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9th April, 1931. pp. 208 plus x
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2. Progs: 5th Meeting, Delhi,
26th & 27th March 1932. pp. 68 plus v.
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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.

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

PROCEEDINGS

OF THE

FOURTH ANNUAL MEETING

HELD AT

DELHI

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

1931.

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Federation of Indian Chambers of Commerce and Industry

*Proceedings of the Fourth Annual Meeting held at Delhi on
Tuesday, the 7th April, 1931.*

The Fourth Annual Meeting of the Federation of Indian Chambers of Commerce and Industry was held at the Delhi University Convocation Hall, Delhi, on Tuesday the 7th April, 1931, at 11-30 a.m.

Lala Shri Ram, President of the Federation, received at the entrance Mahatma Gandhi and introduced to him Sir Purshotamdas Thakurdas, Kt., Mr. G. D. Birla, Mr. Walchand Hirachand, Mr. Fakirjee Cowasjee, Mr. D. P. Khaitan, Sir Chunilal V. Mehta, K.C.S.I., Mr. Nalini Ranjan, Sarker, Mr. Hooseinbhoy A. Lalljee, Mr. Kasturbhai Lalbhai, Mr. Ambalal Sarabhai, Mr. Lalji Naranji, Mr. Ranchordas H. Gandhi, Sirdar Bahadur Sobha Singh, Mr. Rameshwar Lal Nopany, Mr. B. Das, M.L.A., Mr. Rameshwar Prasad Bagla, M.L.A., Mr. Chunilal B. Mehta and the Secretary, Mr. D. G. Mulherkar.

Distinguished amongst those who accepted the Committee's invitation to be present at the opening of the Fourth Annual Session of the Federation were Sirdar Vallabhbai Patel, President, Indian National Congress, Pandit Jawaharlal Nehru, the Hon'ble Sir Ibrahim Rahimtoolla, K.C.S.I., C.I.E., President of the Legislative Assembly, the Hon'ble Sir George Schuster, K.C.M.G., C.B.E., M.C., Finance Member to the Government of India, Pandit Madan Mohan Malaviya, Sir T. Vijayaraghavachariar, Vice-President, Imperial Agricultural Research Council, Sir Bhupendra Nath Mitra, Raja Sir Motichand, Mr. Syed Raja Ali, the Earl of Aylesford, Sreejutt Rajagopalachariar, Members of the Working Committee of the Indian National Congress, the Hon'ble Sir Frank Noyce, Kt., C.I.E., C.B.E., Sir Hugh Coecke, Kt., Sir Ross Barker, Sir Edward Buck, K.B.E., the Hon'ble Raja Bijoy,

Jodhooria, Mr. A. G. Dicks, Mr. G. K. Deodhar, C.I.E.,
 Mr. A. Moore, M.L.A., Mr. P. Mukerjee, Dr. L. K. Hyder,
 Hon'ble Syed Abdul Hafiz, Mr. A. Hydari, I.C.S., Mr. V. K.
 Aravamudha Iyengar, Raja Bahadur G. Krishnamachariar, M.L.A.,
 Mr. W. Lamond, Mr. Mukhtar Singh, Dr. P. P. Pillai, Mr. J. C.
 Nixon, Rai Saheb Ladli Pershad, Mr. I. S. Puri, Mr. F. V.
 Rushford, Mr. K. C. Roy, M.L.A., Mr. S. P. Shah, I.C.S.,
 Rai Bahadur L. Sen, Mr. D. C. Scott, Mr. H. A. Sams, Mr. J.
 Ramsay Scott, Mr. B. P. Varma, Mr. J. A. Woodhead, Mr.
 C. B. Young, Mr. B. Ramrao, Mr. Pearey Lal, Mr. G. E. Grant
 Govan, Mr. C. M. Grant Govan, Mr. V. F. Gray, Mr. N. R. Gun-
 jal, M.L.A., Mr. A. S. De Mello, Lala Fakirchand, Mr. A. R. C.
 Cooper, Mr. F. B. Bloomfield, Prof. Brij Mohan Lal, Mr. A. H.
 Byrt, Mr. S. N. Banerjee, Mr. K. K. Bose, Mr. J. N. Sahani,
 Mr. S. C. Sahani, M.L.A., Prof. H. L. Chablani, Mr. N. K.
 Sen. Besides these, there were present as representing the
 Member-Bodies, Sir Chinubhai Madhawal, Bart., Sheth Kastur-
 bhai Lalbhai, Sheth Ramanlal Lallubhai, Sheth Himatlal Kalidas,
 Sheth Trikamlal Girdherlal, the Hon'ble Rai Bahadur Radha
 Krishna Jalan, Mr. B. Das, M.L.A., Mr. Balkrishna Das, Mr. K. C.
 De, Mr. Jadu Nath Roy, Mr. Nalini Ranjan Sarker, Mr. Narayan-
 das Bajoria, Mr. Chunilal B. Mehta, Mr. Mangaldas Motilal
 Sheth, Khan Bahadur Ahmed Chandoo, Mr. Ranchordas H. Gan-
 dhi, Mr. S. A. S. Tayabji, Mr. Fakirjee Cowasjee, Mr. C. A.
 Buch, Mr. Hosang N. E. Dinshaw, Lala Ram Pershad, Seth Lak-
 shmi Narain Gadodia, Sirdar Bahadur Sobha Singh, Mr. Baij Nath
 Syal, Mr. Nandlal Kilachand, Mr. Ratilal Mulji Gandhi, Mr.
 Ramjidas Vaishya, Mr. N. M. Shah, Mr. D. P. Khaitan, Mr.
 G. D. Birla, Mr. B. A. Padmanapa Aiyar, Lala Harkishan Lal,
 Raja Sir Daya Kishen Kaul, Mr. Gaganvihari Lallubhai Mehta,
 Mr. K. S. Ramachandra Aiyar, Babu Jasoda Lal Ghosal, Sir Chuni-
 lal V. Mehta, K.C.S.I., Mr. Behram N. Karanjia, Mr. Hoosein-
 bhoy A. Lalljee, Sir Purshotamdas Thakurdas, Kt., Mr. S. C.
 Ghose, Mr. A. L. Ojha, Mr. Walchand Hirachand, Mr. M. A.
 Master, Mr. Kaikobad C. Dinshaw, Mr. Rameshwar Lal Nopany,
 Mr. Prabhu Dayal Himatsingka, Mr. Sitaram Saksedia, Lala
 Jaswantrai Churamani, Mr. Srikishindas H. Lula, Mr. R. K.
 Sidhwa, Seth Isserdas Varindmal, Mr. M. L. Dahanukar, Mr.
 B. S. Dabke, Mr. Begraj Gupta, Mr. Kishan Prasad, Mr. Rajen-
 dra Somnarayan, Mr. M. Ct. M. Chidambaram Chettiyar, Mr.
 Gordhandas Jamnadas, Mr. Gulabchand Hirachand Doshi, Mr. V.
 Ramadas Pantulu, Mr. A. Rangaswami Iyengar, Mr. Vidyasagar
 Pandya, Mr. M. Mohamed Ismail, Lala Rameshwar Prasad Bagla,
 Mr. K. L. Gupta. Mr. Yacoob H. Lalliee. Mr. Goolamhusein

Matcheswalla, Mr. A. R. Bhatt, Mr. S. M. Patkar, Mr. J. K. Mehta, Mr. Lalshankar Harprasad, Mr. Uttamram Ambaram, Mr. M. P. Gandhi, Mr. J. L. Pandit, Mr. P. Raghavan Nair, Mr. K. Shama Aiyar and other representatives * of the Member-Bodies. Among the ladies present were Lady Schuster, Mrs. K. C. Roy, Mrs. K. K. Bose, Miss Bose, Miss Pillai, Mrs. Fakir Chand, Mrs. Dewan Chand.

The President, Lala Shri Ram, requesting Mahatma Gandhi to declare the proceedings of the Fourth Annual Session of the Federation open, delivered the following speech:—

Respected Mahatmaji, Ladies and Gentlemen,

I welcome you all to this the Fourth Annual Session of our Federation. We are making a new departure this year in holding our Session as late as April, but I am sure you will all be gratified to see Mahatmaji amongst us to inaugurate the proceedings of this Conference and this would not have been possible if we had held our meeting earlier in the year. We are justly proud of the Mahatma; he is not only a national asset but a world force, the idol not merely of his countrymen but of all those with whom the moral and the spiritual forces count more than the physical and the material issues. The country owes him a deep debt of gratitude for the phenomenal awakening in the country and for the confidence he has created in the masses by the movement he inaugurated a year ago for the attainment of Swaraj. May I, on behalf of the Indian commercial community, assure you, Sir, that we all feel it a rare honour and a great privilege to have you amongst us here to-day. In view of what His Excellency the Viceroy said last year about his inability to preside this year over the deliberations of the Federation, it was not possible for him to be amongst us to-day. We should have been, however, glad if His Excellency had been present here to receive from us personally our felicitations on the truce that he has helped to bring about. His Excellency will soon be retiring from India and on behalf of the Indian commercial community I am taking this opportunity of requesting him to continue to use his good offices towards consolidating the peace arrived at by securing for this

* A list of the affiliated Member-Bodies of the Federation with their representatives is printed as Appendix A.

(4)
country a place of honour and respect in the Commonwealth of the British Empire.

The great struggle that has gone on during the last year has come to an honourable end through the efforts of two notable personalities who have worthily represented the two races of the East and the West. The Gandhi-Irwin agreement is a distinct landmark in our history, a signal stage in the building up of our national constitution, and every member of the commercial community in India will be grateful for the statesmanlike settlement arrived at between the Government and the people of this country. The representatives of the Indian National Congress will now be participating in the discussions of the Round Table Conference and we hope to see at no distant future the fruits of the joint labours of the representatives of the people and the British Government embodied in a constitution which will satisfy the legitimate aspirations of the people of India and prevent a renewal of the fight so honourably brought to a close by the Gandhi-Irwin agreement.

During the course of last year we were compelled by our sense of duty to give emphatic expression to our views on two political events of importance. Having failed, in spite of repeated efforts, to elicit from the Government a definite declaration about the scope and function of the Round Table Conference and an assurance for the establishment of Dominion Status for the country with the necessary safeguards during the transitional period, we were obliged to advise our affiliated member-bodies to abstain from all participation, direct or indirect, in the Round Table Conference. We had also to express our feelings of strong dissatisfaction with the representation accorded to India in the Imperial Conference held in London in October last. The Committee of the Federation had, therefore, to make it clear to those assembled at the Conference that so long as India did not get an effective control over her fiscal policy and was not represented at the Conference by a direct representative of her own, she could not be expected to feel herself bound by any commitment made on her behalf, and I am sure you will agree that your Committee have rightly interpreted your feelings in both these matters. I frankly admit that some of our Members were not satisfied with the amount of work that we did during the last year but I have this satisfaction that in a very stormy year we have not only held our own but

Since we met last year in this very hall many events have occurred in the economic sphere which have intensified the gloomy prospect we had then in view. There has been a catastrophic fall in the prices of our chief staple agricultural commodities, with the result that the purchasing power of the agriculturists has been reduced in a single year to an extent unparalleled in recent history. In the first place, the fall in prices in India has been heavier than in manufacturing countries like the United Kingdom. Secondly, exports have fared worse than imports in this respect. While the fall in the prices of the former between September 1929 and December 1930 was 36 p. c. the fall in the latter was 16 per cent. In the words of the Finance Member, "India may, therefore, perhaps be said to be going through the worst time now. She has felt the severity of the fall in the case of what she has to sell, but has not obtained a corresponding advantage of the fall in prices of what she has to buy." Almost every trade complains of difficulties, and all efforts of businessmen to rehabilitate their trade and industries have been defeated by forces beyond their control. Budgetary equilibrium is a thing of the past and deficits seem to be the order of the day. Fresh taxation to the tune of several crores has been imposed, while, public debt, both funded and floating, continues to grow, and the rates at which Government have been borrowing during recent years are bound to have further sinister effects not only on the finances of the Central and the Provincial Governments but also on those of the local bodies and of business firms. There is a general lack of confidence in the country, and there are no signs whatsoever of any serious constructive effort on the part of Government to raise the country out of what is veritably a slough of despond.

Most of these difficulties are ascribed to the operation of world causes; but some at least of the world causes which are operating to the disadvantage of the countries in Europe do not exist in India at all. The huge war debts and the reparations which have been hanging heavily over European countries generally and with crushing weight on Germany particularly, could have had no serious effect on the internal economy of India. Paying interest on war debts is like paying interest on losses. If our loans, as our experts have all along assured us, are for the larger part for productive purposes, the growing public debt of India should alleviate and not deepen the gloom in trade and industry. Neither the Government of India nor the Provincial Governments have incurred any large social expenditure on unemployment, etc., as the Government in England has done. There are, therefore, no

indirect additions to the cost of production, such as those of which British industry is complaining. The new tariff-walls in foreign countries which are a serious handicap on British trade and industry, will at most have been a minor and not a major cause of our difficulties. We do not depend, as England does, primarily on foreign trade; our internal trade is vastly greater than our external trade, and our export trade consists of food and raw materials on which custom duties in foreign countries are generally the lowest. Three of the major causes of depression in trade in European countries therefore cannot be held responsible for our difficulties.

For much of the suffering, the currency policy of the Government in recent years is directly responsible. On the eve of exchange stabilisation, the spokesman of the Government said that to his mind "there was very much more prospect of a relative stability in world prices than there had been until recently." He has proved hopelessly wrong in his forecast, and yet in a period of continuously falling prices, the Government had persisted in maintaining a rate of exchange which is 2d. above the pre-war rate. It is no use persisting in a policy which was based on a belief which events have conclusively shown to have been a wrong one. In the absence of any tangible evidence of an effective international co-operation for the purpose of stabilising the value of gold, the best policy for this country would be for the present to let the exchange take its own course.

Another major cause of the depression in our trade and industry is, in my opinion, the borrowing policy pursued by the Government of India during recent years. While in the world outside, falling commodity prices and trade depression have been met by a steady fall in money rates, the rates of interest in India have actually risen because of the borrowing policy pursued by the Government of India and their persistence in stabilising exchange in the face of sharply falling prices in the world outside. This excessive borrowing of the Government of India is due, not so much to a mistaken policy of genuine investment in productive enterprises as to their budgetary deficits and their determination to maintain fixity of exchange at the ill-fated ratio of 1s. 6d. The Government of India has, in fact, become a 'distress borrower' in the money market in order to support exchange, which in spite of their efforts has been consistently and persistently below 1s. 6d. level during the last 24 months. A 'distress borrower' is uninfluenced by the return on the actual current investments and tends

to squeeze out the genuine borrower from the money market. What the effect of the policy of such borrowings at high rates of interest has been can be well judged by a reference to a statement prepared by the League of Nations and published in the memorandum on Public Finance for 1922-26, which shows that the public debt of India reduced to pre-war price level rose only by 16.3 per cent in the year 1926 over its level in 1924, while the gross interest charges reduced to pre-war price level increased in the same period by as much as 94.2 per cent.

The heavy taxation of the Government due to excessive expenditure is another blighting influence on trade and industry. When prices rise, the Finance Members, Provincial and Imperial, readily go before the legislatures with proposals of fresh taxation. When prices fall, they generally resist all proposals for retrenchment. We are fast approaching the level of prices in 1914, the Calcutta index number for December 1930 being only 101; but the expenditure of the Government shows no sign of falling to the pre-war level. The total expenditure charged to revenue for the whole of India (Imperial and Provincial) for the year 1913-14 was Rs. 1,243,421,280 while the budget estimates for the year 1931-32 provide as much as 132.4 crores for the expenditure of the Central Government alone. Military services cost India in the year 1913-14 only 31.8 crores, but the Government of India provided as much as 51.00 crores for military services in the budget estimates for 1931-32. The expenditure on the army must be brought down immediately to give relief to the tax-payer. The Incheape Committee proposed certain reductions in the expenditure of the Government on the assumption of a price level current in 1921. They definitely stated in several of their recommendations that the actual figure for a particular year should be reduced far below that recommended by them in the event of a further fall in prices.

The need of public economy was never greater than at present. We know that a Retrenchment Committee has been promised by the Finance Member in his Budget speech, but there can be little hope that it will be allowed to suggest radical reforms or modifications of policy without which no substantial retrenchment can be made. To quote the words of Sir Eric Geddes, it would be no use "using a small pruning knife when an axe or saw is needed." What justification can there be for maintaining a rigidity of administrative cost at a time when prices are collapsing and the country is in the grip of the worst depression it has ever known? What is wanted above all is a lead from high officials by

way of an "essay in self-sacrifice." Examples are not wanting, though it is true they are confined to countries enjoying complete self-government.

The Government of India are thus directly responsible for the three major causes of our difficulties—their policy of exchange stability in the face of falling prices in the world, their heavy borrowings at high rates of interest, and their crushing taxation in a period of peace and falling prices. The record of Government's achievement in the sphere of relief to the suffering people has been precious little. And this is precisely why the public in India insists that the power of the purse should, under the new constitution, vest in popular ministers who will grapple seriously with our economic problems, particularly the problems of our growing unemployment and our depressed agriculture and industry.

The Government of India having lowered the credit of the country by their financial mis-management are not justified in saying that any transfer of control to Ministers responsible to the Central Legislature without the so-called guarantees would result in a serious shock to India's credit leading to large movements from the country of capital both Indian and European and a restriction on new enterprise. A popular minister responsible to the legislature will be more jealous of the credit of his own country than the present administration and the public will have so much confidence in their own ministers that there will be only few occasions for him to have recourse to foreign borrowings. All the special difficulties inherent in the present financial and economical position which are regarded as obstacles to full responsible Government in India are really strong arguments in favour of transferring the destinies of this country to ministers responsible to the popular Assembly. If the general economic difficulties from which the country is suffering have to be faced seriously, success can be achieved only by ministers who can rely on popular support for carrying out energetically any programme which they consider necessary in the best interests of the country.

The Government regard the present moment as exceptionally unfavourable for an attempt to establish even a Reserve Bank because the obligations incidental to their own mistaken policy of maintaining fixity of exchange at 1s. 6d. in the face of falling prices in the world will be far too heavy for a Reserve Bank to

take up,* as if a national Reserve Bank would pursue a policy detrimental to the economic interests of the country.

Some of the arguments in the Government of India's Despatch on Constitutional Reforms make one despair of the future. It is to my mind unfair to suggest that the officers in the all-India services, both European and Indian, who received special concessions recommended by the Lee Commission on the express ground that prices had risen considerably since they were recruited should be given guarantees that their existing emoluments and privileges would be retained, no matter how sharp may be the fall of prices within and without India.

The Government of India have repeatedly referred to the apprehensions felt by the British businessmen that we shall follow a policy of discrimination against British trade and industry, and have supported on this ground the demand for effective guarantees against such a possibility. They cannot mean to suggest that our trade and industry shall be denied the assistance and encouragement which national Governments everywhere accord to their own trade and industry. Such a position will never be tolerated by self-respecting and patriotic Indians. No popular minister will accept office under such conditions; nor will he be able to retain his position for a day if he is in any way responsible to a representative legislature. The Government of India admit in their Despatch that "for a number of years there has been an insistent demand from Indians of all shades of political thought that the economic policy of the country should be shaped on national lines, that in particular industrial development should be actively pursued and that the control should be placed in Indian hands." And they rightly point out that "unless in this region some transfer of power proves feasible, it will not be possible to satisfy Indian aspirations." If as the Government of India themselves admit, the customs tariff is the most powerful instrument which a Government desirous of pursuing an active programme of industrial development can employ, we cannot allow our liberty of action to be fettered in any way. The Government of India seem to suggest that the convention regarding the so-called fiscal autonomy meets our legitimate demand, but this will not do.

Much the same may be said about our powers to foster national shipping. We are not going to be led away by the cry of unfair

*Para. 191, Govt. of India Despatch on Constitutional Reforms.

discrimination raised by vested interests ever since the introduction of the Coastal Reservation Bill. We all know the reasons why our shipping companies have failed in the past, and we must leave no stone unturned to remove the causes of our failures. That there was reason and justice on our side is proved by the fact that His Excellency the Viceroy tried to bring about some sort of compromise, but as usual the British companies proved too obdurate. And now attempts are made to prevent by statute all efforts to revive our ancient shipping industry. But I may frankly tell our British fellow subjects that a nation which is reminded by its Shastras that when the Supreme Creator churned the ocean, the butter produced was Lakshmi, the Goddess of Wealth, that nation is not going to allow for long its seas to be churned by foreign ships and let the resulting wealth go into the pockets of foreigners alone.

