequently stated that in the effort to maintain a good atmosphere, the Conference lost sight of the realities that I think it well to preface my remarks by stating that in all our talks with our Extreme opponents, your delegates "never once" lost sight of this essential fact.

And furthermore, we are prepared to challenge the closest enquiry into any assertion that we have given way on any important detail affecting either the position of our community or the general policy.

2 I would first point out the extraordinarily difficult conditions under which the Conference was working. Conference was to attain the maximum amount of agreement in shaping the lines upon which the new Constitution should be formed. We had first of all to pick our way through a maze of backstairs intrigue—lobbying is the polite word. The Committees them-

elves consisted of some forty persons with another seventy to one hundred sitting round the room. There was no opportunity, therefore, for anything like negotiation when you had to shout at a man fifteen or twenty yards away. Speeches were largely set speeches, voicing set opinions and having in the majority of cases no influence at all on the proceedings. It was impossible to contradict even a proportion of the misstatements made, and interpolation was not encouraged. If it had been we should have been there still.

Those who spoke most frequently, longest and loudest did not by any means carry the greatest weight. So in the circumstances we decided to speak as a delegation and as far as possible when we did speak to be definitely constructive.

Vehicle for Views

3. But in actual fact the Round Table Conference in addition to its function as a vehicle for recording the constructive and destructive views of the delegates, had a second side. It was staged, as part of Great Britain's set policy, to demonstrate to India, to the people of Great Britain, and to the world that Great Britain was prepared to go as far as possible in the policy of progression by Conference methods.

It had a remarkable educative effect upon the people at home. It was surprising to see the interest taken in the Indian question by most improbable people and they were able, with the help of the Press, to appreciate better than they had ever done before how impossible some of the demands were that were put forward.

4. If it did nothing else, it showed to the world the constructive vacuity of Gandhi's mind. Not only in London, but in Paris and Rome, those who came in touch with him found him quite incomprehensible, while in America as a newspaper attraction the economic crisis pushed him off the front page entirely. And I

suppose that never in his life has he been more laughed at or had more bricks thrown at him "by his own countrymen" first on the occasion when he claimed to represent 95 per cent. of India, secondly when he in effect claimed the right as Congress, to examine every man's title to his own property, whether Indian or European, "as Congress" to hale them before Judges and if the Judges gave a decision unpalatable to Congress, to unseat the Judges. Not nearly enough has been made in this country of that speech, which was carefully edited in the Nationalist Press and which was carefully explained away by Pandit Malaviya next day.

Empty Hands

5. Not only that, but Gandhi lost enormous prestige with his own followers. If you look at the results of this last session, you will see that Gandhi and the Federated Chambers are unable to point to a single concession wrong from the British Government as the result of their visit to St. James' Palace. Whatever influence he has regained since, when he landed in India he landed with empty hands.

6. There was another incident too, which did him no good. He undertook to settle the communal problem and failed before all the world, the people who let him down "not" being the minorities but his own Hindu Mahasabha party who openly repudiated him on account of their distrust of his intentions.

The result of the deadlock arising and of the Prime Minister's request to the minorities to try to find the maximum possible agreement was the Minorities Petition of Rights or, as it was called, the Minorities Pact. That was largely the work of Sir Hubert Carr and Sir Edgar Wood, the signatories, namely the Europeans, Anglo-Indians, Muslims, Depressed Classes and Roman Catholics claim to represent 46 per cent. of India, and by signing it we made firm friends with the Muslims and showed to the Conference that it was possible to attain agreement if people would be reasonable, and that we would without hesitation stand by our friends.

7. We were candidly nervous of the reactions. Gandhi announced that he would 'humble Hubert Carr to the dust.' We thought for a while that any agreement on commercial rights was doomed. But it did not turn out that way. Although Gandhi started on the process of humiliating that very night by telling us that all Congress would grant was a gentleman's agreement with Congress—unsigned and undated—that attitude did not last long and the real outcome was an increased respect for our delegation and for the signatories to the Pact.