There is one other aspect of the impending changes in the Indian constitution to which I think it my duty to refer in view of its vital bearing on trade, commerce and industry. In the sphere of economic policy and in all questions relating to trade and industry, India is one and must remain one. The Government of India in their Despatch acknowledge that provinces cannot be regarded as special economic units (para. 177) but in the various schemes for the distribution of power and functions between the provincial and central governments, I have a feeling that a very inadequate appreciation has been shown of the implications of this dictum. Whatever may be the delegation of power to the provinces the development of industry and the tariff policy of the Central Government are intimately related. The interests of India as a whole have to be considered and not the narrow interests of a particular province. These interests can efficiently be looked after only by a Government which takes note of the national needs as a whole and has the power to shape its policy in the whole of India in accordance with those needs. Whatever, therefore, may be the distribution of functions between the Central and Provincial Governments, we cannot allow Indian Provinces and Indian States to be divided among themselves in the sphere of economic development of the country.

Please allow me to draw your attention to another important matter. It has happened time and again that the Congress has committed itself to certain economic ideas of far-reaching effects. Take the case of the declaration of rights recently made at the

Karachi Congress. I do not want to criticise the declaration itself. Most of the points are in fact, very good while about others it may be said that they require further investigation. What at this stage I wish however to say is this: could we expect the Congress before committing itself to principles of such vital importance to consult the vital interests concerning them? We do not wish to be misunderstood to be presumptuous but we claim with due modesty that economics is our field and we may be of real service to the country and to the Congress. We would therefore suggest you, Sir, a sort of a convention for future that in all matters pertaining to realm of economics, the Congress before making up its mind will allow us to offer it our suggestion and if necessary have discussion with our members.

The Government of India have reminded us of the services rendered by British enterprise in the industrial and economic development of the country and have asked for an assurance that the future Indian Government would treat British businessmen not as aliens but as citizens of the country. So far as the past services are concerned, I do not wish at all to minimise the importance of the pioneering work which some of the British businessmen have done in India in the sphere of its economic development, but as Mr. Birla said last year they have been adequately paid for this spade-work. The Government of India are anxious to have statutory safeguards for British interests, but after giving very serious thought to the subject, I feel convinced that no statutory provision of this sort can possibly benefit these interests unless the British businessmen earn the goodwill of India, in which case they are superfluous. If the British interests insist on unreasonable safeguards and guarantees in the future constitution of the country, patriotic Indians are bound to fight shy of them and make every effort to resort to other countries for the necessary material and expert advice. I, therefore, appeal to the British commercial community in the country that they should throw in their lot whole-heartedly with the nationals of the country in attaining the goal. By working together with the Indians in all that vitally concerns this country, the British mercantile community can earn for themselves the goodwill which will help their business and strengthen their position in India far more than any of the most rigid constitutional guarantees. The British business community which is richly endowed with common sense has an ideal opportunity of converting the hithertofore advocates of boycott of British goods into advocates of preference of British over non-British products and I am sure they will grasp it by

sincerely identifying themselves with Indians and by not insisting on any so-called safeguards in the constitution. I already see an improvement in their attitude in some parts of the country, and earnestly hope that it will develop into a genuine desire to see this country get its rightful place in the Empire.

Similarly I feel that I would be failing in my duty if I did not indicate to Government both in India and in England the immediate hopes and aspirations of the Indian commercial community. I have already said that India looks forward to Lord Irwin continuing in England that sympathetic attitude of his which has enabled us all to meet here to-day. I mean you, Mahatmaji and the Hon'ble Members of the Viceroy's Executive Council. The present outlook in trade and commerce is anything but cheerful. Unfortunately clouds are still looming large on the horizon and may assume a menacing outlook. Happily a silver lining to them is beginning to show itself. Should contentment in India be secured as a result of the next meeting of the Round Table Conference in London, the silver lining will deepen till at last it outshines the clouds altogether. This in turn will bring about better confidence in trade and commerce, not only in India and England, but also in the rest of the civilised world which has been watching our doings in the political field. Looking to the cheering reaction on trade and commerce generally by the announcement of the Gandhi-Irwin agreement, one has to imagine what the effects of a permanent settlement will be. I speak with full deliberation, and I say that the situation, unless rightly handled at this juncture, will degenerate into something which I dread to contemplate. I recall the warning given by Mr. Birla towards the close of his address last year from this very platform, and I hope that when we meet again a year hence, my successor will have no occasion to sound a similar note. In any case, events have amply proved that those who warned England in time did not raise false alarm. The situation can yet be saved if India is conceded her birthright without any further delay. Let there be no mistake about the unanimity of the Indian demand or its object. We want nothing more than Dominion Status, but nothing less will satisfy us. If there are to be any reservations of power anywhere, India's delegates to the Round Table Conference must be convinced that other Dominion constitutions contain similar provisions, and that every reservation is to be subservient to the main purpose of making India happy and prosperous. No constitution which does not enable the Nationalist Government to bring about a substantial improvement in the present

wretched condition of the masses will be worth the paper on which it is written. Even reservations in respect of military defence must not be such as to preclude the possibility of the people's burden being adjusted to their capacity to bear it. Given the substance of the freedom which we seek, the Indian delegation will not be a "stickler for the provisional form." But if there is a desire or attempt to deny the substance then I say, God help both India and England.

You all know, gentlemen, however, since this movement was started by Mahatmaji, it has attracted the attention of the whole world. Distinguished foreign journalists from across the seas visited this country and watched personally the course of the movement. Happily for us all, the grave crisis through which the nation has passed during the last year has come to an honourable end. The Gandhi-Irwin agreement has convinced world opinion of the justness of the cause for which the country has been fighting, and has rallied it in its favour. The Indian commercial community has stood by the just cause which you, Sir, so earnestly espoused. It may not be out of place to mention here that in deference to our resolution regarding our non-participation in the Round Table Conference to which I referred at the beginning, some of the Members of our Committee including an ex-President of the Federation declined with thanks the invitation of the Viceroy to the Conference. The business community has no doubt that you will continue the negotiations with the same tact, firmness and perseverance which all have come to regard as characteristic of you, and give England every chance to do justice by India. We hope and pray that you will be able to carry world opinion with you in all the stages of the Conference which is about to begin. So far as the Indian commercial community is concerned, it has made its attitude amply clear, and I may repeat that we are in no way behind any other section of the community in seeking the substance of Swaraj for our country, so that in all domestic affairs, Indians may be masters in their own house. We have only to wish you and through you, ourselves the best of strength to secure for India lasting peace as a result of your struggle.

I thank you all, Ladies and Gentlemen, for giving me a patient hearing and on behalf of you all, request Mahatmaji to declare the proceedings open. (Applause).

Mahatma Gandhi in declaring the proceedings of the Fourth Annual Session open, addressed the House in Hindi. The following is the condensed translation of Gandhiji's Speech:—

I hope the English friends here will forgive me for addressing you in the national language. I recall on this occasion the War Conference in Delhi which was held in this very hall in 1918 and in which after some discussion with the Viceroy I consented to participate. But when I consented to do so I requested the Viceroy to permit me to address the Conference in Hindi or Hindustani. I knew there was no need to ask for this permission, but courtesy required that I should do so, lest my speaking in Hindi should shock the Viceroy. In this very same hall to-day I propose to follow the same practice. And I would suggest to you, members of the Federation, that it is your duty to carry on your proceedings in the national language, looking to the fact that the members of the Federation are all Indians and that you are allowing yourselves to be influenced by the present national spirit. Whilst I was listening to the President's address with attention, I wondered whether in speaking in a foreign language he would succeed in making on you and on me the impression that he desired. In no other country, dependent or independent, was such an anomaly to be met with. In South Africa, which is a thinly populated country, there has been a long struggle for precedence between English and Taal (a dialect of Dutch) with the result that the English colonists had to yield to the brave Dutch in recognising Taal as the official language on the same footing as English.

Your President has dwelt at length on the insistence of the Englishmen that in any constitution which may be granted to India the rights of Englishmen, especially of the English commercial and mercantile firms in India, should be safeguarded. The Congress has considered this question carefully, and I should like to state its position. It has been said that Indian Swaraj will be the rule of the majority community, i.e., the Hindus. There could not be a greater mistake than that. If it were to be true, I for one would refuse to call it Swaraj and would fight it with all the strength at my command, for to me Hind Swaraj is the rule of all the people, is the rule of justice. Whether under that rule the ministers were Hindus or Mussalmans or Sikhs, and whether the legislatures were exclusively filled by the Hindus or Mussalmans or any other community, they would have to do even-handed justice. And just as no community in India need have any fear of Swaraj being monopolised by any other,

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even so the English should have no fear. The question of safeguards should not arise at all. Swaraj would be real Swaraj only when there would be no occasion for safeguarding any such rights.

Not Prejudice but Clash of Cultures

How is it that the insistence on equal rights by Europeans comes to us with a shock of surprise? How is it that it does not strike us as natural and legitimate? The answer puts me in mind of an incident in South Africa. You know that I fought General Smuts in South Africa for a number of years. With reference to the question of race prejudice and colour prejudice there he once told me a story which impressed me very much. "When I was about the same time as you studying in England," he said: "I had no race prejudice or colour prejudice against your people. In fact if we had known each other we should have lived as friends or brothers. Why is it then that now we have become rivals, that we have conflicting interests? It is not colour prejudice or race prejudice, though some of our people do ignorantly talk in those terms, but there is one thing which I want you to recognise. It is this. I may have no racial legislation, but how will you solve the difficulty about the fundamental difference between our cultures? Let alone the question of superiority, there is no doubt but that your civilisation is different from ours. Ours must not be overwhelmed by yours. That is why we have to go in for legislation which must in effect put disabilities on you." I understood what he said and recognised that we could not have any other standard there. I also appreciated the fear of being swamped in these days of swift communications. If, therefore, we wanted to live in South Africa, I said to myself, we must adopt their standard of life, so long as it was not against morality.

Let us try to understand the genesis of this talk of equal rights in the light of what I have said. With all deference I would tell the Englishmen that at the back of their insistence is their insistence on living their standard and civilisation. There is a wide gulf between our way of life and that of the Viceroy however good he may be. Our people, when they go abroad, adopt the manners and customs of those countries, but shed them as soon as they come back home, and if they retain them they become strangers. It is a mercy that the Western way of life has not yet taken deep root in our country. But the

fear at the back of the Indian mind is lest he should be swamped by the onrush of Western civilisation. In this problem I invite the help of all Englishmen who, if they choose to stay here, must live in conformity with our way of life and as the servants of our country. The same cause has been at the root of the clash between the Chinese and the Europeans and the Chinese and Americans. I want our English friends to understand what I am saying. The whole trouble arises out of the Englishman's insistence on living according to his Western way of life and according to Western standards. I am quite aware that our civilisation has its blemishes,—untouchability is an indelible stain on Hinduism and I have called it satanic,—but I do not want to give Hinduism up, for the simple reason that I was born and bred in it. I would purge it of its blemishes. If then we contemplate examining so-called vested rights in the light of India's interest, it is not because of racial prejudice but because of vital necessity. Their vested rights may not smother nascent indigenous enterprise.

Merchants and Congress

Your President has paid a tribute to the Congress, and suggested that the Congress should confer with commercial experts in economic matters. I welcome the suggestion. The Congress would always be glad of your advice and help. I may tell you that the Congress does not belong to any particular group of men; it belongs to all, but the protection of the poor peasantry, which forms the bulk of the population, must be its primary interest. The Congress must, therefore, truly represent the poor. But that does not mean that all other classes—the middle classes, the capitalist or Zamindar—must go under. All that it aims at is that all other classes must subserve the interest of the poor. The Congress stands for the industrial prosperity and progress of India. The industrial classes are slowly coming within the Congress fold. During the past year they rendered it help for which we cannot be too grateful. In fact your invitation to me to address you is not due to my name, but because I am a humble servant of the Congress and representative of Daridranarayan. I cannot forget the services rendered by the commercial classes, but I want you to go a step further. I want you to make the Congress your own and we would willingly surrender the reins to you. The work can be better done by you. But if you decide to assume the reins, you can do so only on one condition. You should regard yourselves as trustees and servants of the poor. Your commerce must be regulated for the benefit of the toiling

millions, or, as Pandit Malaviya would put it, you must be satisfied with earning the 'pure cowrie,' i.e., an honest penny. I do not for a moment believe that commercial prosperity is incompatible with strict honesty. I know businessmen who are absolutely honest and scrupulous in their dealings. It is thus easily open to you to take charge of the Congress. You know that there is no constitution more democratic than the Congress constitution, it has worked for ten years without a hitch. It is based practically on adult suffrage.

If we want your co-operation in our task, I want that of the Englishmen too. I want to remind them of the services rendered to the Congress in the past by distinguished Englishmen and Englishwomen like Hume, Yule, Wedderburn, and Dr. Besant. In fact the Congress owes its birth to the genius of a large-hearted Englishman. And I want Englishmen now to join us in our work of serving the poor. It is entirely a matter of goodwill, a matter of the heart. Give your heart to the poor of India. In conclusion I repeat that the Congress seeks to represent all. Our nationalism can be no peril to other nations, inasmuch as we will exploit none just as we will allow none to exploit us. Through Swaraj we would serve the whole world. In this task I invite your greater co-operation so that civil disobedience may not have to be resumed. With your material and intellectual co-operation heartily rendered, our demand for Swaraj would be absolutely irresistible.

Mr. G. D. Birla while moving a vote of thanks to Mahatma Gandhi, said that originally the honour was reserved for Sir Purshotamdas, but since Gandhiji wanted speeches in Hindi the fortunate duty had fallen on him. (Cheers and laughter).

He assured Mahatmaji that the whole merchant community was full of devotion for him. They worshipped him from the core of their hearts. (Cheers).

Merchants had been taking a silent part in the Congress; they could not take more active part as unfortunately merchants were suspected and labelled as "Capitalists."

"We shall continue to do our bit, but we do not seek office or honour because service and not honour is our motto." (Cheers).

Mr. Birla assured that they shall continue to offer their whole-hearted support to the Congress.

"Our brain and our heart is with the Congress if not our body." (Cheers)

Mr. Birla then referred to the circumstances under which the Committee of Federation thought it advisable to publish a brochure giving facts and figures in connection with the management of India's currency from 1914 up to date. The book has been specially written by Mr. Paras Nath Sinha, B.A., LL.B., at the request of the Committee of the Federation. He requested the President to present an illuminated copy of the publication to Mahatma Gandhi.

The President, Lala Shri Ram, presented to Mahatma Gandhi an illuminated copy of the publication "Indian Currency and Exchange, 1914-1930."

The Conference stood adjourned to 2-30 p.m. in the afternoon.

AFTERNOON PROCEEDINGS

Tuesday, 7th April 1931.

2-30 p.m.

Government Members present:

The Hon'ble Sir George Rainy, K.C.S.I., K.C.I.E.,

The Hon'ble Khan Bahadur Mian Sir Fazl-i-Husain, K.C.I.E.,
Kt.

The Hon'ble Sir Frank Noyce, Kt., C.S.I., C.B.E., Secretary to the Government of India, Department of Education, Health and Lands.

Sir Chunilal V. Mehta, (Indian Merchants' Chamber, Bombay):—Gentlemen, I move that, in the unavoidable absence of Lala Shri Ram, Mr. G. D. Birla take the Chair.

The House unanimously agreed to the proposition.

Mr. Birla thereupon took the Chair.

The Chairman: (Mr. G. D. Birla):—Before I call upon Mr. Walchand Hirachand to move Resolution No. 3 about agricultural produce, I should like to express on your behalf our regret to the Honourable Sir George Rainy and the other Government Members, whom we asked to come here at 2 p.m. and who have been waiting for us on account of our not having come here punctually. I do not think I can put forward any excuse. It was unavoidable but that is no consolation to them. All the same I hope Sir George Rainy and the other Government Members will accept our regrets. I would now ask Mr. Walchand Hirachand to move his Resolution.

Mr. R. K. Sidhwa (Karachi Indian Merchants' Association): I rise on a point of information before the business starts. I want to know whether the Resolutions which have been sent by the various member-bodies will be allowed to be taken up although they are not on the agenda. Last time a similar question had arisen and you stated, Sir, that they would be taken up after the business on the agenda was over. A similar question arises to-day. I find that several Resolutions which were sent by the various member-bodies have not been inserted in the agenda, although many of them are very important. I should therefore like to know what will be the actual procedure of the business.

The Chairman: The procedure in this case has been that all the Resolutions were put before the Committee and they decided that we should take only the very important subjects. In view of the political situation this year we thought we should take only general Resolutions which were of very vital importance and leave over such Resolutions which were more concerned with details or of local importance only. Anyhow that has been the view of the Committee, and therefore we decided to take only six or seven important Resolutions. If it is the desire of the House that after we conclude our work other Resolutions not on ordinary agenda should be taken up, I think the matter might be considered, but I do not want to commit myself one way or the other, for I think that at this stage it is essential that we should proceed with the work on the agenda. I therefore call upon Mr. Walchand Hirachand to move Resolution No. 3.

AGRICULTURAL PRODUCE

Mr. Walchand Hirachand (Maharashtra Chamber of Commerce, Bombay): Mr. President and brother delegates, the Resolution in which I am interested runs as follows:—

“(A) The Federation views with alarm the abnormal depression brought about by unprecedented fall in the prices of agricultural produce specially wheat, cotton, groundnuts, jute, etc., and while noting the Government's action in reducing Rail-Freight Rates on wheat in certain cases deplores the general apathy in giving immediate relief to the agricultural population of the country.

(B) (i) The Federation suggests for the acceptance of the Government of India substantial reduction in the Railway freight on agricultural produce which would also result in stimulating greater volume of trade.

(ii) The Federation expresses gratification at the recent imposition of the import duty on wheat even though it is a very tardy step in that direction bearing in mind that the price of wheat in the market centres upcountry had declined to under-cost of cultivation about a year back.

(iii) The Federation suggests similar import duty on or prohibition of import of rice from foreign countries.

(C) The Federation further urges upon the Government of India the necessity of revising the Land Revenue Policy with a view to afford adequate relief to agriculturists in case of such unprecedented slump in prices."

The Resolution which I have to place before the Federation for their consideration deals with an urgent and important economic problem that affects the welfare of the millions of this country and merits immediate consideration and quick solution at the hands of the Government. I need not dwell at length on the heavy and unprecedented fall in general prices of agricultural produce during the last year and a quarter, which is estimated at about 35 to 40 per cent. and has caused a severe depression all over the land. The general level of prices of agricultural produce last year, or rather a year and a quarter ago, was nearly 50 per cent. higher than during the current year and this will convey some idea of the unusual and heavy losses suffered by the cultivator,

This was arrived at on more or less what one can call prices at ports. But if you take the farm prices, prices actually accruing to the agriculturist before the produce is removed, the percentage will be still bigger because of certain standing charges, such as railway freights or in the case of cotton, ginning and pressing and other charges. I do not desire to dilate on the causes of this severe fall in prices and how far it is due to world factors and how far to the monetary policy of the Government of India. But even conceding that agriculturists all the world over are also suffering, that is no argument for refusing relief to the Indian farmer whose poverty and lack of staying power are too well known to need any emphasis.

There is therefore no denying the acute distress in which the Indian agriculturist finds himself to-day for no fault of his own and owing to forces over which he has practically no control. It is consequently imperative to devise and adopt adequate measures of relief. But it is regrettable that the Government of India except in the case of wheat and one or two minor items, probably cotton seeds and groundnuts and one or two other small items, have remained apathetic and indifferent towards the entire question of relief to agricultural interests. When the question of industrial advancement is under consideration and we demand protective measures, we are told by the Government and by our friends in the British commercial community that India is a

predominantly agricultural country and must concentrate on agricultural development. If we start any industrial enterprise which happens to conflict with alien vested interests, those interests raise the cry of "back to the land" and ask us to develop only our agricultural resources. But here we are in a position where even our agricultural industry is being hard hit by foreign competition and world depression and the Government do not see their way to safeguard the agricultural interests. We have all these years been asked to produce food grains and raw materials and rely on other nations and particularly England for the supply of finished products and manufactured goods. But if even our agriculture is to be ruined, we shall have nothing to fall back on and even Mr. Churchill and Lord Rothermere will not be able to sell goods to a resourceless India, from Lancashire or Birmingham. I know the Government will point to the Agricultural Commission and the Agricultural Research Council as evidence of their goodwill towards agricultural interests. But the establishment of the Research Council is even a more tardy and inadequate step for the development of agriculture than is the establishment of "Dufferin" as a step for promoting an Indian Mercantile Marine. It is therefore all the more necessary for the Government to take immediate measures of relief when agriculture is in the grip of a grave and abnormal depression.

The resolution before you suggests several methods of affording relief to the agricultural interests. I do not wish to deal here to-day with the question of revising the land revenue policy of the Government, because land revenue is a provincial subject and it is more appropriate to tackle it in the different provinces according to their peculiar conditions. As regards the method of prohibiting all such agricultural produce as is grown in the country, the principle has only recently been accepted by the Government of India in the case of wheat. If I had the powers of persuasion and pressure which were so successful in inducing the Government to adopt the reduction of railway rates on wheat and impose an import duty on wheat, I would utilise them in the case of other commodities and other provinces. The forces working in this instance were so persuasive and powerful that they were able to alter the whole view-point of the Government of India, the arguments and perhaps even the figures of the Central Government, so that what would have otherwise appeared to the Government a revolutionary measure introducing a new principle appeared a plain businesslike proposition and the menace of a deficit disappeared in the air. I wish

however the Government were similarly accommodating in other respects also and trust they will see their way to adopt a similar policy whenever necessary in order to protect agricultural interests.

The most important method of relief suggested in the resolution is by reduction in railway rates of freights. The railway rates are generally the same to-day as they were fifteen months back and with the enormous slump in prices their incidence on the present cost of agricultural produce is very heavy. I need not point out that railway rates constitute a kind of tax on the commodities transported and it is not equitable that such low-priced agricultural produce as rice, wheat, grains, etc., which are in most cases necessities of life should bear such a heavy burden. It is therefore necessary to reduce the railway freights on agricultural produce in order to give relief to the agriculturists who form the vast majority of the population of this country. The reduction to be effected, if it is to be useful, should not be small but must be really substantial, say about 45 to 50 per cent. on almost all agricultural produce in the country. This might appear drastic but as the fall in relative prices is nearly equivalent to the reduction I have suggested and in order to be really effective so as to cope with this fall, the reductions should also be large. Moreover, the Government have themselves accepted the principle by reducing the freight rate on wheat by 50 per cent. Besides, the entire benefit of such reduction will pass on to the cultivator who will gain not only on produce directly exported but on the entire produce since export prices determine the internal prices of the commodities. According to the figures of 1928-29,—later figures have not been available to me from Railway Administration Reports,—this reduction of about 50 per cent would amount approximately to between 10½ crores and 11 crores of rupees but the total saving to the agricultural community would be many times more. In calculating the probable reduction, however, I have not taken into account the likely increase in traffic due to reduction in rates which is a recognised maxim of the economics of transport and has been more than once proved in practice. I feel certain that the reduction in rates will stimulate traffic and the actual deficit of the Government might turn out to be somewhat less than anticipated. As the distress is very acute and widespread, I would suggest that the proposed reduction should be effected at the latest by next August or September, when the agriculturist begins to think of moving or selling his crops, also because there might be some

technical difficulties as regards giving notice to the various interests concerned including the Company-managed Railways or other technical difficulties.

I do not deny that there might be some practical difficulties in working out a general policy of reduction in freight rates. But I do not for a moment consider that such difficulties are insuperable, once the Government decide to adopt such a programme of relief. If they agree to the fundamental principle, the details regarding the actual working out of the policy could be settled in consultation with the Indian commercial community. It might be asked how the deficit so caused is intended to be met? I think the proper time to put that question will be when the Government express their desire that they are prepared to afford this relief by this particular method. Then, I presume, the Federation will be very glad to sit together with the Government and go into the details as to how the deficit so caused in the railway undertaking can be met or substitutes found.

With these words, Gentlemen, I commend my Resolution for your unanimous acceptance.

The Chairman: Gentlemen, before I call upon Mr. Sarker to second the Resolution, may I suggest that, as we have got three Resolutions to-day to dispose off and have got about 15 speakers, I would suggest with your approval that the Mover should not take more than 12 minutes, the seconder not more than 7 or 8 minutes and the supporter not more than 5 minutes. If this was done, I think we will be able to dispose off our work within the specified time. May I inquire if that suggestion meets with your approval?

The House agreed to the suggestion.

Mr. Nalini Ranjan Sarker (Bengal National Chamber of Commerce): Sir, I rise to second the Resolution which has been so ably moved by our esteemed friend, Mr. Walchand Hirachand. I do not think I should take much of your time by entering into the minutest details regarding the incidence of the present acute depression brought about by the severe fall in the prices of agricultural products. I should rather content myself by attempting to draw your attention to some salient facts, which will enable you to form a fairly accurate idea of the crisis in India in comparison with other countries. The extent of unemployment

in the industrial countries of Europe and America is often referred to as a proof that the economic situation in India is in a sense better than in other countries. But such a comparison, though it may be correct with reference to a particular aspect of the problem, cannot be applicable to Indian conditions. In agricultural countries like India the question of industrial unemployment is comparatively less important and does not constitute a true index to the intensity of the economic crisis but the situation is nevertheless extremely grave owing to the heavy decline in the purchasing power of the bulk of the people who are dependent on agriculture. It may be true that the present depression has affected almost all the countries of the world but it has particularly hit hard those countries which depend mostly on agricultural produce. When we remember that more than 72 per cent of our population are supported by agriculture and we also take into account the fact that the normal value of the export of our agricultural products exceeds 60 per cent of the value of our total export trade, the gravity of the situation becomes palpable. I may draw your attention for this purpose to the comparative price indices of various countries to show that the prices in India have declined more heavily than elsewhere in recent years. Between September 1929 and October 1930, the Calcutta Wholesale Price Index had fallen by 25 per cent. as compared with a decline of 17 per cent in the United Kingdom, 15 per cent in the U.S.A., 16 per cent in Canada and 20½ per cent in Australia. The percentage of the decline of prices in India will be found to be higher still if the index number be taken separately on the basis of exported and imported articles of this country. It will be observed from such separate estimates that the fall in prices of exported articles in December 1930 as compared with September 1929 was so high as 36 per cent against a decline of 16 per cent in the prices of imported articles. The comparison of these two separate index numbers will enable you to obtain an idea about the effect of the slump on Indian agricultural interests. It will be seen that while on the one hand the prices of agricultural products, which constitute the bulk of Indian exports, have seriously declined, far in excess of other countries, the agriculturists in India have suffered doubly on account of the comparatively higher prices of articles imported in this country to be consumed by the mass of cultivators. In fact, the net result of the price changes in recent years has been an alarming shrinkage of the purchasing power of the cultivators. This is amply borne out by a scrutiny of the price fluctuations of staple commodities like wheat, oilseeds, cotton and jute recording a decline of

47, 43, 53, and 50 per cent., respectively between September 1929 and March 1930, against a 36 per cent computed on the prices of all kinds of exported articles taken together. The index of prices alone, recording as they do an alarming fall of the purchasing power of the agriculturists, probably does not sufficiently reveal the woes and miseries of the hapless cultivators. For that I may refer to the depressed condition of the jute trade in Bengal to give you some idea of the terrible consequences of the present slump. I presume you are aware that this single crop in the province constitutes the strongest economic support of the Bengal peasantry who rely on the annual sale proceeds of the particular crop to meet their revenue demands, their daily expenses as also the payment of the interest charges on their accumulated debt. It may even be true to say that this particular crop alone as determining the economic condition of the cultivators, affects indirectly the economic life of even the bulk of the non-agricultural population of the province including those belonging to the commercial community and learned professions like law and medicine.

Even if it be conceded that the present economic plight in India has been to a large extent caused by world depression, it must be emphasised that this distress is also due to some factors of an absolutely local character, namely the disorganised condition of the cultivators in India, and the apathy of the Government towards the interests of the agriculturists. While in other countries, particularly in the U. S. A., Canada and Brazil, the Governments have adopted special measures to mitigate the effects of the slump, the Government in this country have persistently maintained an attitude of hesitancy and a policy of indecision regarding the course of action they should follow to find a solution of the problem facing them. They have even sought to justify their inaction on the ground that the measures adopted in other countries and particularly the schemes of restriction were not crowned with success and that similar experiments in this country might prove disastrous. Whatever may be the case with other commodities, I am confident that the adoption of a scheme of restriction at least in the case of jute might have justified itself on account of some special considerations. The monopoly condition of the supply of jute, the comparative inelasticity of demand, the short range of variations in the yield per acre and the variability of the acreage under jute for growing alternate crops, constitute a unique combination of the conditions which are essential for the success of a restriction scheme. I have elaborately

dwelt on these points on several occasions and I need not repeat them here. The Honourable the Finance Member of the Government of India is in possession of all facts relating thereto. But the appeals made on this score to the Central as well as the Provincial Governments for initiating a scheme of restriction with necessary financial help, enabling the cultivators to hold on their stock of jute, have so far gone unheeded.

In the absence of any Government support the producers were far too disorganised and helpless to be able to protect themselves by exercising any control over supply. The impecunious condition of the cultivators, their heavy demand for cash to meet their sundry demands as well as the lack of any financial facilities made it impossible for them to strike a good bargain with the organised groups of buyers consisting of the formidable and resourceful mills and shippers. Naturally the market was extremely demoralised and the fibre at some of the primary markets was sold at even less than half the cost of production.

To protect the cultivators from this woeful condition I proposed, as a permanent measure, the constitution of a body on the model of the Institute of the Permanent Defence of Coffee in Brazil providing facilities for marketing, warehousing, financing and movement of crops from the producing centres to the ports. Such facilities by enabling the cultivators to hold on their crop might prevent the heavy stocks of bumper years from unduly depressing prices. The Government have since proposed to set up a Central Jute Committee but they have sought only to vest it with certain innocuous functions connected primarily with research and dissemination of statistical intelligence.

Such half-hearted response to our insistent demands unmistakably points to the lack of a national economic policy. An attitude actuated by such a policy should, I feel sure, result in quick and effective measures. I have often thought that the periodical troubles like the present depression affecting in varying degrees the interests of various agricultural commodities even though they are sometimes the result of causes beyond the control of the Government, could nevertheless be mitigated to some extent at least, if the actions of the Government were always guided by what might be called 'National Economic Policy.' The demands embodied in the Resolution put before you are in consonance with such a policy which is absolutely necessary to save our agricultural interests at this critical moment.

With these observations, I accord my support to the Resolution.

The Chairman: Before I call upon Mr. Ramdas Pantulu to speak on this Resolution, I wish to say a few words about the various amendments which I have received on the Resolutions. I personally think that ordinarily no amendments should be moved at the eleventh hour. Before the Resolutions were put into the final shape, they were circulated to all the Member bodies and suggestions on these Resolutions were invited and after we received suggestions, the Committee again finally revised all the Resolutions in the light of those suggestions. I think that after sifting these Resolutions in such a manner, it would not be fair to this Federation at this eleventh hour that more amendments should be suggested. Therefore I would ask those gentlemen who have sent in notices of various amendments not to insist on their being moved. There is also another objection to these amendments. Some of these Resolutions are meant for the Government and the Honourable Members of the Government are expected to give their reply to the Resolutions which are sent to them long before we start discussion here. In fact some of Resolutions have to be sent long before the date of the session of the Federation and if we spring on the Government Members suddenly new amendments for which they are not ready, naturally they will object. It would not be fair to them that we should spring any new amendments at this stage and I hope the House will help me in seeing that no new amendments are insisted upon at this stage.

Mr. Sodhbans (Indian Chamber of Commerce, Lahore): Mr. Chairman, the amendment of which I have given notice is a very small amendment. Moreover the Resolution which was originally circulated to the Members was different from the one which has just now been placed before the House. The Resolution, in a quite different form, was circulated to us and the Resolution now placed in our hands is absolutely different. Therefore, I feel that I am justified in moving this amendment.

The Chairman: May I inform the Honourable Member that before the Resolutions were put in their final shape, they were sent to his constituency and we got no suggestions of the kind which Mr. Sodhbans is now suggesting. I do not think it is fair to other Members that you should on your own responsibility, without consulting other members of your constituency, suggest this amendment. It has not been suggested by your constituency.

Besides, the Resolution that we are now discussing relates to agricultural products, but you want to add after the word 'agriculture,' the words 'manufactured or otherwise.'

Mr. Sodhbans: May I speak only a few words on this amendment. After speaking, I will withdraw the amendment. As far as the Punjab is concerned, my amendment is absolutely necessary, and therefore I suggest that the words I have mentioned should be put in.

The Chairman: I am afraid I cannot accept this amendment because that alters the whole sense of the Resolution. We are discussing agricultural products, but you want to add after 'agricultural products,' the words 'manufactured or otherwise.' That alters the whole sense of the Resolution. We are discussing about agricultural products and not about manufactured products. So I hope Mr. Sodhbans will not insist on his amendment. In any case, I am not prepared to accept this amendment.

Mr. Sidhwa: I rise to a point of order. You, Mr. Chairman, have given a particular decision on a matter of grave importance. You have barred this amendment. I should like to know whether you intend barring all other amendments on other Resolutions as well. As far as I understand, it is the prerogative of every Member of the Federation to submit any amendments he likes when he has to vote on the Resolutions that are placed before us for consideration. If you shut out all amendments, I feel that you will be creating a very bad precedent.

The Chairman: I will have to consider every amendment on its own merits. I am not prepared to say whether I will accept any amendment or not in future. I will have to consider every amendment on its own merits before I allow it. But generally, I should not like to accept any new amendment.

Mr. Sidhwa: May I ask you, Mr. Chairman, under what rule of the Constitution you propose to shut out amendments. As far as the ordinary constitution of the Federation goes, I understand that any amendment is allowed to the Resolution that comes before the Federation for its consideration. It is up to this House to accept the amendment or to reject it. But you now rule that you would not like to accept any amendment. I should like to know under what rule you are thus absolutely shutting out all amendments.

The Chairman: I may assure you, Mr. Sidhwa that every amendment will be considered on its own merits. But when an

amendment is put forward, just as the present one, which is absolutely against the sense of the Resolution itself, then certainly I would not accept it. Then, there might be other considerations for ruling out an amendment. If you want to help the Chair, you must be content to accept the ruling that the Chair has given that no amendments should be accepted. Otherwise it would be impossible for the House to carry on all the business which is set down in the agenda. We have to finish our business in three days. We had nearly 80 Resolutions and out of them we have sifted eight Resolutions. If larger number of amendments are moved to any of these Resolutions, then I am afraid, we will have to continue our session like the Legislative Assembly, may be till the end of June or July. I do not think any of you would like such a prospect. I think let us proceed with our work.

Mr. V. Ramdas Pantulu (Southern India Chamber of Commerce): Mr. President, and Brother Delegates, in the short time that is allowed to me, I shall confine my remarks entirely to clause (e) of the Resolution which runs as follows:

"The Federation further urges upon the Government of India the necessity of revising the Land Revenue Policy with a view to afford adequate relief to agriculturists in case of such unprecedented slump in prices."

The Mover of the Resolution has pointed out that land revenue is now a provincial subject, though not a transferred subject and that it rested with the provinces to take action. But in doing so, I am afraid he lost sight of a very important factor, namely the place which the Government of India takes in shaping land revenue policy of India as a whole. The members of this House are aware that land revenue is the only tax which is levied by the executive in this country without the sanction of the legislature, and it is most unprecedented in a system of taxation. This grave defect in the Indian land revenue system was prominently brought out by the Joint Parliamentary Committee more than a decade ago and that Committee recommended to the Government of India and to the Provincial Governments to place the Land Revenue system on a legislative basis in this country. Though 12 years have elapsed since that recommendation was made only two or three Provinces have passed legislation dealing with land revenue. From my Province, I understand two Bills were sent and the Government of India did not see their way to give their sanction to the introduction of either of those two Bills in the Provincial legislatures. Therefore a very heavy and grave responsibility rests on the shoulders of the Government of India in this matter

... feel that the framers of the Resolution have worded it correctly in asking the Government of India to revise their land revenue policy. Therefore, it is more the centre that is responsible, I understand, than the Provinces for the perpetuation of the chaos in the land revenue system of this country. 53 per cent of land in this country is held directly under the Government under the raiyatwari settlement and about 47 per cent is held under the landholders. Therefore Government is the biggest landholder in this country and it levies its land revenue as a rack-renting landlord does, having an eye on the enhancement of his rent at each settlement. For a long time we were assured that the Settlement Officers who conduct these operations were actuated entirely by motives operating in the interests of the poor agriculturists of this country for whom the Government of India always profess the greatest love, and we were told that any non-official criticism of it was entirely ill-informed, baseless and utterly unworthy even of consideration. But in more than one province it has now been demonstrated to the hilt that the settlement officers, however sound their hearts may be, are not infallible men. At the time of the Bardoli no-tax campaign the people were assured that the taxes were absolutely justifiable, that the economic position of the cultivator was so good that he could bear the burden, and that the agitation was due to misguided political fanatics. But an impartial committee set up by the Government of Bombay itself showed that these allegations were not true, and the report of that committee which is now available shows that the settlement officer is not an infallible person and that the Government's data regarding the economic position of the ryot and his capacity to bear the burden are not the last words on the subject. In my own province the two important deltaic districts which give the largest revenue to the Madras Government, the two Godavaris and the Kistna districts were under resettlement recently, and in what is called the Scheme Report of the Settlement Officer it was shown what enhancement the people can bear. An economic survey of the districts was made, and the indebtedness and other conditions of the ryots were ascertained by the Settlement Officers in that connection. Their data were challenged very emphatically and vehemently by people who knew the conditions of the districts; the representatives of the districts in the Local Legislature brought up the subject before the Council. The Government set up a non-official committee to go into it; it was presided over by an ex-Minister and a distinguished Engineer and a Government pensioner, Diwan Bahadur Arogyaswami Mudaliar. He with six colleagues of his in the Council made an exhaustive

inquiry and disproved many facts which the Scheme Report contained. That is before the Legislative Council now and I suppose it will come up very soon for examination. The times are now gone by when the reports of settlement officers were considered to be sacrosanct and the last words on the capacity of the people to bear enhanced taxation. Therefore I think this executive action of levying at each settlement what the Government likes from the people must cease, and the Government of India must bear its full responsibility for having held up legislative schemes to regulate levy of land revenue for a decade, which the Joint Parliamentary Committee very strongly recommended for immediate action by Government.

There are just one or two other matters to which I would like to refer before I sit down. The method of levying the land revenue in this country is very inelastic and it takes no note of the vicissitudes of the seasons or the agriculturists' distress. No doubt in some places some remissions are given on the recommendations of the local officers but there is nothing like a regular policy in this matter. In Madras, for instance, our chief money crops, ground-nut and cotton, are down by 50 per cent in prices and rice and tobacco by 40 per cent, and therefore the agriculturist has nothing to pay the land revenue from. The cost of production is I think just as much as, if not a little more than, the price which these products now fetch, and therefore he has nothing left. I myself have gone to some localities to collect the dues of the Co-operative Central Banks. I was told, "Sir, we are prepared to give our produce to you; you ask your men to take the produce, store it and sell it when they like. We cannot pay any money." Co-operative Societies have taken cocoa-nuts in Godavari districts and ground-nuts in Anantapur district. They have stored and sold them and credited the price towards the loans. I am not asking Government now to revise its cash rent policy and take revenue in kind instead of in cash, but I am asking them to consider the great hardships of the agriculturists in being asked to pay land revenue which was assessed under conditions which were wholly different from those that prevail to-day. Any Government which has got the good of the agriculturists at heart ought to make some adjustment in these matters.

There is one other thing which the Government can do. It fixes its instalments in such a way as to oblige the agriculturists to dump their produce on the market all at the same time and thus there is a natural tendency to bring down the prices.

Therefore there must be, as the Punjab Banking Inquiry Committee has suggested, some elasticity in spreading over the instalments in such a way as not to compel the agriculturists to dump their produce all at once on the market. There are various other ways in which the Government can help the agriculturists if they wish to, and I hope a Resolution of this House will induce them to look into the matter more sympathetically than they have hitherto done.

There is just one other matter which I will deal with. With regard to the many facilities which Mr. Walchand Hirachand has rightly asked for, there are one or two which I would also mention. Very often it is said that the agricultural industry should be supplemented by some subsidiary industries and the agriculturist must be made to earn something more than what he can get from the land. But unless the present Government policy and the Railway policy are also changed, there is hardly any scope for agriculturists earning anything by subsidiary occupations. Take oil-milling for instance. I do not know how it is in other parts, but in my own province the freight for sending oil seeds like ground-nuts and castor seeds, etc., to ports like Calicut, Cuddalore and Madras and other places are much cheaper in order to encourage their export outside India than they are for movement in the interior. Therefore oil-milling is distinctly discouraged by differential freights which are more favourable to export than for internal consumption. Then you ask the agriculturist to improve his dairy industry. How can he do it when vegetable ghee and other hydrogenated oils and milk products which replace the dairy products of India are allowed to be imported into India almost without any restriction and with great facility? Therefore some of these things have got to be changed before the poor agriculturist is told that he is not enterprising enough and does not take up other occupations. It is physically impossible for him to do so; and I can assert it with some amount of knowledge because I am myself a humble worker in the villages. Most of the difficulties are due to the tariff policy of Government and the Railway and land revenue policies. I hope all these things will be attended to, and the British Government which may soon have to give place to an Indian Government will do something for the poor agriculturists before it quits. With these words I support the Resolution.