8. One word about the Muslims. They were a solid and enthusiastic team: Ali Imam, the Nationalist Muslim, caused no division. They played their cards with great skill throughout, they promised us support and they gave it in full measure. In return they asked us that we should not forget their economic plight in Bengal and that we should, "without pampering them" do what we can to find places for them in European firms, so that they may have a chance to improve their material position and the general standing of their community. It is a request which, in my opinion, deserves very earnest consideration.

Settled Policy.

9. It was part of our settled policy also patiently to discuss all outstanding points of difference between us and our extremist opponents. In these discussions it was our endeavour to argue each case strictly on its merits and in my opinion this policy bore fruit because through the closer understanding we were able to achieve a measure of agreement that would have been "quite impossible without the good-will engendered by these discussions. You may say, "Why did you waste your time on Congress?" I would answer, "If you go to a Conference and can convert your greatest opponent, you have won the day." We may not have converted them. But after all the new Indian delegates went to London mainly to attack the Commercial and Financial Safeguards and yet still the Commercial and Financial Safeguards seem to stand as firm as ever.

10. Now I will say very little as regards the Commercial Safeguards.

There are a large number of points of detail which will require thorough discussion. There is one most important point of principle.

The Petition of Rights and the Report on Commercial Discrimination definitely place our community in the position of an Indian minority. Now before we went to London, Mr. Walter Page raised the point that we were foolish to accept this position. We should stand purely as a section of the British people happening to be in India. I for one certainly did not see as far as he did. There is much in it, and in my opinion the subject calls for a lot more earnest thought.

How, if we are a minority, can we justify special treatment in criminal trials, special auxiliary force units, etc., above all how can we appeal to our Home Government on any basis other than that afforded to the other minorities.

Community Decide.

Shall we, in the long run, gain most by associating ourselves as closely as possible with India or by taking our stand clear cut as a section of the British people?

Our legal advisers tell us the latter is the safer plan. Events have carried us in the other direction. Are the two irreconcilable? I will give no opinion as the community must examine the position and decide.

We have also got to decide what is to be our position in the Indian States. The States have said that we can have equal rights if we submit to State jurisdiction. I wonder what our legal advisers will say to that.

There are, as I said, many points of detail, some arising directly out of the report, some raised by Indian delegates. In due

course I expect the various Chambers of Commerce and the branches of the European Association will examine these and consider the community's attitude in regard to each.

11. Meanwhile, it is noteworthy that of all the sections of the Round Table Report, that dealing with commercial discrimination is the only one which begins with such words as "On this subject the Committee are glad to be able to record a substantial measure of agreement. I should like in this connection to draw attention to the very fair - minded manner in which so many of the delegates, both Hindu and Mohamedan, supported our just claims in this matter. As in the main we claim that the "substance" of our demands is granted in a very satisfactory manner that in itself would appear to be a subject for some gratification. It is also noteworthy that the question of citizenship was, at any rate, for the time being, effectively disposed of.

But let us be under "no" delusion. We took the very best legal advice which we could on the subject. We had the benefit of invaluable advice from Professor Berridale Keith, Mr. Wilfred Green, Sir John Simon, Lord Reading and all the principal law officers of the Crown, the India Office and the Foreign Office. Sometimes it is very conflicting and we had to pick our way very carefully; but we are very deeply indebted to all these people, who deserve our most hearty thanks.

All agree of course, that in the Constitution itself we should have the amplest safeguards which the brightest legal minds can devise. But I think all also come to the conclusion that in the long run and after the lapse of years no set of words, however carefully drafted, could alone save us entirely from administrative discrimination by a purely Indian Government provided it was determined to discriminate. That is not my view only, or the delegation view, but the view of the best legal brains in England and I think it was the view that the Chamber Committee arrived at after intense study four months ago.

Safeguards.