Mr. K. L. Gauba (Indian Chamber of Commerce, Lahore):
Mr. President, we have had speeches in eloquent terms as regards various aspects of industrial life in this country. We have had in

eloquent terms an expression of the necessity of Government's looking into matters of shipping, currency, exchange and the constitution. The Resolution before the House now asks for a fair deal to agriculture and to those other matters which are associated with agriculture. We have heard a great deal regarding the trade depression in this country, and we ask ourselves what this state of depression is due to. It may be the result of a reflex of world conditions: it may be the result of abnormal conditions in this country: it may be the result of the movement that was started a year ago. It may be due on the other hand to the wrong economic policy of Government. Sir, we have yet to hear something about the question of currency and exchange which affects vitally the whole economic fabric. This will be discussed in detail to-morrow, but from the layman's point of view the difference between 1s. 4d. and 1s. 6d. makes a difference of 12½ per cent to the agriculturist who wants to export. Last year when wheat prices were slumping from March to June from Rs. 3-8 to Re. 1-8 what was the Commerce Department of the Government of India doing? They only thought of the railway freights, when their revenue did not come in as was expected. When the money that they had budgeted for did not come in, they adopted the frantic remedy of reducing the freight to Karachi. They were informed at that time or very soon after that by merely reducing the freight to Karachi and without considering other matters involved in the question, such as the flour mills and so on, it would rather complicate matters than improve them. This forecast came true. Prices went down instead of going up. Government then reduced the freight to Calcutta. Here again it was on wheat alone. They were informed that the flour mills would be ruined by these devices. When one approached the Punjab Government one was told that it was the Government of India. When one approached the Railway Board one was told that it was a matter for the individual Railway administrations. The Railway administrations referred to the Commerce Member; the Commerce Department said, as all Government departments are wont to say, that the matter would receive the best consideration. So the thing went round, I suppose; the various representations we made are still meandering round the various departments of the Government, eventually I suppose, to be lost in the seas of oblivion. Now, Sir, Government have imposed a duty on imported wheat. Six months ago when Government were told that this was the logical remedy for the situation we were told that it was unthinkable. Why? Because it would intrude upon the sacred domains of Imperial Preference. What has happened to Imperial Preference

now? It has gone by the board in favour of the spending departments. In a sense Imperial Preference still exercises its preferences.

Under the new duties Government have exempted the contracts made up to the 1st March but not up to date of the introduction of the duty. Who knows how many hundreds and thousands of tons of bogus contracts have been contracted for in the last fortnight? Is there any prospect of prices improving in the next six months? I am afraid for many months we shall not see an improvement in the price level. Sir, last year when various importers in this country brought in foreign gur to take the place of the ordinary gur, their contracts were not excluded. The gur I need hardly say did not come from one of His Majesty's dominions, otherwise it might have been favoured by Imperial Preference. But they have excluded these Australian contracts. Here again is the principle of helping Australia at the expense of the Indian agriculturist. The Indian agriculturist only comes in when it is a question of revenue. Sir, I will not say very much in the few minutes at my disposal but I say just this that the prosperity of this country depends on the prosperity of the agriculturists who form the majority of the people. Unless they are in a position to meet the cost of production of their articles and have money to spare, there is no getting over the trade depression in spite of all devices that you may adopt. The Resolution before the House is a mild expression of what the agriculturist wants and I hope that the Government of India will seriously consider these matters, and in seriously considering these matters they will also consider those other allied industries which have so important a bearing on the agricultural industry.

Mr. Ratilal M. Gandhi (Grain Merchants' Association and Seeds Traders' Association, Bombay): Mr. President and Gentlemen,—I rise to support the Resolution, the subject-matter of which has been very ably and exhaustively dealt with by Seth Walchand Hirachand as well as the other speakers and I have very little to add; but as I am on my legs I cannot resist the temptation of saying a few words on the question of agricultural distress. It is an acknowledged fact that the rapid and unprecedented fall in the prices of agricultural produce has had very serious repercussions on the economic life of the country and has brought to the fore grave issues, which demand our very serious and urgent consideration. In order that we may appreciate precisely the enormous extent of the fall in the level of prices of such raw commodities as cotton, jute, rice, wheat, grain and oil seeds, I think

we should better refer to the figures presented by Government in their review of certain main items of trade during the calendar year 1930, circulated along with the recent budget estimates, and as a reference has been made to the percentages by the Mover as well as by Mr. Sarker, I do not think I need quote the figures over again.

With regard to this question of agricultural distress you are aware that the Indian Central Cotton Committee has made out a case for cotton, that at the ruling price of cotton the cultivation of cotton is an uneconomic problem, and I may say that the same is the case with all the other kinds of produce. This state of affairs is very alarming and the situation is equally perplexing. In the face of all this it was the duty of the Government to take bold, efficient and effective measures as suggested in the resolution to mitigate the distress of the great mass of the population.

In the first place out of sheer justice, if not for rendering any help, the freight rates charged by our railways should have been considerably reduced. It is the underlying principle—as you know—of transport economics that the rates charged for the transport of commodities must bear a proper proportion to the value of the commodity. Though this principle has been acknowledged by those who are responsible for fixing the freight rates on our Railways, yet the comparative percentages of freight rates to the value of the commodities make very sorry reading, and give us a clue as to why in India not only the agriculturist but also the railways do not prosper. I may here quote the figures in respect of the percentage of freight on a few varieties of oil-seeds. For an ordinary distance and at ordinary prices, the percentage in the case of ground-nuts was 16 per cent before; now it is 31 per cent. Similarly in the case of linseed it was 8 per cent, now it is 18 per cent or more than double. In castor seeds, it was 14 per cent and now it is 20 per cent and so forth. The logical result of this state of affairs is that the agriculturist has to pay for railway rates a substantial portion of the price realised, which itself is not sufficient to meet the cost of production.

Gentlemen, I need not refer here to the important demands of the mercantile community for the reduction in railway freight charges. Any one who has followed the trend of replies given by the Government to the mercantile bodies, as also to the members of the legislature, will be struck with the immobility of the departments concerned. No doubt, the solitary exception in the case of

wheat is welcome for what it is worth. In this connection I would draw attention to the speech of the Railway Member in the Legislative Assembly at the time of introducing the Railway Budget. In paras 24, 25 and 26 Sir George Rainy has referred to this question. But the arguments that he advances carry no conviction. Unfortunately the powers that be are continuing to administer our transport system on the lines of individualist enterprises, which look only to the present gain and loss, regardless of the benefit to the general community.

With regard to the need for stopping effectively the imports of wheat and rice, I think I need not take much of your time. The Wheat Import Bill is passed, which levies a prohibitive duty, but the proviso to it nullifies the object aimed at. With regard to rice, a new danger seems ahead as Japanese rice has begun to be imported and we must realise before it is too late its danger and therefore serious consideration must be given to this problem from now.

With regard to the last portion of the resolution I may first refer to the announcement made by the acting Governor of the U. P. to the effect that the U. P. Government will revert back to the price level of 1916 and adjust land revenue demand in conformity with it. While welcoming this decision so far as it goes, I must observe that the question of the pitch of assessment and remission of land tax is not going to be completely solved by a mere variation in the price level. The question has to be judged from a far broader standard and unless the Government bid good-bye to some of their old pet theories of land-tax and antiquated systems of taxation, the peasantry of the country is not going to reap any advantage out of it in the long run. Justice demands remission of land revenue as an immediate relief; and the need for a permanent reduction in the land revenue in the changed economic conditions of the country is obvious. Let us therefore hope that the Government will give immediate effect to the recommendations of the resolution and thus give relief to the rural classes. With these words, Gentlemen, I support the resolution.

Mr. Behram N. Karanjia (Indian Merchants' Chamber, Bombay): Mr. President and Brother Delegates,—The Resolution which is assigned to me for being supported relates to agricultural produce, particularly the abnormal depression which is prevalent throughout the world in the prices of the same. This problem of low prices of agricultural produce is not now confined

to one country or two or three countries, but extends practically to all the countries in the world. The articles involved are: wheat, cotton, seeds, jute, etc.,—all the principal staple agricultural products. The Resolution proposes only one definite course of action, viz., reduction in railway freight, though it must be remembered that the problem itself of the abnormally low prices involves issues over and above this question of railway freight and concerns problems of currency also. The best minds in the different countries are at present devoted to a solution of this fundamental issue, viz., the abnormal depression in prices, and it is no wonder that the Federation also has taken up this question on its Agenda. Professor Gregory of the University of London, writing recently on the question of "Price level and the Rate of interest," observes that two entirely different methods of explanation are available regarding this problem: one group composed perhaps more largely of businessmen and financial journalists would ascribe the situation to overproduction, while the second group composed more largely of economists would explain the situation in terms primarily of monetary policy. With regard to the latter aspect, several economists are of opinion that the world shortage of gold accentuated by the policy followed by the United States of America and France has led to the fall in prices, while some, like Prof. Gregory, would ascribe it to the credit policy. It is argued that if the price level, particularly the level of wholesale prices, had been kept steady, the present difficulties would not have arisen, because the necessity for adjusting money wages to falling wholesale prices would not have arisen. The problem is also largely affected by the silver position in the world. All the countries, excepting only two or three, have now adopted a Gold Standard and have curtailed their use of silver even for subsidiary coins. The position of China and India, which are the principal silver using countries, has therefore gone extremely bad, and the economic crisis through which they have been passing is in no small measure due to the crash in silver which has fallen down from about 52d. per oz. to 13d. per oz. There is a special Resolution on Silver at this Session, but I should like to emphasise that we in India particularly cannot afford to ignore the importance of silver question. No one can suggest as to what should be done to restore the position of silver or to eliminate the economic evils which have arisen in the world as a consequence of the fall in the price of silver. It is the work not of individuals but of a Conference, and it is very desirable that the Government of India should move for such a Conference which can go into all these

questions regarding silver and, if need be, fix a ratio between gold and silver. The problem of low prices is further accentuated in India by the wrong policy pursued by Government with regard to the ratio of the Rupee to Gold, sales of silver and contraction of currency. The fall in prices therefore, in India may be ascribed to world causes and Indian causes. As a result of all these factors prices of agricultural products have crashed down, and it is our duty to see that our agriculturists are saved from the situation which has arisen. The peculiar economics which are favoured by the Powers-that-be and the non-Indian vested interests have always given an undue importance to the so-called interests of consumers. Whenever any question of protection of an industry or agriculture comes up, these interests of consumers are trotted forward as an excuse for protesting against such measures. As a matter of fact, it is the producers whose interests are to be counted the most and in a country like India where agriculturists number 70 to 80 per cent. of the population, it is but just and fair that their interests should count above all other questions and interests. Agriculturists have been the victims of a vicious circle. While on the one hand the prices of their commodities have fallen to an abnormally low level on account of the world causes accentuated by local conditions, on the other their purchasing power has suffered acutely because of these very causes. Over and above these causes, however, there are factors which have gone a long way in bringing our agriculturists to a state of economic poverty and ruin, and I may be allowed to summarise some of these as under:—

- no new and improved methods of agriculture;
- no Government aid;
- no proper method of marketing;
- no improved and scientific method of manuring;
- no protection from wild birds, animals and insects; largely due to want of scientific propaganda and operations of the Arms Act;
- no proper education suited to the sons of the soil;
- no banking facilities;
- heavy indebtedness; etc., etc.

When after years of passing through such conditions the agriculturists are suddenly confronted with the present low prices, they naturally succumb at once, having neither the stamina nor the staying power which can keep up the agriculturists in other countries which are passing through almost a similar situation. Suggestions were made to Government by the Indian Central

Cotton Committee and other bodies to take immediate measures for the relief of agriculturists; but on one excuse or another Government adopted merely a laissez faire policy and did not take initiative as was done in other countries. It must also be remembered that the present problem is not merely concerned with the factors I have already mentioned, but there are also sociological factors which need to be taken into account. The trend of the world's fashions is changing and also the world's necessities of life. It is said that in Europe people are taking less to cereals and taking more of wheat and butter, vegetables and eggs. Such changes cannot but affect the agriculturists in this country, as India is not now a unit by itself but is intimately connected with the rest of the world. Mr. Loveday, Head of the Economic Intelligence Service of the League of Nations, in a recent article of his styled "Quo vadimus," makes the following observations with regard to these changes: "The social changes which we have been considering have affected agriculture more adversely than they have affected industry. There has been a shift in relative demand from the major agricultural products of temperate zones—and a simultaneous mechanisation of agriculture in the most productive regions." A constant and vigilant attention has, therefore, to be devoted to all these questions so that the interests of agriculturists may not be sacrificed. One thing which the Federation at present considers essential for giving relief to the agriculturists is a reduction in the freight rates for agricultural products. Government reduced the freight rate for wheat from Lahore to Karachi and Lahore to Calcutta, and by the recent Wheat Bill imposed a prohibitive duty on the imports of wheat from foreign countries, specially Australia; but much more remains to be done. Freights from different agricultural districts to the ports as also between agricultural districts and main centres of consumption lead one to the conclusion that these rates are in some cases almost as big as the prices of the commodities themselves. No wonder then that the agriculturist finds himself in the unenviable position of being unable to sell his products unless it be at a rate which does not give him even the cost of production. The large amount of agrarian distress in the land and the campaign for the non-payment of taxes, which was started in some districts, were not due to merely political causes, but also to these low rates for agricultural products which left to the agriculturist practically nothing for all his labours and the labours of his family. This is not an unimportant question; it is rather a question of questions, and I should make a strong appeal not only to the commercial community but also to Government to

take it up in right earnest and view it from a comprehensive point of view. I hope I shall not be considered a pessimist if I say that the failure of Government and the people to solve this question will result in dire agrarian distress and consequently a strong agrarian discontent which will fan itself into a fire, even if there is a political settlement, unless steps are taken, and taken immediately, to cope with it. The farmers, who are the salt of the country, do not understand about the world shortage of gold and the credit policy. What they understand is rates which would give them enough for their labours and sufficient for their maintenance, and it behoves those who are interested in the steady progress of this country to see that any impediments in the way of these agriculturists getting their due are removed as soon as possible.

Mr. Kishen Prasad (Marwari Chamber of Commerce, Bombay), in further supporting the Resolution, said:—

Mr. President and Brother Delegates, I have great pleasure in supporting this Resolution. The first part of it deals with the acute depression in the prices of agricultural products. I will just give you one or two instances to show how this depression has affected the trading community. Last year in Northern India the price of wheat declined to Re. 1-8 or Re. 1-10 per Bengal Maund of 82 lbs. and the price of cotton seed went as low as 10 annas per Bengal maund of 82 lbs., and some factory owners were actually burning wheat as well as cotton seed in their boilers in place of wood as fuel. How acute has been the depression will be evident from this one instance. And what has been the state of the agriculturists who have been getting such low prices for their products? The Resolution which is put before you is worded in very mild terms. It suggests three remedies, but there is a fourth remedy, which is equally important, but which has not been mentioned by any of the previous speakers, and it is this, that in this Resolution no mention has been made of the Exchange ratio. Ever since the introduction of 1s. 6d. ratio, the prices of our agricultural products have gone down considerably, with the result that our agriculturists have been losing very heavily. Of course, I do not desire to deal with the exchange and currency policy on this question, because a separate Resolution dealing with the whole question has been framed, but all the same, I would merely mention that the exchange policy adopted by the Government has dealt a death blow to the agriculturists.

The three remedies suggested in the Resolution are (1) reduction of railway freight. Now, freights on wheat have been reduced

to a certain extent, but there is no reason why the railway freight on all other agricultural products should not be decreased, and why wheat alone should have been selected for purpose of reduction in freight. Since the war, the railway freight on cotton to Bombay has been increased from 100 to 150 per cent, and no decrease has taken place since the war is over. The fares on passenger traffic has also been considerably decreased since the war is over, but one cannot understand as to why the railway freight on agricultural products has not been decreased since then. Certainly the agriculturists want a substantial relief at this juncture, and I appeal to the Government to see that they make a substantial reduction in railway freights on all agricultural products and not merely on wheat.

Then the second remedy suggested in the Resolution is about the imposition of an import duty. This I say is only a temporary remedy, and I do not want to speak at great length on this aspect of the question.

Then there is also the third remedy which suggests that there should be a substantial reduction in the land revenue as a permanent measure. I think, Sir, that unless both the land revenue and railway freights on all agricultural products are substantially reduced, I do not think the agriculturists will find any relief by all these slipshod and temporary measures which have been suggested. With these words, Sir, I support the Resolution which is now placed before you.

The Chairman: Gentlemen, with your permission, may I request the Hon'ble Sir George Rainy to make a few observations?

The Hon'ble Sir George Rainy (Commerce Member to the Government of India), said:—

* Mr. President and Gentlemen, I should like to begin by thanking the Federation very cordially for the invitation they extended to me to be here to-day and to take part in your discussions. I should like further to thank the Committee of the Federation very specially for the special concession they made by agreeing to take up the three Resolutions in which I am interested this afternoon. I had to make that request because I am leaving Delhi to-morrow evening to go on leave, and as I daresay

* Speech not corrected.

you know that sometimes there is accumulation of work at the end of the legislative session, and I have had to try and get through in these seven days between the end of the session and my departure all work which might normally have been spread over three or four weeks. I am very grateful, therefore, to the Committee for agreeing to do what I asked.

I would also like to thank the President for what he said at the beginning of the proceedings, and if I had to wait a little before the beginning of these things, it was only a pleasure deferred.

Now, Mr. President, I wish to speak briefly, and as my Honourable colleague the Member for Education, Health and Lands is here, he naturally will deal with the subject of the land revenue policy, and I shall have nothing to say about that.

I should like to begin by referring to the brief list of agricultural products which, I think, occurs in the first clause of the Resolution. Now, one of the products mentioned is jute. As far as I can judge, whatever may be said about other products, a reduction in railway freight would be no cure for the troubles from which the jute cultivator is suffering at present. It is not only the fact that the great bulk of the jute reaches Calcutta not by railway but by country boats or by inland steamer, so that it is not the railway that sets the pace, but in addition to that, in the export markets of the world, jute is not exposed to competition from other countries as the other main staple crops are. The main trouble about jute at present is just this absence of demand. Although the price has been a great deal lower than it has been for a very long time past, still there is this absence of demand, and I am afraid that a reduction in railway freight, so far as jute is concerned, would really do practically nothing at all. I mention that just to get it out of the way.

There is another preliminary point I should like to touch upon, and that is the proposal that as we put a duty on wheat, we should also put a duty on rice or prohibit its importation. Now, I should like to explain why we felt justified in putting the duty on wheat. I mentioned it when I spoke in the Assembly on the subject, and the reason is this, that for the time being Indian wheat ceased to be exported and the price had got out of parity with the world level of prices. That made it possible by imposing the duty not immediately to raise prices, but to throw the market

open to Indian wheat, but I said when I was speaking in the Assembly that so long as a crop is being exported, so long as it is going freely abroad at the world level of prices, then an import duty is very nearly nugatory, because the mere fact that wheat is being freely exported almost necessarily implies that only small quantities can be imported, and so far that is the position to-day.

Then as regards rice, so far as I have seen the figures, the quantities that have been imported during the last twelve months are very small indeed and they form a very small percentage of the total, whereas the export trade from Burma is a very large proportion of the total production of the produce. In addition, I would like to remind the Federation that we have an export duty on rice at present, and I think every Member of the Government of India would agree that it was with great regret that they did not find it possible to propose a reduction in the rate of that duty this year. It was reduced by about a quarter last year, and we should have been very glad if it had been possible to make a further reduction this year, but I think every one would agree that there would be a certain anomaly if on the same commodity and at the same time you had an export duty and an import duty. I mention that as a point for consideration, because the case of rice is by no means on all fours with that of wheat.

Now, I come to the question of the reduction of railway freight, —and here I should like to be brief considering the very great moderation of all who have spoken and their demands upon time,— I come to the question of the reduction of railway freights and the other great agricultural products, and I think these for practical purposes may be narrowed down to (1) wheat and other food grains, (2) oil seeds and cotton which perhaps in some ways comes the third. Now, the first thing I want to say is this. My friend, Mr. Walchand Hirachand, said that if we reduced our rates by 50 per cent, then we might look to substantial increase in traffic which would to a large extent compensate us for the reduction. I want to say at once that where we can foresee that the reduction will be followed by a compensating increase in traffic, then purely as a commercial concern it is perfectly good business to do it. Our difficulty is this, that we do not see, and we have not been able to see in more than a few cases, that that result was likely to follow. When we reduced the freight on wheat to Karachi,—and I believe the reduction was very nearly 50 per cent,—we certainly hoped that it would lead to a re-opening of the export trade.

(A delegate): You reduced the freight on wheat very late.

Sir George Rainy: I would just like to point out to my friend that it was during the first six months of the years that wheat was moving out in quite substantial quantities, and in November we certainly hoped that the reduction in freight would make the difference. I believe it did make a difference in enabling the Indian wheat to find its way into the Bombay market, but unfortunately we were disappointed as regards the export trade, and I am afraid that with prices at their present level in India and in the world generally, any reduction of freight to Karachi could re-open the export trade to-day. If there was, then as I say, as a business proposition, it would be a perfectly sound thing for the railways to make the reduction.

Similarly, as regards oilseeds, as I tried to explain in the Assembly, on the best information that we could get, we were advised that a reduction in freight was not likely to be followed by any increased movement of traffic. We actually tried that in the case of cotton seed and the result of that experiment confirmed the view that was put before us. Although there was an increase of traffic for 5 or 6 weeks, the prices dropped again and the traffic fell off to its former level.

Now, when I spoke in the Assembly in introducing the Railway budget, I said, speaking specially of cotton, that we regretted that we could not see our way to make a reduction at once, but we did propose to consider the question again in about six months' time and to see whether some reduction which would really be helpful to the trade would not be possible. Meanwhile, we are considering whether we could not in the interval have an enquiry made to bring out, as far as we can, the intermediate charges which the Indian agricultural produce has to bear between the cultivator and its overseas market, and to compare these charges as far as we can get the information with the charges on produce in some other countries. That would be the main point of the enquiry; there are one or two subsidiary points which I will not weary the Federation with. What we contemplate is not a prolonged enquiry, but a short enquiry lasting about three months to get as much information as we can about that during the period. If we can put through this, we ought to be in a better position next August when we come to reconsider the question.

Finally, there is one aspect of the case on which I must touch before I sit down. That, of course, is firstly the financial position of the railways as it is to-day, and secondly the financial position

as it would if we were to make the wholesale reduction contemplated by the mover of this resolution. I think probably all present to-day are acquainted in general with the figures, and they know how serious the financial position is. We have to take that into account because if we reduce the freights in order to confer relief upon the agricultural population, we have to consider at whose expense that relief would be given. My Honourable friend the mover of the resolution I know has a scheme in his head which he put before us in the Railway Department 5 or 6 months ago, namely, that you might compensate for a reduction in the freight on raw produce by an increase in the freight on manufactured articles. We examined that, but we did not find it practicable, the main reason being this, that when the railways are dependent on the agriculturist for a large proportion of the traffic not only in respect of what he produces but also in respect of what he purchases, and when one of the main features of the present situation is the fall in the purchasing power of the cultivator, it is exceedingly doubtful whether, if you raise the freight on the articles that he purchases, you will not get, instead of an increased revenue, a smaller revenue owing to his inability to pay high prices resulting from the higher railway freight. I do believe when exploring that matter now there are particular cases in which that would not apply, in which by an increase in freights, without injustice to anybody, you can get a higher revenue. But, undoubtedly, there is the difficulty and there is the danger to which I have alluded.

Finally, Mr. President, before I sit down, I should like to say this, that I agree with every one who has spoken as to the gravity, of the crisis with which we are faced and with the extreme importance of doing all we can for the relief of the cultivator in the extremely difficult and anxious position in which the present economic crisis has placed him. (Loud Cheers).

The Hon'ble Mian Sir Fazl-i-Husain (Member for Education, Health and Lands): Mr. President and Gentlemen, this is my first visit to the Federation, and I trust I may be allowed to express my gratification at having had this opportunity of attending the meeting and hearing the debate to which we have just listened. When I say that I have felt gratified, I have said so not in the usual customary manner of beginning a speech. As a matter of fact, I have been agreeably surprised and gratified inasmuch as the subject under discussion is one which has always attracted me. Like many a young man, after leaving my college, I felt very

much attracted to what in those days were called socialistic views: Although those socialistic tendencies were more or less kept under check by the legal training that I had received along with them, and further kept under check by my adopting the profession of law which kept me fairly busy, still whenever I was free, my fancy did roam in that direction. Later on, when I got an opportunity to give up my profession, I felt certain opportunities were opened to me to see what could be done in the matter of uplifting the rural people educationally and economically. I have spent some years in that direction, and in the beginning of my career a great deal of criticism was levelled at my views or policies inasmuch as it was considered that I was devoting too much thought to class interests rather than to general interests, the rural people being considered as a class as distinct from other classes. Those were the days of high prices, gentlemen, and the agricultural people, the rural people were very well off. All of us were well off, and nobody really felt called upon to sympathise with them or to think that they really deserved any sympathy or any help.

During the last two or three years, things have changed a great deal, and after the five or six years of good fortune in the rural areas, the present adversity is being felt by them all the more. Although during the first two years the other classes did not realise that the agricultural classes were very badly off, now their adversity has disseminated, probably the more correct word would be, has worked itself up to the people who are well off, and they are now realising that the adversity of the agriculturist must be the adversity of the country as well.

Expressions of opinions in this hall this afternoon by eminent commercial and industrial people have brought the agricultural and other classes closer together, (hear, hear), and if this adversity has brought about that effect, then I must say that it has, at all events, done some good.

Now, coming to the resolution which has been discussed, so far as I am concerned, I should like to divide it into two parts, one, the matter of principle, and the second, to what extent the Governments responsible for revenue administration have tried to help the agricultural people. The first part deals with the question of principle, with which my Honourable friend Mr. Ramadas Pantulu has dealt. I am sure the Federation will be glad to know that the legislation he referred to, that is to say placing the revision of assessment and determining the pitch of assessment on the statute book and taking it away from the executive

has been accomplished in more than one province. The first Act in that direction was passed by the Punjab Legislative Council, and the second by the United Provinces Legislative Council, and the third, I believe by the Central Provinces Legislative Council. And so far as the North-West Frontier Province is concerned, the principles of the Punjab Act have been practically applied to it. The Federation will no doubt realise that Bengal and Bihar do not want such legislation. They do not stand in need of it. We are left with Madras and Bombay. Madras was the first one to come into the field with such a legislation, but those who come first in the field are not necessarily those who leave the field first. (Laughter). Madras wanted really to take too big a bite at once. It wanted the Legislative Council not only to determine what should be the proportional advance over the past assessment, and what should be the share of the produce which should be land revenue as against the share of the producer and the landlord, but it wanted to determine at the same time what should be the commutation prices.

Mr. V. Ramadas Pantulu: That is the real thing.

The Hon'ble Mian Sir Fazl-i-Husain: That is perfectly true. But, if you, Sir, had not been a little tactfully strong in keeping the debate to the resolution this afternoon, the House would have found it pretty difficult really to vote on the resolution with half a dozen amendments trying to achieve all sorts of objects. Now, those of you who have been members of Legislatures, whether Central or Provincial, realise whether in a House of 150 or more,—and in the future it will be more like 500—it is practicable politics to determine the commutation prices through a legislature. My task in convincing you that it is not so simple to arrive at a judicious finding with reference to the commutation prices in a legislature on which probably there are a large number of people personally interested in what the commutation price should be, is rendered easy by the fact that here we have not the mere zemindars, but real businessmen who know what business is. Now, it is not fair to them; it is putting too much temptation in their way. As against that what has been done in the Punjab and in the U. P. is that commutation prices were fixed by the Settlement Officer and yet his fixing will be subject to an appeal to the Commissioner, the Financial Commissioner and eventually the Revenue Member will have a say and the Revenue Member of the future is bound to be responsible to the legislature and therefore the legislature obtains a control over the policy though not actually on the amount of commutation prices fixed for various kinds of agricultural produce. Probably

Madras, as it was first in the field and had not worked out all the ins and outs of these things, wanted to have too much. Still it is not too late and I have no doubt that within the near future it will be possible for some enterprising member of the Madras Legislative Council to move in the matter and take away from the executive as much power as the legislature should be invested with and then Madras will be coming into line with the other provinces. Bombay, I understand, has already got a Bill of its own and if it were not for Bombay's more pressing preoccupation I have no doubt the legislature would have found time to proceed with this Bill. Let us hope that it will do so in the course of this year. Therefore, Sir, it would appear that in the larger part of India this new legislation has been passed and that it is only in Madras and in Bombay that it still remains to be passed.

Then I come to the next point. Agriculturists admittedly are very badly off. It is true that in some provinces legislation has been passed but what has been done in order to help the poor agriculturist during the last two years or so? In many places the trouble has been not only that there has been unprecedented fall in prices but some crops also have been ruined. Frankly, Sir, it is not a matter with which the Government of India can deal by itself and whatever has been done, as I will presently show, credit for it lies entirely with the Local Governments who did it on their own. Whatever they did, they did on their own and not because of any suggestion or command from headquarters. For if it is necessary for us to do one thing that I consider is absolutely necessary for us to do in the Government of India, it is to let the idea of provincial autonomy develop not only in theory but also in practice. So far as various provinces are concerned I have no doubt that the House would like me first to tell them what has happened in Delhi itself, the province in which they are holding their meeting. The total revenue of Delhi is about $3\frac{1}{2}$ lakhs. As much as 17 per cent of it has been suspended and as much as 20 per cent of it which was in arrears has been remitted. As regards cotton crop, as much as 25 per cent reduction has been given both in land revenue and in water rates. Passing on from Delhi to the Punjab, I have no doubt members will remember that the Punjab Government a few months ago went thoroughly into the matter and gave remissions in those areas where recently reassessment had been held, because in recent reassessments commutation prices were assumed which were high and as the present prices fell below this, Government felt that they ought to come to the help of the revenue payer by reducing

the Government demand. The Government demand was reduced to the extent of 27 lakhs of rupees. The same has been done in the case of the Frontier Province where only recently orders have been passed that Government demand to the extent of 4 lakhs, I think it was, be reduced. In C. P. the Local Government has taken strong action in the matter and in some cases have gone beyond the Punjab and the Frontier Province Governments. In the U. P., as has been said by one speaker, the same principle has been again observed. Where the commutation price assumed was such that it was in excess of the prices that are prevailing at present, they have invariably fixed upon a certain figure which would make the demand equitable. In Madras they have appointed two committees to go into the whole matter to find out whether as a matter of fact any particular help is needed or not and if it is needed they have decided to give it. The Bombay Government have also gone very carefully into the matter and given large remissions and suspensions. I have given this information to assure the House that Local Governments are at one with the sentiments expressed by those who have spoken in support of the resolution. They perfectly well realise that the prosperity of the country side is of the utmost necessity to the whole country—the commercial classes, the trading classes and not less to the Government and I can assure the House that Local Governments are not unmindful of this matter in any way. They are keeping a very very close watch indeed on the progress of events and whenever it is possible with the resources at their disposal to intervene, the House may rest assured that they will take the earliest possible opportunity of intervening and doing all that they can.

Mr. Walchand Hirachand (Maharashtra Chamber of Commerce, Bombay):—I will try to reply to one or two points raised by Sir George Rainy in the course of his speech and be as brief as possible. I am glad to hear that the Government of India are alive to the seriousness of the situation and are trying to do what they can. One question that he raised was about the increase in traffic due to reduction in freights. As a rule, we have found that happening in the case of passenger rates, whenever they were reduced. For estimate purposes I had taken the maximum figure one could take, without allowing for any such increase in the movement of traffic owing to reductions and that is where the figure of 10½ to 11 crores was mentioned. I did not take cognisance of the present depression. I took the 1928-29 figures of the Railway Board.

I now come to the second point. If this deficit had to be met, at whose cost it should be met. It has been said that the railways are a commercial organisation and should be managed on a commercial basis, although questions have been recently asked as to why railways should not be run for the benefit of the community as a public utility service. Even allowing for the fact that we are committed under the Resolution of the Assembly to run them as a commercial organisation, there are one or two remedies which have been suggested, namely, real and honest retrenchment in the administration and operating expenses and also a reclassification of the goods schedules which might bring in additional revenue. Personally I think this can safely be made good by an increase equivalent to what will be lost by the reduction on the agricultural produce. By that I mean that the 10½ or 11 crores can be made good by increasing the freights on almost all imported commodities. The gentlemen who use foreign goods from Paris, such as silk hats, ties, cigarettes, etc., will continue to buy them even if they are costlier. I am not referring to any Honourable Members here but some of my friends in Bombay insist on using these Paris goods. The incidence of increase on the imported commodities will be only about 8½ or 9 per cent at the most. Even if the value of the imported commodities is taken at 125 crores, a duty of 8½ per cent should not affect a class which is rich enough to afford to buy these goods many of which can be called luxuries and they have had a saving of about 15 to 20 per cent owing to the general fall in prices during the last 18 months. Therefore the burden will not be felt. The railways will not feel it because I am basing my estimates on a very much decreased movement of such imported articles. I do however admit that there are various difficulties in bringing this into operation and if the Honourable Member wants to do something to relieve the agricultural distress, I presume the House will be pleased to appoint a committee of their own to go into these details and face these difficulties, so that this deficit can be met by the process which I have suggested. That is all I have to say.

The Chairman:—Now, Gentlemen, with your permission, I shall put Resolution No. 3 to the vote. I do not think I need read it. It is on the agenda paper.

The Resolution was carried unanimously.

Chairman:—Before the other Resolution is moved, I should like on your behalf to express a hearty vote of thanks to Sir

Faz-i-Hussain for his kindly attending this meeting and giving us the benefit of his observations.

The Hon'ble Sir Faz-i-Hussain left the House at this stage.

The Chairman:—Now, Gentlemen, we have to attend a party at 5-30 p.m. We have already taken two hours to finish this one Resolution. If you want to take Resolution No. 4 and finish it by quarter past five, then we can take it up. You ought to bear in mind that we have got six speakers and then Sir George Rainy has to make his observations and then probably my friend may like to reply; if, again, the debate is cut, then probably the thread of the discussion will be lost, but I am entirely in your hands. (Voices: Finish it to-day). How can you finish it to-day? If you undertake to finish it, I shall be only too pleased but in that case I will not be able to give the speakers more than two minutes and the mover more than five minutes. Shall we then take resolution No. 4 or resolution No. 5? (Voices: Take resolution No. 5). Very well, then we shall take resolution No. 5. I call upon Mr. Ramachandra Aiyar to move the Resolution standing in his name.

Mr. K. S. Ramachandra Aiyar (Indian Insurance Companies' Association, Bombay):—Mr. President and Gentlemen, the resolution that stands in my name is as follows:

“The Federation regrets the absence of any effort on the part of the Government of India to introduce insurance legislation on the lines of the recommendations made by the Federation at its last annual session and emphasises upon the Government of India the necessity of undertaking such legislation at an early date.”

Gentlemen, in commending this resolution to your acceptance I do not think that any long speech is required from me at all, because a very good case about this resolution was made by my distinguished chief, Mr. Lalji Naranji, and all facts and figures in support of that resolution were brought forward by him so thoroughly and so convincingly that the Hon'ble the Commerce Member who was present at the meeting of the Federation last year made the following comment on that speech:

"I should like to thank both the mover and the member who seconded the resolution for the fulness with which they have dealt with it and, if I may say so, for the clear and lucid manner in which they have explained the reasons which have led them to bring the matter forward."

Well, gentlemen, if that splendid sentiment of the Hon'ble the Commerce Member were only acted upon during the last year, I am quite certain that we would not have had any occasion to come here to-day and repeat our request. Whatever it is, we all know that the machinery of the Government of India is always moving very slow. Sir, in contrast to the very slow manner in which the Government in India moves, I would point out the very quick manner in which the Government at Home moves on very important matters. All of you must, perhaps, have read that the Cunard Steamship Co., because of the fact that two German vessels, the Europa and the Bremen, took away the Blue Riband of the Atland from the Cunard, contemplated building two superliners. Naturally, when such expensive boats are built, the first consideration is insurance. It was reported that these two boats would cost about £7 million—probably in Indian currency, ten crores of rupees—but the Cunard Company without first finding out whether the Companies or Lloyds could absorb the market, went straight to the Board of Trade and got Parliament to pass a Bill known as the Cunard Insurance Bill under which the British Government have agreed to under-write the entire insurances of the Cunarders, if the companies could not absorb such a large amount. Well, the Bill was passed, and the moment the companies knew of it there was a hue and cry raised by British insurance companies, that they were not consulted in this matter at all. The fact, however, remains that in a matter like this, where it was a question of the ship-building industry, although insurance companies were there in plenty, here is an instance of the British Government at Home coming forward to support the ship-building industry actually in the form of their acting as insurance companies.

So far as we are concerned, we have been clamouring for legislation for years, at any rate from the year 1925, and yet, beyond the small amendment which was made in the year 1928, under which certain figures which had not been available were made available to the public,—and they are still imperfect—beyond that, I do not think that we have in any way improved

matters at all. In the meantime what is the position? Here we have under the Act of 1928 certain figures submitted to the Government. They are at any rate very interesting. From the figures published by the Government Actuary we find that as many as 245 insurance companies do business in this country, of which, according to him 97 are Indian insurance companies—in which perhaps a number of very small Provident Fund companies are included—72 companies are registered in the United Kingdom, 29 companies belong to the Dominions and colonies and 13 companies belong to America; 19 companies belong to the Continent of Europe, 10 are Japanese companies and 5 belong to Java. Well, gentlemen, you can see that for a country like India where even according to the Government themselves, the premium income is only 8¼ crores, you have in this country 245 insurance companies—very many of them powerful, aggressive and very well financed—coming here and practically competing here for this very small business. As a matter of fact, gentlemen, since Indian insurance companies came into the field, the position has been one of rate-cutting, and rate-cutting and nothing else. All of us know exactly how the Indian steamship companies were throttled because of the aggressive competition from non-Indian firms. The same rate-cutting, the same aggressive competition prevails in this insurance business also. As a matter of fact, if we take the rates prevailing in India from the year 1919 to date, it will be found that the rates have been brought down to a very low level between 50 and 75 per cent. That means that what these powerful companies in India have done is to cut the rates in such a manner that it will not pay the Indian insurance companies to carry on business at a profit. Perhaps for some time some of the foreign companies thought that it was a joke that there should be Indian insurance companies at all. Well they found later, that the Indian companies were getting a little bit restive and also a little bit strong; so they felt that the time had come when they should take some practical steps so that the future of Indian insurance companies might be jeopardised, and in the year 1927, the rates were cut down in Bombay to such an extent that the margin of profit became very narrow, and since then rate-cutting has been going on, in spite of tariff associations and so many other things.

The Government Actuary also gives certain very interesting figures about the various insurance companies. Of course, these figures are only for the year 1928, and we are still two years behind. The total income of all insurance companies, according

to him, comes to 8 crores 75 lakhs of rupees, out of which 6 crores and 25 lakhs belong to Life Insurance and the premia for general insurance business come to 335 lakhs, out of which the share of Indian Companies come to 41 lakhs. I say that Indian insurance companies themselves have been doing everything in their power to get a place for themselves in the economic life of this country, but the time has now come when, whatever efforts they may put in, they may not be able probably to hold their own ground as they would have been able to do two years ago, because of the fact that India is one of the countries in the world which is practically open for foreign companies to get a footing in. Some foreign company or other is entering India every year. In an address delivered by Mr. S. G. Marten, Foreign Manager of the Caledonian Insurance Co., of London, he had much to say on restricted fields for insurance business abroad. The following words are very interesting:

“The chief difficulty which faces the Companies is the contraction of territory free from legislative restrictions. In Russia and Costa Rica, insurance business was a State Monopoly, whilst in Poland, Chili and Uruguay, further admission of foreign insurance companies was excluded by law. Even in those fields where foreign companies were not entirely excluded, legislative restrictions were becoming more and more onerous. In practically every European country deposits had to be provided for the privilege of operating and in those territories where no deposits are required the consequent overcrowding of the market brought its own abuses and problems.”

Well, India unfortunately, has now become such a country where the overcrowding of foreign insurance companies has now become a serious menace, and the sooner the Government of India realise this fact and come to the rescue of the Indian insurance companies, not in the shape of granting them a subsidy; but by legislating according to what other foreign countries have done, the better will it be for the future of Indian insurance companies. Take the case of Steel; in the case of that industry, the country has been giving a subsidy; the Textile industry is protected, because it is a key industry. Now the Match industry is coming in for protection. Well, if all these industries are claiming, and are in some cases being granted protection, I say that as all of them rest on insurance and banking, the two latter are the most important key industries of every country in the world and it is up to the Government which

claim to take any interest in the development of the country under its charge and in the development of its own insurance companies, to come forward and do something for these companies, without much delay, and the sooner they do that, the better for the progress of Indian insurance companies in this country.