But we delegates always appreciated and never once lost sight of the fact that the sanctions or the powers to enforce the safeguard were of equal importance to the safeguard itself. It is the power of the Courts and of the Governor-General and Governors, it is the constitution of a properly balanced Government with adequately staffed services, and above all the maintenance of the British connection which is going to see us through. And in this connection it may be of interest that the Prime Minister and another member of the Cabinet both stated that the only two things which really interested Parliament were the safety and prosperity of their own countrymen in India and their trusteeship for the masses. Those two things they would never sacrifice. We are safe for the present. Nevertheless with all the safeguards and all the sanctions that we can devise we shall 20, 30 or 40 years hence more than ever depend upon co-operation and upon the power of the purse, and it is largely upon our handling of these Reforms questions firmly but justly that our position in India will depend "Forty years on."

12. In spite of the large measure of agreement attained in London among the delegates, what is the real position to-day. Again, let there be no delusion. From the day the report was noted, some delegates have been steadily trying to whittle it down. On landing here I find not a little opinion in some Indian commercial circles, that the Indian delegates agreed to too much. The view is put forward too that when we come down finally to brass tacks, Indian opinion will interpret some of the words in quite a different way to what we do. In brief the determination to discriminate by some sections still exists and I would refer you to page 6 of "Capital" of 7th January. Make no mistake. We can not rest on our oars. Still in so far as the leaders of Indian commerce were largely represented in London, their objections can be tied down to those points raised at the Conference, and they are not necessarily of a deadly nature. But there is still grim work ahead of us.

Discrimination.

13. One last word on Commercial Discrimination. Although we may, I believe, be satisfied with the substance of the protection—and my belief is endorsed by the fact that the British commercial bodies in Rangoon have endorsed it wholesale for application to Burma—the method of a protective clause is, without doubt, inferior to a definite agreement or convention, “if” the latter can be secured. A clause to cover everything must be immense and unwieldy and a clause cannot cover reciprocity. Also the sentiment of Indians even of the best type revolts against a restrictive clause and favours an agreement. It is my deep conviction that we shall do well to press on with our demand for this agreement and I do not think it is impossible to attain. Possibly the Standing Committee to sit will afford us an avenue for detailed negotiation and settlement.

And what is more, I am sure that we must be carried back to our old idea of a tripartite agreement between India, Burma and Great Britain for tactical reasons if for no other. Mr. Haji, he of the Haji Bill, in London demanded a guarantee that there would be no discrimination against Indians in Burma. Mr. S. N. Haji said that Indians wanted a guarantee that there would be no discrimination. He urged that separate electorates should not be changed without their consent, and also asked that a member of a minority community should have the right of judicial appeal, with final appeal to Britain, against a decision of the executive which he believed deprived him of any right safeguard to him under the constitution. That to my mind, coming from him of all people is a beautiful piece of irony. I do not see that if a tripartite agreement were under negotiation how he or his colleagues could possibly oppose our claims. This little incident seems to point a clear course to us.

Financial Safeguards.

14. I will say nothing much about Financial Safeguards. Briefly, the old ones stand unimpaired. But Indian opinion is

not satisfied because discussion was barely allowed owing to the financial crisis. There was considerable agreement that an ultimate solution lies along the lines of the Statutory Finance Council we are committed to that idea but we are "entirely free" as to the details. The problem boils down to a financial one, how is India to find the money which she needs in the near future or to start her Reserve Bank if she is not to be linked with British credit. How is that partnership to be created and cemented? It is so demonstrably in the interests of India that these safeguards should exist that we have as a matter of fact undertaken to try to get out a paper to prove to certain Indian delegates that they are so. There is no reason to be despondent of reaching agreement, which is so much more valuable than imposition, for at one stage after prolonged private discussion we induced even Gandhi to draft a safeguard of sorts, which was accepted by the Federal Chambers representatives. But there is plenty of work for our community to thrust home by hard argument this truism that financial safeguards are in the interests of India.

15. With regard to the general policy followed the main plank of our platform was the fulfilment of the Federal Scheme of the previous session, no more and no less. It was certain that Congress and the Federated Chambers would attack the scheme, and in particular Commercial and Financial Safeguards, and so it turned out.