Mr. Walchand Hirachand: What about Shipping?

Mr. Iyer: I am not at present concerned with shipping. Now so far as the question of deposits is concerned, if you want to do business in America, you have to deposit fifteen lakhs of rupees; otherwise no sort of certificate will be granted. 50 per cent of your income, indeed the major portion of it, has to be maintained in that country and not a pie will be allowed to be taken away, unless the liability has been wiped off and Government permission obtained. Then there is France. France, of course, outwardly, does not have any sort of restrictive legislation by asking for deposits but they want a sort of guarantee to be given by a French Bank before you can operate and which is the French Bank or any bank in the world which will be prepared to offer such a guarantee? Now I daresay the Government of India, with all the big machinery that they have, would be quite able to get full information from all countries for legislation in favour of Indian companies.

India of 1931 is not the India of 1930. During the last one year events have happened in this country in such a manner that nationalism and everything pertaining to the Indian Nation have been foremost in the people's minds. The spirit of looking to everything Indian only has been more in evidence than was the case ever before, in the history of the country. The Government and the people are of one mind to-day that Indian interests and Indian interests alone are of paramount importance and that every other interest is certainly secondary, when it concerns the future of this country. It is this change of heart that the country has been demanding all these years and I hope and trust that the Government of India will follow up this change of heart in practical manner by introducing such legislation for protecting Indian insurance companies against aggressive and unequal competition and assaults by foreigners and discouragement by foreign Banks. With these words, Sir, I commend this resolution to your acceptance.

Mr. Nalini Ranjan Sarker (Bengal National Chamber of Commerce, Calcutta): Sir, the questions contemplated under this Resolution have been so thoroughly discussed not only in this Chamber but in our individual Chambers also that I do not feel that I can usefully add anything new to the argument put forward by Mr. Ramachandra Iyer to-day. So at this fag end of the day I will not weary you by inflicting a speech. I formally support the resolution and resume my seat.

The Honourable Sir George Rainy: It will not be necessary, I think, for me, Mr. Chairman, to speak at any length on this resolution partly because a good deal of the ground was covered in what I said last year. Perhaps some who are present to-day will remember that I promised to examine the figures as soon as we had them in our new returns. I promised to examine them from the point of view of seeing whether they disclosed ground for emergency action. One of the points that has been pressed by those who advocate the amendment of the Insurance Act in a certain sense has always been that non-Indian Companies operating in India should be required to invest in India certain proportions of the premiums they receive. I find it particularly interesting in the returns of last year that the assets of the non-Indian Companies operating in India were higher in proportion to their Indian premium income than their total funds were in proportion to their total premium income, and the inference apparently is that they do, in fact, at present invest in India in one form or another higher proportion of their assets than they invest elsewhere. That is one point.

Another point that was disclosed in the returns was, I think, quite clear, namely, the very remarkable growth that has taken place in the volume of life insurance business transacted by the Indian Life Insurance Companies. As far as I could judge from the figures, there was nothing to show that so far as the Life Insurance was concerned, they were not getting at least their fair proportion of the growth in business. Then another point was this. Last year, I said, "It will be helpful if the Federation or any member of the Chamber of the Federation particularly interested in the question would let us have his views not on the general question of the protection of Indian Insurance Companies but on the other point, namely, whether legislation is urgently required in order to protect the policy holders. If they do so, I can promise that everything they say will be most carefully considered." I do not think we have had any response to that invitation. Indeed

the Mover of the resolution to-day made quite plain the position from which he was speaking, namely, the protection of the Indian Insurance Company and particularly, I think, the non-life Insurance Company. I do not think any stress was laid on the composition of the Life Insurance Company. Well, so far as the figures are concerned, the last year was the first year in which the non-life business was shown in the returns. We cannot tell so far as the figures are concerned whether the business transacted by the Indian Companies is decreasing, is stationary, is increasing or is increasing as fast as the business done by the non-Indian companies. I have at present no means of getting accurate information, but I should be very glad if those who are interested in the question would communicate to the Commerce Department any information they may have on the subject. I am aware, of course, that both in the case of Fire Insurance and also in the case of Marine Insurance, and particularly the latter, there have been constant complaints for the last few years that rates generally not only in India but all over the world had come to a point where the insurers were almost certain to make a loss. But I should be very glad to have information which would tend to show that the competition was keener in India than it is elsewhere and also any information which tended to show that the volume of business transacted by the Indian Companies was tending to decrease. In the main, my position is this that since I spoke on this matter last year, no evidence has been placed before me to indicate that there was an actual emergency which called for immediate legislation. Now, that being the case, Government had to take account of one or two other facts. Any Bill to revise and re-enact the Indian Insurance Act would, I am afraid, be highly controversial and Government certainly felt that the atmosphere of the last twelve months was not a suitable atmosphere for undertaking legislation of that kind, because the controversial questions which would arise being of the racial character and involving the whole issue of what is and what is not unfair discrimination are precisely the questions which have come up for consideration and will again come up for consideration at the Round Table Conference. I know quite well what the views of the Members of this Federation are and I am not arguing the case for a moment. I know quite well what their views are and you know what the views of the Government of India are because they were stated in our despatch on Constitutional Reforms. But these questions so far as the Government of India are concerned have been taken out of our hands for the time being and they will be settled in one form or other at the Round Table Conference.

When that settlement has been reached, then I think the way will be cleared to take up the amendment of the Insurance Act either on the lines the Government of India as at present constituted would prefer or on the lines which the members of this Federation would prefer. But until these very important questions have been threshed out in the appropriate form and have been settled one way or the other, I cannot see that any advantage would result from raising them on a particular issue in the Indian Legislature. That, quite frankly, is the view which we have taken on this question. But, as I said, we are always open to receive evidence showing that there is greater emergency than we are inclined to think and it is for that reason that I invited the Mover and those who think with him if they have any definite evidence of the character I indicated to place before the Government and Government are always open to consider it.

The Chairman: Mr. Iyer, I suppose you do not wish to make any further observations.

Mr. K. S. Ramachandra Iyer: I have nothing more to say; but as Sir George Rainy has just now mentioned that the foreign companies have assets in Indian securities, I would like to take up that point. The point that we are trying to press upon the Government of India is not whether foreign companies keep any assets or not. We want these assets to be kept here absolutely under an Act to be passed by the Government of India. As I said before, the competition from foreign companies is getting very keen because, they find that they are getting less and less business from all the other countries except India. They appoint their Agents here and in that way our business is spoilt. It would be a good check on them even if an emergency legislation were passed under which foreign companies were called upon to pay a deposit; if that is done, I am sure 50 per cent of the companies that are doing business here will disappear from this country. The disappearance of foreign companies would mean that our companies would be established. I am quite certain that competition will also go down and the insurance companies will be able to keep their heads above water.

The other point that the Hon'ble the Commerce Member mentioned is that protection should be given to the policyholders. It is quite true that in life insurance as also in other insurances,

the protection of policyholders is absolutely essential. We want the same thing as other countries have done, namely, the introduction of legislation to protect the policyholders, as also indigenous companies. The fact that the Indian life insurance companies are steadily growing up because of their numerical strength and the national sentiment is convincing evidence that once these companies become strong they will be able to look after large business. Just as you have given protection to the steel industry, so also you should protect insurance companies. But if the Government of India want to leave all these matters until the whole position is finally adjusted at the Round Table Conference, I have no more to say. If the Government of India desire to have information as to legislative enactment in other countries—and what manner of legislation Indian Insurance Companies need for their future progress,—I shall certainly undertake to send the Commerce Department as much information as I have in my possession.

The Hon'ble Sir George Rainy left the House.

The Chairman: Gentlemen, within the short time at our disposal we might just try if we can do some of our domestic work. I understand Mr. Ranchordas Gandhi wants me to take the resolution about Burma, but I think we had better leave it for to-morrow as here are one or two other important matters which might be discussed just now even if we cannot come to any decision about them to-day. One is about the article of association from some members who propose that under Rule 25 of the Rules and Regulations of the Federation, Rule 11 be amended as follows:—

“That the Executive Committee will consider all resolutions sent up by member-bodies and place such resolutions as they deem fit before the members at its annual meeting, and that it shall be the right of every member present at such a meeting to propose any new resolution or amendment for discussion and adoption by this House.”

As this is a question of the amendment of our Articles of Association, we shall have to proceed in a constitutional way if it is the desire of the House that this rule be amended.

Then, there is another motion from Lt. Sodhbans which reads as follows:—

“I give notice to move the adjournment of the House to discuss the important matter with regard to the announcement of the personnel of members to the Round Table Conference by the Executive Committee of the Federation just on the eve of the session.”

I am sure in any case we are going to adjourn shortly, but if it is meant that a vote of censure should be passed on the Executive Committee for having taken certain action, then I am sure that every member is entitled to move such censure. A new Executive Committee is going to be elected and if the members of the House think that the old members are not worthy of their confidence, they should not vote for them. That is the best way in which they can show their lack of confidence in the executive. If however it is the desire of a substantial number of members to discuss the conduct of the old Executive Committee, I am sure whoever be the Chairman to-morrow—I hope Mr. Sri Ram will be able to occupy the Chair to-morrow—he will be able to allow such a proposition to be moved provided there is a substantial number of members in favour of discussing the conduct of the old executive committee. That is all what I can say at present. If any other member has got to say anything in this connection, and if it is the desire that we should sit for a few more minutes, then so far as I am concerned, I have no objection.

Mr. Sidhwa: What is your decision on this subject?

The Chairman: I will leave the matter entirely at the discretion of the House. If there are at least a substantial number of members who are desirous of discussing this subject, then I have no objection.

Mr. Sodhbans: The members who are present here do not know with what intention I gave notice of this motion for adjournment, because they might not have read the announcement regarding the personnel. As soon as I read it in the newspapers this morning, I gave notice of this motion for adjournment. I would request you, Mr. Chairman, to allow me to make a few

observations, so that members may be able to judge whether my adjournment motion is in order or not and whether they would like to support the motion or not.

Mr. Srikrishna Das Lulla: What is the decision of the Executive Committee? I should like to know that before we can express an opinion, one way or the other.

Mr. Sodhbans: My motion for adjournment of the House is to discuss an important matter, namely, the selection of the personnel on behalf of the commercial community to the Round Table Conference and this has been done by the Executive Committee on the eve of this session and this announcement appears in the papers to-day. Gentlemen, you will agree with me that we blame the bureaucratic government for their bureaucratic action when they pass ordinances on the eve of the session of the Assembly. Similarly when a new committee is about to be elected, where is the necessity for the old committee to elect the personnel to the Round Table Conference just now. That is the point at issue. I bring it to the notice of the House that this is a very important matter. We do not want to say whether the old committee enjoys our confidence, but this is a very vital matter to be brushed aside. We are all aware that soon after the session of this Federation, that is day after to-morrow, elections to the executive committee have to take place and a new committee has to be elected. The new Committee after election would have to take the consensus of opinion of the member-bodies as regards the personnel to the Round Table Conference, or the Executive Committee themselves would have elected the personnel. Here I find in the newspapers that the old Executive Committee have settled the personnel to the Round Table Conference without consulting anybody. This is what the papers say:

"It is learnt that the Executive Committee of the Federation of the Indian Chamber of Commerce have nominated Sir Purshotamdas Thakurdas, Mr. G. D. Birla and Mr. Jamal Muhammad Sahib as delegates to the Round Table Conference."

This is the news which I have read in the papers.

A Delegate: I want to know whether what is contained in the Press is authentic information. We can proceed with the

motion for adjournment only on ascertaining the true facts about the news contained in the newspapers.

Mr. Sidhwa: It obviously seems authentic.

Mr. Sodhbans: Will the Executive Committee contradict it?

The Chairman: Gentlemen, the President, Mr. Sri Ram, is not here, or it would have been his duty to explain how the matter stands, but as on account of his regrettable illness I am occupying the Chair, I think it falls on me to explain what happened at yesterday's meeting. Probably the other members of the executive committee would also like to say something. But before I say anything, I should like the Press to retire because after all it is our domestic affair that we are going to discuss now and we cannot discuss these things in the presence of the Press.

Mr. Sodhbans: Why should the Press retire?

The Chairman: It is our private business and I have every right to ask that the Press shall retire.

At this stage the Press Reporters retired from the House.

* The Chairman then explained to the House the circumstances under which the personnel to the Round Table Conference was unanimously decided upon by the retiring Executive Committee. He also explained some other matters connected with the participation in the Round Table Conference by the representatives of the Federation.

After some discussion the Chairman put the following motion before the House:—

"Is it the desire of the House that we should take up this matter after the ordinary resolutions which concern the

* Full report of the discussion is separately printed as a confidential document.

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Government members are concluded or it should not be taken up at all?"

As a result of the voting (9 for further discussion and 24 against it) it was decided that the matter should not be discussed any further.

The Conference then adjourned to eleven of the clock on Wednesday, the 8th April, 1931.



SECOND DAY'S PROCEEDINGS

Wednesday, the 8th April, 1931—Morning Session.

The Annual Session commenced on Wednesday, the 8th April, 1931, at the Delhi University Convocation Hall, at 11 a.m., Mr. G. D. Birla in the chair.

Government Members present:

The Hon'ble Sir George Rainy, K.C.I.E., C.S.I.,

The Hon'ble Sir George Schuster, K.C.M.G., C.B.E., M.C.,
(joined later).

The Chairman, Mr. G. D. Birla: I would take up Resolution No. 4 first: it had been fixed that Sir George Rainy would reply to the resolution at 12 o'clock and Sir George Schuster would come at 12-15 in connection with the Silver, Currency and Exchange Resolutions and it was essential we should stick to the programme. I would request the speakers to stick to the time limits suggested the previous day. As the mover was unavoidably absent, I request Mr. Fakirjee Cowasjee to move the resolution.

Lt. P. S. Sodhbans: I may point out that it is a very important resolution and though we are prepared to accommodate Sir George Rainy, I feel that the resolution should not be discussed hurriedly and we should carry on the business in the usual manner.

The Chairman: The engagements have been fixed and we must stick to them; but if the members desire I have no objection to the debate being continued after Sir George Rainy had replied to this resolution, and after Sir George Schuster had spoken on the next resolution, and after that resolution had been finished.

Lt. P. S. Sodhbans: I want to raise a point of order; I want to know how Mr. G. D. Birla came to occupy the Chair: both the President and the Vice-President were absent and Mr. Birla had occupied the Chair without the consent of the House.

(Cries of Order, order.)

A Member: He was duly proposed and seconded.

The Chairman: I did not occupy the Chair without the consent of the House. Will you withdraw those remarks?

Lt. P. S. Sodhbans: If election has been made I withdraw those remarks..

The Chairman: I think you ought to speak with a little more knowledge.

INDUSTRIES

Mr. Fakirjee Cowasjee, (Buyers and Shippers Chamber, Karachi): Mr. President and Gentlemen, I have been hurriedly called upon to speak as a stopgap arrangement and I hope to be excused if all the facts and figures are not laid before the House in support of a resolution which is of vital importance to the whole of India, and I hope you will in your generosity pardon me for any disservice which I may inadvertently do by any omission I may make. The resolution I have to move is as follows:—

“The Federation calls upon the Government of India to take active steps towards the development of Indian Industries in general.

It regrets the inaction of Government in giving relief to the chemical industry and in dealing with the report of the Tariff Board submitted on this question as far back as July 1929.

It draws the attention of Government to the urgent necessity of taking steps to:—

- (i) make India self-supporting in the matter of salt supply;
- (ii) secure the acceptance by the Swedish Match Company of certain recommendations made by the Tariff Board in view of its unfair activities such as rate war with the end of ruining the indigenous industry;
- (iii) give effect to the recommendations of the Hide Cess Committee.

- (B) With a view to give adequate protection to Indian tanning industry, the Federation urges upon the Government of India to set up immediately an inquiry through Tariff Board to examine the case of the industry and pending the report of Tariff Board levy a duty of 15 per cent ad valorem on raw hides and 25 per cent ad valorem on raw skins to give it immediate relief which it urgently requires.
- (C) The Federation deeply regrets the apathetic and indifferent attitude taken up by the Government of India after the failure of Shipping Conference convened by the Viceroy last year regarding the development of national mercantile marine and presses upon the Government of India the urgency of taking immediate and effective steps for the development and protection thereof."

The first part of the resolution is to make India self-supporting in the matter of salt supply. I would like to ask a question—and a very broad question—whether India cannot supply all the salt that the Indian Empire wants to-day. With all the emphasis at my command and with all the facts and figures which I have studied and which I placed before the Revenue Members when they visited Karachi some three years ago, I say I am convinced that India can supply not only the entire wants of India but, if facilities are given, she can supply other countries also. Neither the Government, nor the semi-Government bodies in the shape of Port Trusts, have ever come forward to assist India in the matter of salt supply in order to make her self-contained. I shall give one instance. We all know how Government have been reticent in giving support to the salt industry in India which is fairly due to her. I need not take up the time of the House on that, as the Legislative Assembly Debates are open for the inspection of all. But I would like to give an instance from my own knowledge which may not be known to all delegates. Karachi the place where I come from has potentialities to supply, if not the whole of India, at least half the wants of India, Burma and Assam. It only wants one facility—not at the expense of the taxpayers, not at the expense of the Government, but on its own strength—one facility which Government and the Port Trust have hitherto refused; and that is a channel leading to the salt works so that the salt could be transported from the salt works to the shipping. We have all heard that water is the cheapest form of transport wherever it be. Yet the officials of the Karachi

Port Trust have always stood in the way and have said that it was an expensive problem and unless they were assured that the revenue would be forthcoming in the form of wharfage dues, they would not sink the channel. Do you know how much it would cost? Only a lakh and a half of rupees. That is all that is wanted to dredge a channel from the shipping wharves to the salt works, and this 1½ lakhs is grudged by the magnanimous port trust officials on the ground that they will lose revenue. I maintain that if this channel is opened there will be at least half a dozen ships loading per month in the port of Karachi, which will not only give employment to the natives of the soil but also to the foreigners, the British bottoms. This fact is being ignored by every one on account of one interest and that is the Cheshire interest. The Cheshire interest is paramount to-day and rules the fiscal policies here. I shall not develop the subject further as I have already exceeded three minutes on this.

Now as regards hides and skins: I cannot deal with this sufficiently for the simple reason that I have not got all the figures before me; but even after the cursory study I was able to give it within the five minutes at my disposal, I am in a position to say that the whole world to-day, I say to-day, looks to India to supply 41 per cent of the total world consumption; it follows ipso facto that India is in a position to dictate its own terms to all the powers who get a supply from India. Still, can we do it? Yes, in one form only and that is to drain India; it is not to bring in any grist to the mills of India; it is only to take away from India cattle hides and to destroy India completely in the one industry which she established in order to go to the help of the British Government at a time when they felt the greatest necessity for it. The Indian capitalist then came to their succour, gave all their brains, all their money and their time to supply the wants of the Britishers; and to-day we find we are subjected to foreign exploitation. The British Government is doing a service to the United States and Germany by seeing that our skins and hides are exported to those places at a price which they can get them, tan them and not only send them out to India but use them in their own countries. They have put a heavy duty against tanned leather—I do not say tanned by India; but the United States have put an export duty and raised tariff walls against tanned leather because they know that it is India alone which can supply all their wants and therefore they have raised a tariff wall against tanned kids, virtually thereby meaning India. I ask the Indian Government, what have

they done to protect, as trustees of this country, an industry which can be well protected? It does not want more than five minutes to do it. The Legislative Assembly will vote for it—and that is, a very heavy export duty, both on the raw skins and the raw hides. If I were to dabble in all the facts and figures which I have been able to collect even within the five minutes after coming into this hall this morning, I shall be able to give the House so much information that the hearts of delegates here will begin to bleed; but I have to stop as I am restricted to time for moving the resolution.