16. The scheme of course was barely sketched at the previous session. It has defects; many of them still exist. For instance, and this needs the most vigorous examination by our community, the Police Safeguards are "totally inadequate" as they stand. Also it is by no means certain that the Princes will be quite that stabilising element which they were hoped to be. The Princes, who will rush into Federation are the Congress-minded Princes and they will come increasingly under Congress influence once they come in. The Conservative Princes may stay out and may indeed be the real source of strength. Until they come

in, their vacant seats should be filled by the Crown by virtue of its paramountcy.

National Policy.

17. But on the whole there was only one policy for the British Nation and the British Community in India, and that was to make up our minds on a national policy and to stick to it. A policy which fluctuates according to whether Conservative or Labour Government is in force is fatal though it is as well to-day to remember that in five years time we may once again have a Labour Government and the reversal of opinion may be just as violent as last year. The Labour Party machine is not broken and harbours the bitterest of feelings.

When we arrived home the Federal Plan was the policy of the National Government, and the work of the Conference was to fill out the details and to resist any whittling down of safeguards. It was a sound policy, and one which would have the backing of all except some of the new delegates.

18. For six or eight weeks the work went on: the Central Legislatures, Federal Finance, the Supreme Court and the Minorities occupied the time financial crisis and a general election.

But as the result of the election the policy "undoubtedly" changed. The right wing of the new Government made up its mind to break up the Conference and to fight Congress. The Muslims, who do not want Central Responsibility, were delighted. Government undoubtedly changed their policy and tried to get away with Provincial autonomy with a 'promise' of Central Reform.

What line were we to take ?

We had made up our minds before this that a fight with Congress was inevitable; we felt and said that the sooner it came the better, but we made up our minds that for a crushing success we should have all possible friends on our side.

The Muslims were all right: the Pact and Government's general attitude ensured that, so were the Princes and the Minorities.

The important thing to us seemed to be to carry the Hindu in the street as represented by such people as Sapru, Jayakar, Patro and others. If we could not get them to fight Congress, we could not at least ensure that they would not back Congress, and that by the one simple method of leaving no doubt in their minds that there was to be no going back on the Federal Scheme, which broadly was also the accepted policy of the European community.

We acted accordingly.

We pressed upon Government that the one essential earnest of good faith which would satisfy these people was to undertake to bring in the Provincial and Central Constitutions in one Act. Provincial autonomy could not be forced upon India—the Muslims alone could not work it. Congress Provinces facing a British Centre present grave practical difficulties; each province would be a Calcutta Corporation on its own.

Provincial Autonomy.

But schemes for provincial autonomy could be ready in a few months; Federation, if hurried on to the degree to the nth must take two or three years some say five to eight. If provincial autonomy were ready, all waiting in the pigeon hole, there was little doubt that Madras, for instance seeing Federation still far off, would demand immediate provincial autonomy; that would be the beginning and the result which you could not force would be brought about by natural circumstances. But if you back this policy, you must visualise and decide clearly how responsible provinces autonomous in their own sphere are going to work transitionally with an autocratic centre. Remember that Gandhi himself at one time supported Provincial Autonomy only of a kind, as a means of bringing to a deadlock all relations with the Central Government.

19. So we joined with strange companions ; Government saw the arguments ; and the Conference instead of breaking up in disorder with 100 per cent. of Hindu political India against us ended in promises of co-operation by 99 per cent. of the Conference including even such people as Malaviya, while Gandhi himself was disposed to join the Standing Committee. But Gandhi's lieutenants in India proved too fast and jumped him. To day the work of the Conference seems wasted and the question of the hour is whether the saner elements of Indian opinion will stand behind Government for Conference methods. The key lies in the hands of India's leaders, but if they open the door we must stand by to give it a push.

20. In conclusion, I understand on return here that a good deal of feeling was caused by a condensed report of Carr's final speech, a speech fully approved of course by all of us.

There is a saying, "Never explain: your friends don't need it, your enemies won't believe it."

In Defence.

But I stand here also to back a man who is not here to defend himself. To begin with he only happened to be the spokesman. He is also a man who has unostentatiously and devotedly given of his best to our community, and as for his ability there is no man who better understands all the intricacies of our community's commercial and general position or who more stoutly defends them. or who better keeps his head. I may sum up my own opinion by saying that if, for any reason, one delegate alone were to represent us, I would be perfectly content that the interests, which I represent, should rest in his hands alone.

Let us see what he actually said.

"We should much prefer provincial autonomy instituted previously to any change in the centre, or even before it is

decided on at the centre. We realise, however, while deploring it, that there is not sufficient confidence existing between India and Britain to-day, for India to be content with merely provincial autonomy and a declared intention of development at the centre. We are, therefore, united with our fellow delegates in demanding that the whole framework of federation and provincial autonomy shall be determined at the same time. (Hear. Hear). We earnestly hope that provincial autonomy will be introduced province by province, the varying needs of each recognised in its constitution."

The word "determined" means solely that both the Federal Scheme and the Provincial Scheme shall be dealt with in one Act. The details and the time scales are entirely separate matters for discussion and decision. In that reading there is no difference from the policy laid down on page 3 of the Memorandum of Policy of the European Association.

There was no ambiguity either as to the meaning or the motive at the time. Looking back, to be absolutely explicit, it might have been wise after the word "therefore to have added "and because it is our conviction that it is the right course" so as to make it clear here 6,000 miles away, that there was no question of concession to clamour.

White Paper.

And if any further justification for the wisdom of that viewpoint and that action is necessary let me read for close comparison the relevant passage from the Prime Minister's White Paper.

"The adjustments and modifications of the powers now exercised by the Central Government which would obviously have to be made in order to give real self-government to the Provinces should raise no insuperable difficulties. It has, therefore, been pressed upon the Government that the surest and speediest route to Federation would be to get these measures in train forthwith, and not to

delay the assumption of full responsibility by the Provinces a day longer than is necessary. But it is clear that a partial advance does not commend itself to you. You have indicated your desire that no change should be made in the Constitution which is not affected by one all-embracing Statute covering the whole field, and His Majesty's Government have no intention of urging a responsibility which, for whatever reasons, is considered at the moment premature or ill-advised. It may be that opinion and circumstances will change, and it is not necessary here and now to take any irrevocable decision."

The two statements are paraphrases of each other (I admit that the Prime Minister's was the better;) but the latter statement subsequently had the endorsement of His Majesty's Government and of both Houses of Parliament. Including that of such men as Sir Samuel Hoare, Lord Hailsham and Sir John Simon. If therefore we erred, it must be admitted that we erred in good company.

Muslim Alliance

We draw members' attention to the following points:—

1. The Minorities Pact has produced a large measure of unity amongst the minorities.
2. The Muslims have become firm allies of the Europeans.
3. The success of the Federal scheme depends on the support of a majority of all communities. Neither Provincial Autonomy nor Federation could work in the face of 100 per cent. Hindu opposition. The extreme Hindus, i.e., Congress, Hindu Mahasabha, and Federated Chambers of Commerce, are irreconcilable, but there are Hindus whose support it is worth trying to secure in the hope that they will eventually form the nucleus of strong moderate parties.
4. It is essential to decide whether we are to be treated as a minority community or as representatives of the British in India.

The latter course appears to be more desirable as it would, apart from other considerations, enable us more easily to call upon the Imperial Government for support. It must be recognised, however, that such an attitude has disadvantages; it might lead to dangerous isolation. The Minorities Pact has led away from rather than towards such a position, as it commits us as a minority.

5. Although Provincial Autonomy may be introduced rapidly where provincial conditions admit, the granting of any tangible measure of responsibility at the Centre will depend chiefly upon the success of the Provinces in working Autonomy. It will be remembered, however, that Gandhi was prepared to accept Provincial Autonomy of a kind without any advance at the Centre, because he proposed that the autonomous provinces should paralyse the autocratic Central Government. To guard against the danger, it seems as though some modifications at the Centre will be essential, and it remains to be seen whether these modifications can be made without any real transfer of power. It must be our aim to secure that the transfer of power only takes place after everything else has been dealt with.