Coming now to Indian shipping, gentlemen,—here again I am not going to read to the House any figures, because figures are already before the country, before the Legislative Assembly and also before the Government officials, and these figures have been supplied times out of number to the Select Committees in the forms of memoranda issued by all the Chambers in this country, but I may say that none of these figures have yet been refuted. That is quite sufficient for me, but I will take you as far back as the year 1924. I said a minute before that I would not deal with figures, but I shall now deal with some home truths, and these home truths barely put are the following:—In 1924 the Mercantile Marine Committee was formed, and it gave its conclusions, and in justification to those gentlemen who sat on that Committee it might be said that their conclusions were unanimous with regard to the formation of an Indian National Mercantile Marine. The recommendations were many; yet with the halting policy which the Government of India, the trustees of this country, have adopted, they only gave effect to the first recommendation, and that was by way of establishing a training ship. But beyond that the Government of India ignored all the other recommendations of the I.M.M. Committee, and where these recommendations are consigned, whether they are kept even in the archives of the Government of India, one does not know, but the fact remains—and I will touch on them in the latter part of my observations,—but the fact remains that these recommendations were unanimous. The principle was accepted by the non-Indians who were on the Mercantile Marine Committee. They could not possibly give the force of legislation to the recommendations and to the principle which they had in fairness and justice to accept. But what has happened? The recommendations not having been given effect to, it was left to an Indian Member of the Legislative Assembly to draft a private Bill. This is what is known in the history of British India as the Haji's Coastal

Bill. There was a lot of opposition to it, but eventually it reached the first stage, and it was referred to a select committee. It passed through that stage after years of struggle, after volumes of memoranda being issued by local Chambers and everyone else. When again it went to the Legislative Assembly, for some reason or other it remained to be moved. In 1928 the present Viceroy, H. E. Lord Irwin came to the assistance of the vested interests and suggested a procedure to be adopted by which India could have its national Mercantile Marine, and that procedure was in the high sounding words 'consent and goodwill.' We thanked him for that, but the result as everyone knows is nil. Nothing was done, and though the Viceroy gave his opinion in the matter as early as 1928, yet till 6th of January, 1930, nothing was done by H. E. the Viceroy. In 1929 when the delegation from India went to the International Geneva Conference, the opportunity was seized to see the Secretary of State for India, and we are proud to say to-day that the Secretary of State said that it was absolutely essential that India must have her own national Mercantile Marine, and more so we should have training ships to give the sons of the soil employment as officers on our ships. It was stated, and very wisely stated, that the foreign bottoms depend upon the Indian seamen for swelling their profits. It may surprise this House to know that 2,50,000 sons of this land toil on board the ships to bring 10, 12 and 20 per cent of income to the foreign bottoms, yet nothing has been done for the sons of the soil to take their share in the higher ranks as officers, navigators and engineers. When it was suggested to the East India section of the Shipping Board in London whether the officers trained on board the "Dufferin" would be taken on foreign bottoms, specially the British bottoms, not as permanent employees, but even as apprentices, they said there was a bar, and that they had given no such undertaking, and Indians may not expect to get any service in foreign bottoms while their children were going to starve. Of course, they were quite right; they were not going to starve their own children. That being the case, I ask the trustees of India, what have they done to my children if they cannot starve their own children? Is this not a fair question to ask? As I said, till 1929 nothing was done by H. E. the Viceroy. Naturally the Members of the Legislative Assembly got very impatient, and my friend on my right asked a very pertinent question from the Hon'ble the Commerce Member, as to what effect had been given to the promise or the assurance given by H. E. the Viceroy, and the reply was this,—I don't want to read the whole of it:—"It is the earnest hope of the Government of

India that as stated by H. E. the Viceroy a solution of this difficult question may be found in a spirit of co-operation and goodwill and they would be reluctant,"—I would ask Members to weigh each of these words carefully,—“and they would be reluctant to proceed upon other lines until it was clear that there was no hope of an amicable settlement.” I ask, Sir, whether any move was ever made to ask for this amicable settlement. After a great deal of agitation, a move was made by H. E. the Viceroy on the 6th January, 1930. We do not know exactly what discussions took place and how the Viceroy and other Members of his Cabinet impressed upon the vested interests, the desirability of giving effect to the national ambitions, but in reply to a question by an Hon'ble Member in the last session of the Assembly, the Government of India said this:—“The Government of India will take into consideration at an early date the issues raised in the discussions which took place at the conference on the development of the Indian Mercantile Marine, as soon as it has been found possible”,—mark the words, sir,—“as soon as it has been found possible fully to consider these issues, the responsibility will rest with the Government of India of deciding what action should now be taken and whether any useful purpose would be served by inviting the interests concerned to meet again.” Sir, all along we had been given an assurance that a spirit of co-operation and goodwill would be created to bring about a solution of this difficult question. That assurance as late as the last session of the Legislative Assembly boiled down to a possible solution. The assurance with 99 per cent or even 100 per cent of that assurance whittled down to a mere 1 per cent of chance to establish a national Mercantile Marine.

Now, Sir, we are faced with another big problem. With all due deference to our distinguished guest, the Hon'ble Sir George Rainy, I may say this. He said yesterday that in the case of insurance, a decision will be reached by the R.T.C. Here we must fall down hopelessly; all our hopes must vanish. We want the Government of India to tell us in a few plain words that India need not expect anything like a National Mercantile Marine, because then we would be quite willing to give up this expense of training our children on the “Dufferin”. What are we faced with? I should like to have more than one “Dufferin” if we can get the Mercantile Marine. (A delegate: Let Seindia supply). Now, what are we faced with? Government, to my mind, feel that the enthusiasm of the people will cool down. The vested interests who have got the power of finance behind them

will be able to play out the few bottoms which are plying to-day in India. If that is their impression, they might very kindly tell us so, so that we might not sink any more money, as we have none to spare, in training our sons; but do not keep us in the dark; do not keep us in the position of 'wait, hope and die in starvation.' We do not want to do that.

Then again, Sir, the Government may not find it possible to come to an amicable settlement, but is it really difficult for the Government of India to legislate against the illegal and pernicious system of rebates? I ask what is there to stop them from doing that? Have they done it? One might say that they were not asked to do so, but here is a glorious example of South Africa. What did they do? Immediately they found that the vested interests were trying to adopt the system of deferred rebate on bringing goods into South Africa, they sent an ultimatum to the different liners and said 'Look here, if you do that you will lose the mail contract.' Now, I ask, have the Government of India told the gentlemen who are running the mail contracts that if they do not stop the deferred rebate system, they would not be given the mail contract in future? Are the Government of India afraid that if they do that there would not be enough bottoms to take up mail contracts? If they will give us the mail contract, we will take over the entire business within a fortnight. It is not a difficult thing, but have they given us any chance?

Seth Walchand Hirachand: I may inform my friend Mr. Fakirjee that the organisation in India which does the mail contract justified its rate cutting policy on the ground that they do the mail contract business. They said it in so many words at that famous conference of last year that the Rangoon, Akyab, Chittagong rates reduction from Rs. 14 to Rs. 4 was justified by the representative of that organisation who was present at that conference on the ground that they had the mail contract. It is our misfortune.

Mr. Fakirjee Cowasjee: I thank Mr. Walchand Hirachand for this correction. This is certainly a very good piece of information to the whole House. Then we have got another pernicious system. One may call this a domestic affair and brush away this objection but it is no more domestic than the deferred rebate system is domestic and it is the giving of a concession in freight by way of what is called the claims on discoloured rice. This is

driving another wedge into the ruination of the Indian bottoms and I request the Government of India—and in saying this I am sure I am voicing the feelings of this House and the crores of people outside—to take this question in hand. When this Bill was introduced the labels of flag discrimination, of expropriation and other sort of labels were put on against this Bill but the Member in charge of the department never took the kind trouble of labelling it with the correct label, viz., National Protection. I label that Bill with that label called National Protection and is it only we that are asking? Not by any means. England did it years ago and to-day there exists a country in Europe that wants it. Is the Government of India unaware of that? No. The Government of India are aware of the fact that Portugal wants flag discrimination and if a small State like that with a coast-line of 500 miles wants it, is it unjustifiable for India to demand it with a coast-line of 4,000 miles? Portugal which is a small tiny little State on the surface of the globe in Europe wants it. There have been several Resolutions tabled to my knowledge to boycott that country. So the word 'boycott' does not emanate from India. It emanates from the other side of the Mediterranean and if in self-interest we want protection and have used those labels, why should we be run down? I hope, Sir, when the Honourable the Government Member rises to reply, he will not refer me to the R.T.C. We know what the R.T.C. is, has been and what it will be. That is not going to solve the National Protection question. Whether R.T.C. or not, we want the Indian Mercantile Marine. We must get it. We have got our sons to be employed on it. We have got the staff to run it. We have got 2,50,000 men to run those bottoms. We are not going to depend upon foreign powers for a living which is due to us and we demand it. I have got my handicaps, chiefly that of time and oratory. So, I hope that when the Government member rises to reply, he will spare me from the darts of oration. Sir George Rainy is leaving us shortly and I take the liberty of wishing him a bon voyage and happy times and while he is in England, I hope he will try to bring about a spirit of co-operation and goodwill so that this difficult problem may be solved when he comes back and not only that but when he returns, let us hope that he will come back in an Indian owned and Indian managed bottom. (Applause).

Raja Sir Daya Kishen Kaul (Indian Chamber of Commerce, Lahore): I feel that the resolution has not been fully moved and I feel the need for some of the supporters of the resolution to take it up in its fuller aspects. I understand I was required to take up

the match industry and I shall confine myself to the match industry in particular and to a few general observations on the main resolution.

In seconding the resolution, I wish to emphasise the fact that in the existing miserably backward condition of India's industrial evolution, the development of Indian industries is exceptionally difficult and is an extremely uphill task. The dependence of India for its requirements on foreign manufacturing countries for more than a century has reduced the Indian industrial enterprise and her financial resources to such a weak position that it is not possible for her to stand on her own legs without adequate support from the Government of the country which alone can make her future industrial evolution practicable. Such a support and fostering care are all the more needed for industries which are in their infancy or such as are just showing signs of steady growth. The arguments of free trade, pure and simple, which are often pressed when dealing with questions of Indian industries, have proved invariably a stumbling block in the way of the growth of Indian industries. It is unfair to apply these arguments to Indian conditions when we know how backward the country is owing to various causes under existing conditions, especially when it is borne in mind that in order to be able to stand world competition and the survival of the fittest, under free trade, the country must at least once be raised to a status of equality with other competing countries of the world in matters of manufacture and trade. It is a matter of common knowledge that even countries which advocate free trade, resort to measures of protection and exclusion where new industries are concerned or where an indigenous industry stands the risk of being overpowered by foreign competition. In the economic world it is being recognised that for a country placed in a position as India is, nothing but a strong protectionist policy can help it to grow and take its place in the world's industries and commerce. As practical men in the field of industries and commerce, we have had ample opportunities to witness the detrimental results of a pure free trade policy, as it has been followed in India. In spite of her vast resources, India, in her effort to develop into an industrial country with necessarily meagre technical experience and financial handicaps, is forthwith pitched against the manufacturers of highly developed and well organised and richly financed foreign concerns and foreign trusts. If any protection is afforded in that direction by Government, she is then made a victim of exploitation by foreign combines and foreign concerns by their establishing the industries in the country to check-mate the indigenous

developments; and, if a protective measure is then introduced, it fails miserably to protect the Indian enterprise, because the foreign and indigenous enterpriser both receive the same protection and naturally the former with a superior position always gains an upper hand, and the object of such a protection is again frustrated.

We are not here to discuss the British vested interests in India; but one may reasonably ask whether all European and foreign interests are to be treated by the Government of India as British interests. In some of the European and foreign countries, an Indian has not only no place as an industrialist, but he is even denied, as a free citizen, the ordinary privileges enjoyed by the people of that country. Is it not India's right then to be protected and helped by its Government even in the development of its industries to meet the requirements of its people and to be saved from such foreign exploitation to the detriment of indigenous enterprise and effort?

In support of my observations, I may cite the case of the Match Industry which furnishes a typical instance. The principal points urged by match manufacturers which led to the Tariff Board enquiry in 1927 were:—

1. Further protection for a time against the imported matches by conversion of the revenue duty of Re. 1-8 into a protective duty; and
2. Protection against the activities of the Swedish Trust which had entered India with a programme of establishing factories in the country to evade the Tariff and yet hold the country in their hands in the supply of this article of manufacture which had been the monopoly of Sweden for nearly half a century.

While the first demand was highly desirable, the second was a vital necessity, in the interest of the country's enterprise. The activities and operations of the Swedish Trust were well known; and the procedure adopted of referring the matter to the Tariff Board for a detailed enquiry proved, we all feel, only a measure to defer the relief asked for. The Tariff Board enquiries would have been justified in the eyes of the Indian manufacturers if they had led to afford some tangible relief. But the Tariff Board's findings and recommendations remained confined only to paper and received no practical shape in furnishing the much needed protection. As

a result of careful examination, the Tariff Board definitely laid down the future fair selling price of half size matches at Rs. 1-2-5 per gross and held that if the price of matches went below that figure, it should be a proof positive that an unfair state of competition had arisen and that in such unfair state of competition, a world-wide Trust was bound eventually to kill the Indian manufacture. Government's intervention at this stage was held by the Tariff Board to be a necessity, and Government were expected to watch the development. Now, the present condition of the selling price being below the figure fixed by the Tariff Board has been in existence for over a year, and the Swedish Trust have, since the publication of the Tariff Board Report, viz., during the last three years, reduced, their selling price to a figure far below the estimated fair selling price for the future as determined by the Tariff Board. Indeed their present selling price is even lower than their works costs as reported to the Tariff Board in 1927 by more than 3 annas a gross. This works cost, I may point out, is exclusive of over-head charges and profits. It is thus clear that the rate war started soon after the Tariff Board's report. Since the last year, however, the campaign has been much more vigorous. The net revenue to the Swedish Trust on present sale figures is not calculated to be more than 12 annas a gross against the future fair selling price of Rs. 1-2-5 as fixed by the Tariff Board. Taking a most favourable view of the Swedish Trust's working, it is evident that they have cut down prices by $6\frac{1}{2}$ annas a gross to-day against the carefully worked out estimates of the Tariff Board. It is not understood where and how such a large reduction could be possible; and we are compelled to draw the only conclusion that what was foreseen by the Tariff Board and mentioned in so many clear words by them in their report is coming to pass; and while the Government of the country were expected to save the indigenous enterprise by necessary steps against the Swedish Trust's exploitation, they have allowed the Swedish Trusts's activities to grow in the country to the detriment and ruin of the indigenous enterprise. It may be interesting to mention here that as a result of the Indian enterprise in match manufacture, and the competition, it has given to the Swedish Trust, India, as consumer, has gained an annual saving of no less than 3 crores of rupees; and unless effective measures are taken to safeguard the interests of the Indian enterprise which is responsible for this saving to the country, there is the danger of its being gradually killed and the country being left to their mercy of the Swedish Trust. We feel, therefore, that we are perfectly justified in asking Government to let us know what steps, if any,

they have taken to prevent such a state of affairs coming into existence when they have had all this time the Tariff Board's report in their hands; and why this rate war, which was so clearly anticipated as far back as 1926, and which was recognised by the Tariff Board in 1928 as a likely danger has not been prevented. Is it not high time that the Government of the country should make up for its past inaction by prompt measures, if it is at all desired that the industry of the country should be saved from ruination?

With these few words, I beg to second the resolution.
(Applause).

The Chairman: Mr. Hooseinbhoj Lalljee, may I just ask how you would like to arrange it—because, as I fixed it up that we should ask the Honourable Member to reply at 12, I am afraid you have got very short time at your disposal, and either your speech will continue or I will have to call upon the Honourable Member.

Mr. Hooseinbhoj Lalljee: I will finish it within that time.

Mr. R. K. Sidhwa: Mr. Chairman, I heard you state that you would allow five minutes to the supporters.

The Chairman: What is the point? I said that I would allow five minutes, but after I saw that the sense of the House was that the honourable gentleman should continue, I could not stop him.

Mr. R. K. Sidhwa: Was that the sense of the House?

The Chairman: It is my business, Mr. Sidhwa, to find out what is the sense of the House. I am afraid you are not helping the Chair in the speedy disposal of business but have been unnecessarily interrupting. Let us not waste the time of the House.

Mr. Hooseinbhoj A. Lalljee (Indian Merchants' Chamber, Bombay): Sir, I am thankful to you for the indulgence that you have promised, but I assure my friend over there that I shall not try to take all the five minutes. If I do try to take a few minutes more, it is because of the unfortunate position in which we have been placed owing to the absence of my friend, Sir Chunilal Mehta, whom I am sure, if he was present here, my friend would

have liked to hear much more than myself. I am sure he will not take any more objection if he finds me not so palatable as my friend, Sir Chunnilal Mehta. Now, Sir, so far as the salt industry is concerned, my friend, Mr. Fakirjee has given you a short history, but, as one who has taken some interest in the matter, I would like, Sir, with your permission first to congratulate the Government on the action that they have already taken. The action was delayed no doubt, but after all, it has been taken and we ought to acknowledge the action that the Government have taken. I say, Sir, that had it not been that this action was taken, my friend, Mr. Fakirjee would have to-day shouted out that the salt industry exists no more. Sir, with regard to the salt industry, I who was connected with Bengal for over 30 years was a little surprised when I found that there was some objection from a nationalist province like that of Bengal. My friend, Mr. Sarkar, is here, but I would like to ask a simple question,—whether Bengal likes the salt industry to be established in their own province; and if they really wish that they should also manufacture salt, does not the protection that Government has extended to the Indian Industry help them to revive that industry? Bengal, Sir, has raised the cry that they will get salt dearer. I do not know whether the Bengal people have studied the figures that have reigned with regard to salt rates in Calcutta. I can only give them one figure. When the first Indian salt works were created 18 years back, the ruling rate in Bengal was Rs. 120 per 100 maunds, and the first competition that came in saw a fall of nearly Rs. 90, and the rate was brought down to Rs. 30; that continued for only one year, and then again my Bengal friends had to pay something like Rs. 100, and Rs. 120 for a certain period. Now, Sir, it has also been stated with regard to the question of the salt industry Aden is not a part of India, and it has been asked, “why should Aden be supported?” Now it is a fact, Sir, that Aden has been under the Government of India and especially under the Government of Bombay ever since it was occupied by British and Indian troops; that for years back the people in Aden have been recognized as Indians, and in fact a great majority of its population consists of Indians. Aden is a port at which a large quantity of grains and piecegoods from the Bombay side find sales, and rice from Bengal is being sent there for so many years in large quantities for distribution to Arabia, Somaliland and even East Africa: and it is because of the fact that Aden can send back salt to Bengal that they are not required to pay a larger amount of freight than they would ordinarily have. Sir, the salt industry is a great necessity for this country, and the Report of the Tariff Board and the

Chunilal Mehta Committee's Report furnish ample proofs that India can be self-supporting. If that is so, Sir, I think it is high time that the Government should endeavour to manufacture salt or bring into existence a system of manufacture of salt all over India. Salt, Sir, is a commodity which not only helps the growth of human being but also helps cultivation: and that such an article was being imported, and is still being imported, for years from foreign countries has been a misfortune for this country. Not only that, but the amount of money that was and is being drained away should be taken into account, and when you calculate that, well, certainly you will be able to lay your finger on one of the grounds for the poverty of India. Sir, as my friend has pointed out, so far as the importation of salt is concerned, the percentage of salt that used to come from Great Britain about forty years back was something like 60 per cent of the consumption and it has now come down to 16 per cent. All that money has gone out of India not only to England, but to all foreign countries such as Germany, France, Italy, Egypt and other countries, and last but not the least, great salt works have been created on the Red Sea side by the help of the Italian Government who have advanced no less than 2 million pounds to that concern to help it to bring salt into India. Sir, while foreign Governments are creating salt works and financing them with their money, in only our country our Government wants to give them the same treatment or better treatment than ourselves. Sir, is that fairness? Is that not discrimination against Indian interests, I ask? (Applause). (Hear, hear). Why should the Italian Government finance salt works in another country to feed India? It is no private concern whatsoever. This sort of thing is going on with regard to salt. Now I shall draw your attention to the question of chemicals. With regard to that, we have already got the Tariff Board Report since 1929, but I do not know why the Government have not expressed any opinion thereon. During the war, the Government felt the necessity of creating chemical works in India. They felt the necessity of even creating chemical works in Great Britain,—and look at the way in which things are done in England. The Imperial Chemical works in England is being financed by Government, is being subsidised by Government, and helped by Government in every way. Why is not our Government doing the same in India? Do they want another great war to appreciate their own position of helplessness, hopelessness and dependence upon foreign countries whom, at the cost of India, they feed, and then they want India to fight for the Empire against those foreign countries. I say we have here a positive charge to

lay against the Government that they have been feeding foreigners who are ever ready to fight the Empire and, mind you, Sir, it is at the cost of Indians that they become many times stronger, and India is expected and required to help the Empire against these foreign countries. Sir, a lot depends upon the action that Government takes in this respect. The chemical industry is a necessity for many other industries to continue and flourish, and I hope the Hon'ble the Commerce Member will at least now give us an assurance that some action is being taken. With regard to the match industry, my friend has explained the position at length, and I only wish to point out that by the inaction of Government not only a foreign syndicate has come in and is ruining the country, but this syndicate has gone to the length of abusing our hospitality by arranging all over the world to take over the machinery supplying works, the chemical works, and so forth. They have even gone on and made a combine to purchase all the raw material which sometimes we require from abroad. They can do all this sort of thing, and still we allow them to be in our country. This vested interest has recently grown up; and if our Government is going to treat these new concerns, these new vested interests of foreigners indulgently and to allow them to ruin us, then I think we should consider very seriously whether we should not take action against British as well as foreign interests. Not only that, but by allowing such a syndicate to come into India the Government have allowed a drain of nearly three crores for the last sixty years from India, and this drain will continue for long. I would point out that when the Tariff Board Inquiry Committee was appointed, this very syndicate said that this industry did not fulfil any of the conditions of the Fiscal Committee's Report; that is to say, they thought that this industry should not be protected,—that it would not be self-supporting in India, and it should not be protected. Well, at that time, the concern had a capital of 40 lakhs, and the question may be asked, "why was this concern created when you are of opinion that this industry cannot flourish in India?" Then they said, "probably the concern would close down their works"—a concern with a capital of 40 lakhs of rupees, a concern that believes that there is no need for protection, and is continually developing, and yet our Government are merely watching the course of events! Only last January a question was asked in the Assembly, when the Hon'ble Member was pleased to say that serious consideration was being given to the question. Well, it is now 12 months past, and what do we find? Still, inquiries are being made,—and, Sir,

the result is, we are reducing the scope of our Indian manuf-acture, and the Swedish syndicate is going on; and it will be seen that all the factories will be closed down, and the moment that is done, the Swedish syndicate will immensely grow up, and you will again have a drain of three crores of rupees from this country. As one of the representatives of a Calcutta firm told me, even the banks in Calcutta, even the shroffs and even ordinary people would not lend money to a match manufacturer because they say, "here is a foreign syndicate, so powerful as to ruin the industries of 23 countries by acquiring a monopoly, and here is a Government which will not take any action against them and which will not in any way help the indigenous industry. So we cannot help you." It is not that the banks and the shroffs are hostile, but it is because our Government will not come forward to help the national industry; and still the Government would sit still and therefore, we want a Director of Industries in every province.