6. Throughout his statement Mr. Benthall refers to Financial Safeguards and Commercial Safeguards. These are shortly as follows:—

Financial Safeguards

- a. The formation of a small Finance Council to advise the Finance Member and the Governor-General in regard to finance.
- b. Formation of non-political Reserve Bank.
- c. Strong Upper Chamber.
- d. Consolidated Fund to meet loan, salaries and other charges guaranteed by Secretary of State.

Commercial Safeguards

- a. The European Delegation demanded a commercial convention to cover every outstanding point, but owing to difficulties

raised in London this matter still remains unsettled. Meanwhile it is proposed that there shall be a guarantee under the Act to safeguard the rights of property and the rights of British Commerce.

b. European demands for safeguards for personal rights including trial by jury, are secured under the Minorities Pact.

c. Power in hands of Viceroy and Governors to reserve bills for the sanction of Parliament (this would cover every class of discriminatory bills).

d. Right of appeal to the Privy Council.

We think that the result of the Conference may be summarised shortly as follows :—

The European delegation has succeeded in impressing upon the British Government, the absolute necessity for our essential safeguards, though it experienced a good many difficulties in doing so. Furthermore these safeguards have been accepted by the Muslims and the moderate Hindus, and even the extremists have been less strongly opposed to them than heretofore. On the other hand, the extremists are clearly determined on de facto discrimination.

The Muslims are very satisfied with their own position and are prepared to work with us in the future on a basis of mutual support, and there is some hope that the moderate Hindus will do the same if they realise that Government at last means what it says and stands firm. On the other hand it must be remembered that the moderates are at present without any following whatsoever.

As against this, the actual scheme of reforms is very vague indeed and a great deal of work has still to be done—more, if anything, than that already accomplished. For this reason it is essential that European opinion should be well organised and well informed during the next few years. It is most important to bear in mind the point raised by Mr. Benthall that

there may be a political land-slide in the opposite direction at Home in five years' time, i. e., we may again have a Labour Government. The right policy, therefore seems to be that followed by the European representatives at the Conference. If we merely adopt an intransigent non-possimus attitude we may in five years' time find ourselves thrown to the wolves by an extreme Socialist Government. If, on the other hand, in the course of the next five years parts at least of the scheme are worked out by the National Government and agreed upon by Indians, it will be very difficult for a Socialist Government to upset those agreements. Judging by what Mr. Benthall says, it may be possible to secure a commercial convention within five years. A policy which swings violently from extreme to extreme will be fatal alike to our special interests and to the peace of the country.

Central Responsibility.

We should like to see the following points secured :—

1. The measure of responsibility at the Centre must depend, among other things, upon the success of Provincial Autonomy after a fair trial, and there must be no attempt at an immediate grant of Central Responsibility.
2. The position of the Central Government must be strengthened in order to prevent any possibility of open defiance of the Central Government by the provinces, and no inauguration of Provincial Autonomy can be contemplated till this strengthening has been achieved.
3. Each province must be given ample time to settle its own problems, and its participation in any scheme of federation should, we believe, depend upon the voluntary settlement of those problems.
4. Any attempt at an increase in the rate of Indianisation of the Services, particularly the I. C. S. and the Police, must be strongly opposed.

5. So far as possible the railways and ports must be removed from political control.

6. Voluntary settlement of the communal problem is an essential prelude even to Provincial Autonomy. If an imposed settlement has ultimately to be made, it would not embrace anything approaching complete Provincial Autonomy.

In this summary we have assumed that the great majority of members are in agreement with the principle that reform of some kind must be introduced. We are aware that a certain proportion of Europeans are opposed to any advance whatsoever. We would remind all such that the present system of Government is so weak and cumbersome that it is positively dangerous to allow it to continue. Dyarchy has heavily moved the dice in favour of the Hindus and sets a premium on constitutional agitation, and has made it extremely difficult for the Central Government to act forcefully and quickly except under special ordinances.

It must not, however, be supposed that when we agree that reforms are necessary, we advocate democratic reform in every province.

All we mean is such change in the system of Government as will improve its efficiency.