Now, Sir, coming to the hides and skins, I would like to say a few words because I happen to have some experience of that line during the war. During the war our Government felt the necessity not of hides and skins being tanned by our tanneries but they put a special officer to look after it and now they say that there is no need for it. The tanning industry has been ruined. Why? Because certain importers do not want that a little money on the tanning labour should be spent in India. They want the raw material so that even the tanning work should be done there. I assure you that if tanning is allowed to be done in India then the hides would become cheaper than what they are to-day. The poor Indian labour is very cheap and everybody wants to exploit them. We heard in this Chamber yesterday about the recommendations of the Agricultural Commission and the great need to help the agriculturist. We also want that some employment should be found for them. Here are the ways and means by which employment is to be given to them. With these words, Sir, I support the Resolution. I have tried to finish my speech before 12 o'clock as I promised to do.

The Chairman: I should like to request Sir George Rainy on your behalf to stay for five minutes more because I find that in this Resolution tanning industry has been included and I should not like it to go unrepresented.

Mr. Mahomed Ismail, (Southern Indian Skin and Hide Merchants' Association): I thank you, Sir, and the Hon'ble

Member for Commerce for allowing me at least 5 minutes to represent the case of the tanning industry. Sir, the total value of skins and hides and the leather articles in this country is about Rs. 40 to Rs. 50 crores per annum and about three million people are engaged in this and allied work. The tanning industry has not only got a great economic bearing on the commercial and industrial development of the country, but it is also a key industry which is very serviceable in cases of emergency. It was this usefulness and immense service that was acknowledged during the war when at a time 75 per cent of the British armies had their shoes, the upper leather of which was made in Southern India. This is in addition to the satisfaction which the tanning industry was able to give to the requirements of the civilian population wearing shoes. Now, Sir, the Government at that time recognised the value of the industry and also the peril which it stood at the hands of the foreign competitors. Before the war the Germans, the Americans and others exploited our raw resources and they even formed themselves into a ring at times. There were cases when these combines boycotted the Indian sellers who sold skins and hides to Madras tanners. Later on, after the war, many a time when the prices were high, the foreigners kept themselves aloof, and when the prices fell down, they swooped upon the market and took away the raw materials of the country unawares, so to say. It is in this way that the tanning industry has all along been dealt with by the foreign interests and it is because of this that we have been asking for protection. But instead of giving protection, the Government reduced the duty to 5 per cent at the request of the foreign interests. The foreign agencies in the country which were mainly caterers to American and German firms, represented to the Government that it was an evil in so many ways; but so far we have not been able to see we don't know what the evils are. They speak of the cause of the primary producers, but Government themselves when they levied the duty said that it did not in any way injure the interests of the primary producers. Then again, the matter was discussed at the Geneva Conference. They said that they were against any export duty; but then, our country cannot be linked with other countries which have had an earlier start in the industrial and commercial development and which have got immense facilities for mass production. But even that Conference laid down certain exceptions and the tanning industry comes under that exception. Then again, European countries, like Roumania

have not agreed to abide by that resolution. This industry, Sir, cannot be given protection through an import duty because the imports hardly come up even to a crore of rupees including even the artificial leather, whereas our exports of skins and hides including tanned skins and tanned hides come to anything between 15 and 20 crores per annum. It is alleged that if a duty is levied, the trade may be affected; but then the world cannot ignore our supplies. The whole cattle population of the world is computed to be 600,000,000 of which India alone contains not less than 200,000,000. I am afraid I have not the time to take the House through various figures but I shall mention only a few figures with reference to raw goat skins. They compute the figure to be 120,000,000 for the whole world. About 90 per cent of this or about 105,000,000 comes into the international trade, of which India alone supplies 41,000,000 of raw goat skins. Then, again, Sir, even with a duty of 15 per cent and when Germany and other countries were passing through the post-war depression, Germany was able to buy raw hides from our country. This shows that the world cannot ignore our supplies. If such foreign countries want only our raw materials and if they refuse to take our tanned hides, then we say that this is not fair to our country. Even Germany has levied an import duty on our tanned hides and America has now levied an import duty on our tanned skins and hides, while they have left raw skins free. This last factor of the American Tariff has given a death-blow to our tanning industry. As it is, it was being crushed by foreign exploitation and then by the high exchange ratio and then by the general depression and last of all the American Tariff has proved the veritable last straw on the camel's back. Reports after reports are coming from England, which is not only the greatest purchaser of leather from America but also the largest seller to America of leather and manufactured goods, that the Americans do not buy in the London market to which most of our tanned skins and hides are being sent and that this further depression and this most disappointing position is due to the American Tariff.

The Chairman: I would like the Hon'ble Member to bring his remarks to a close.

Mr. Md. Ismail: Sir, the position has become very acute and even a few months' delay will mean complete ruination of this important industry. So much so that the commercial bodies of

Madras, European as well as Indian, and the Press, European as well as Indian, have taken up this case and have put forward as their opinion that unless an immediate remedy is vouchsafed to this industry, it will be ruined and its position will then become absolutely irreparable.

Sir, I wish to thank the Government for the promise they have given in the case of our raw goat skins, but that alone, I am afraid, will not help the industry as a whole. The relief must embrace the whole tanning industry, skins as well as hides, and that too must be done immediately. If it is not done quickly, the primary producer, for whom the foreign interests have taken so much love and liking, will be placed at least at the sole mercy of the foreign exploiter, because he will then be the only buyer of the raw skins. Then, even for a piece of leather which is required for an ordinary pair of sandals, we will have to depend upon foreign countries. Therefore, apart from the right of this industry to live, I beg of the Government to show at least some mercy to this industry, which is, I might almost say, on its death-bed now.

The Hon'ble Sir George Rainy.* Mr. President, may I begin by thanking the Hon'ble Mover of the Resolution for his very cordial wishes of Bon Voyage and for his wishes that I might return in his ship. I do not know whether this will be possible on this occasion but I certainly hope that before I die I shall be able to make a journey from England to India in his ship. I wonder if I am right in taking up just two or three minutes to tell the Federation the kind of impression that has been growing on me during the four years that I have held the office of the Commerce Member. The conviction had been steadily increasing from year to year and from month to month and the impression created upon my mind was this—that there was something anomalous in the arrangement that I, coming from another country, should appear before the representatives of India as charged with the immediate control of commerce. As we all know, things have been changing very rapidly in India in the last few years and with the new India that has already come into existence and is rapidly coming into existence, the conviction deepened in my mind that this was an arrangement that could not continue for very long. Therefore, when the Government of India had to consider their proposals in connection with the Constitutional

*Speech not corrected by the speaker.

Reforms, the impression was quite clear in my mind that whatever might be said about other departments or other subjects, the time had come when the administration of the commercial subjects ought to be in the hands of an Indian whose policy would be moulded in accordance with the wishes of the Indian labour. That was my quite clear conviction and that is what you will find in substance in the Government of India Despatch, qualified only by this, namely the proposed commercial agreement. I know quite well and I am not going to argue the question, I know quite well the difficulties there are. I know quite well the objections that are raised, sometimes on the one side and sometimes on the other, but I do want to say this, that when a great change in the relations between two great countries occurs as it will occur before long, it makes a great deal of difference to the future whether that change occurs violently or whether it leaves some sore spots behind it or whether it occurred as the result of a spirit of mutual accommodation and goodwill. It is in that spirit that I have always hoped and still continue to hope that it will be possible when the sittings of the Round Table Conference are resumed to arrive at a common agreement.

Now, I have not got too much time and therefore I must pass on to the subject of the resolution by merely saying this that I very cordially thank the President of the Federation and the other gentlemen of the Federation for adapting themselves to meet my personal convenience. I think you know that there are rather cogent reasons. I have still got a good deal to do before I leave Delhi at ten minutes past ten to-night. I am very grateful for the consideration shown to me by the Federation in allowing me to rise at this stage. I will deal first and very briefly with the chemical industry. I do regret more than I can say, that we have not found it possible to publish the Report of the Tariff Board earlier. As I said in the Assembly, it will be published before the end of May and I quite recognise the depths of feeling which I know is felt by a number of members of the Federation and outside, but I will ask the members of the Federation to believe that there is no sinister motive behind it and that the angle from which I approach this question of protection is the angle from which I approached the question of protection to steel industry in 1923. After all I have been rather closely associated with that particular branch of the Indian industry and I am glad to say that I believe that as a result of the measures which on that occasion I had the honour of taking a share in initiating, before very long it will be quite plain to the whole world that the steel industry is firmly

established in India. I believe that if to-day the railways were in a position to place all the orders that they would like to place, I believe it could be shown even now that the prospects of the industry were assured. One thing more about the chemical industry, I will say and it is this. We hear a great deal about the desirability of responsiveness on the part of the existing government. Well, in the case of the salt industry, we gave an example during the last session of the desire of Government where they can to meet the wishes of Indian opinion generally. It is from that angle that I approach the consideration of the chemical question.

Now, I will pass on to the question of matches. I do not intend to say anything more about salt, one reason being that my honourable colleague who is directly responsible for salt is already here and in any case the members of the Federation know exactly what was done during the last session and my friend Mr. Hoosainbhoj Lalji clearly indicated that they approve of what had been done. So I will now turn to matches. As regards matches, I am no longer in charge of that particular subject, but I would like to narrate briefly what actually occurred. When the Match Industry Protection Bill was before the Assembly, I said that the position would advance and that if it appeared that an attempt was being made to oust the indigenous manufacturer by the operations of a powerful foreign combine, Government would take the matter up. Now, we have got quarterly returns from them always which we used to examine closely with the prices at which matches were being sold and I think I am right in saying that it was not until about May or June last year that the tendency to cut prices became apparent and it was not till the following quarter that is, July-August-September, that it became very marked. The case on the statistics for Government action could not arise until we got these figures, assuming that that was the only information we had, that is the figures for the September quarter. But before this could reach us, we had representations from the Indian indigenous match manufacturers drawing attention to what was going on and asking that action should be taken. Thereupon we asked the Director-General of Commercial Intelligence to make an enquiry and to report to us as soon as possible. The only method of enquiry he could adopt was to ask for information from the Provincial Directors of Industry as well as from the Match manufacturers. In January I found that his report had not yet reached us and that he had written to us to say that some replies were still outstanding and that he would not be able to submit a complete report for some time. Upon that I asked that he should submit his

report at once in so far as information at his disposal enabled him to give us information. He did so and as the result of the facts he brought to our notice it became clear that there was a prima facie case for an enquiry and it was after that stage had been reached and only after that stage had been reached that it occurred to me that properly it was really rather the business of the Industries and Labour Department than of the Commerce Department and for that reason I asked my honourable friend, Sir Joseph Bhore, to take over the case and to deal with it. He very readily agreed to do so and I think many of you know that the first step that was taken was that on the 4th April a meeting was called at which the principal indigenous manufacturers were represented and they placed their whole case before the representatives of the Government. I understand that what my honourable colleague now contemplates to do is that as soon as he gets to Simla, representatives of the Swedish manufacturing company should be invited to come there and to place their cards on the table and to give all the information they can. After that my honourable colleague would consider what the next step to be taken is. I am only deputising for him on this occasion and therefore I cannot say more, but he did ask me to explain to the Federation that he would have been present himself to deal with this matter but for the fact that before the dates of this meeting were arranged, he had already made engagements for a tour taking him to Madras and he was unwilling to disturb those arrangements merely on account of this one branch of that particular resolution. Otherwise he would certainly have been present here himself.

I now turn to the question of hides and skins and tanning industry. I notice that clause (a) (3) of the resolution asks Government to give effect to the recommendations of the Hides Cess Committee. I have every disposition to do so, but it is a matter in which we must carry the Local Governments with us because we can hardly act directly. We can hardly take action without their concurrence and we have not yet received replies from all of them, and as soon as they are received, the matter will be taken up and I hope it will be possible to give effect to the recommendations of the Committee.

Then I come to the question of protection for the tanning industry. What I would like to say about that is this. I suppose a great majority of the members of this Federation do hold the opinion that it is possible and also right and desirable to give protection to the industry in the form of an export duty on raw material. But

I think I am entitled to say that a great deal can be said on the other side, that the export duties are very troublesome things sometimes and very often do not like to operate them or if you operate them, they do not result in the way you expect them to operate. The view hitherto taken by the Government has been that an attempt to use export duty as a protective duty may result very differently from what was anticipated may result in the opening out of alternative sources of supply to the detriment of the producer of the Indian raw product without any particular advantage to the Indian manufacturer of the manufactured products; and also duties which were intended to be a protective character sometimes lead to retaliation by other countries. But it does not do to be much too apprehensive of that or allow one's policy to be deflected by considerations of what they believe may do; still we have to keep that in view. On the question of hides, I have hitherto not been convinced that the view taken by the Government of India was wrong. In the Assembly during the Budget discussion this year, Mr. Jamal Muhammad Sahib in a speech drew special attention to the question of raw goat skins and the effect which the changes in the American tariff had had so far that material was concerned. I therefore promised in the Assembly that the matter would be considered and that we would give the tanning industry in Southern India every opportunity of explaining the position to us. I should like to explain now one of the things on which my mind is not yet quite clear is this. I can understand this that by the imposition of a duty of 15 per cent on the tanned skins while the raw skin enters free so far as the market in the United States of America is concerned, obviously that gives an advantage to the American manufacturer. But I pointed out in the Assembly that less than 10 per cent of the tanned skins exported from India go to the U. S. A. whereas nearly 90 per cent go to the United Kingdom. Therefore any injury suffered in the domestic market of the United States would not necessarily in itself be a very serious injury to the Indian tanning industry. But where I like information is on two points, namely whether the manufactured goods which are made in the United States from the Indian goat skins are in fact exported on a large scale to other markets. That is the first thing.

A Member: Yes, Sir.

The Honourable Sir George Rainy: I should like to have full information upon that. The second point is how the American import duty gives the American manufacturer any advantage in

the neutral markets where the goods are not subject to the duty. I shall be very grateful if the representatives of the tanning industry would write to us about that and explain to us the position as they see it.

Then, I come to the last clause of the resolution namely about the Indian mercantile marine. As members of the Federation know very well Government found it impossible to assent to the Bill which passed its second reading in the Legislature and was referred to a Select Committee. We thought you were wrong and you thought we were wrong, but the attitude of both parties was quite clearly explained. Therefore I need not dwell upon that. But I promised in September 1929 that the Government of India would have a settlement by agreement and I urged that they would explore the possibilities of means of assisting the development of the Indian mercantile marine upon other lines. I should like to tell the Federation quite plainly, why it has not taken action yet to explore these other lines. One reason quite clearly was this that during the last year,—it is no use shutting our eyes to the fact,—the whole political atmosphere has been most unfavourable for a discussion of questions of this sort. But much more important,—and I must again refer to it,—was the impending sitting of the Round Table Conference at which the commercial agreement would, we hoped, come under discussion. I still adhere quite firmly to the view I have always taken that this is a matter which can be settled by agreement, which ought to be settled by agreement, and if it is settled in any other way it will be most unfortunate. That means concessions from both sides, and I can assure the Federation with reference to what fell from one speaker that if any opportunity occurs while I am in England by which I can give my help in that direction, I shall be only too glad to take advantage of that opportunity. It is a matter which I have very much at heart.

And, finally, there was a third reason why we did not explore the alternative methods, and that is to be found in the financial position of the Government of India. If an alternative method is to be adopted, then I think quite certainly it means the grant of direct financial assistance to the industry, and it is by no means a cheap matter or a simple matter to find the necessary funds. Now, the financial position of the Government of India being such as it was and such as it still is, it seems to me that it will be almost a mockery to appoint a committee to advise the Government of India what subsidies are necessary, with the absolutely certain

knowledge that it would be impossible to give that assistance. I do feel that very strongly. But I am not going to surrender the hope I still entertain that these difficult questions will be settled at the Round Table Conference in a form to which both sides can assent, and that the way will then be clear for the creation of an Indian Mercantile Marine under the auspices of an Indian Government. That is what I look forward to and that is what I shall hope to see. (Applause).

The Chairman: I am not putting this resolution now to the vote because Mr. Mahomed has still to speak on it. But before we take up this resolution again I think we have to take up the other resolutions dealing with Currency and Exchange and Silver; and after those resolutions are finished we will take this resolution up again. Probably Mr. Fakirjee may like to reply to some of the remarks. Therefore I will not put this now to the vote, but we will continue it after we have finished dealing with the other resolutions.

Mr. Hooseinbhoj A. Lalljee (Indian Merchants' Chamber, Bombay): Mr. President, may I ask one simple question of Sir George Rainy? We have heard about the reference to the Round Table Conference. We all hope there will be some amicable settlement, but I take it that the Round Table Conference will consider the position between Great Britain and India and that there is no question of any foreigners to be considered at that Conference.

The Honourable Sir George Rainy: I have no authority to state what may or may not be considered at the Round Table Conference; but certainly it has never been suggested at this end and certainly it was not suggested in the Government of India's despatch that the citizens of other countries came into the question at all. The reference throughout was to British India, and speaking from memory,—although it is a rash thing to do,—I seem to remember the phrase "subject always to reciprocity."

The Chairman: Before we take up resolution no. 1, I should like on your behalf to extend our cordial thanks to Sir George Rainy for being present here, particularly in spite of the fact that he is leaving to-night for a holiday. (Cheers). Therefore I hope you will all join me in wishing him a happy voyage, and I should again thank him on your behalf for giving us the benefit of his presence here and enlightening us on various points.

The Hon'ble Sir George Rainy left the House.

The Chairman: Now, before I call upon Sir Purshotamdas Thakurdas to move resolution no. 1, I would like to tell the House that I have been reminded by friends that although we have decided to allow 15 minutes to the mover, 10 minutes to the seconder and 5 minutes to the supporter, I have not rigidly observed the rule. I know I have not, but if I sometimes found members clapping a particular speaker, I can only see that they want him to continue. After all I am a servant of the House and I am entirely in your hands. We have a lot of business before us and I therefore hope that the speakers will try their best to observe this rule rigidly.

CURRENCY & EXCHANGE

Sir Purshotamdas Thakurdas (Indian Merchants' Chamber, Bombay): Sir, the resolution I have to place before the House for their acceptance runs as follows. I have been told that it is of the length of half a speech, but I do not propose to speak much after moving the resolution and as the resolution is of a comprehensive nature, I think, Mr. Chairman, it would be best for me to read the resolution before the House.

"(A) The Federation views with grave apprehension the financial and currency policy of the Government which has had the effect of:

- (i) reducing the purchasing power of the people,
- (ii) increasing the liability of every debtor including that of Government,
- (iii) creating artificial stringency at even unnatural periods during the last few years in the money market and undermining the credit of the Government both at home and abroad,
- (iv) frittering away the gold resources in the currency reserves which threatens in the near future the convertibility of the currency of the country.

(B) The Federation is of opinion that unless immediate steps are taken to—

- (i) make drastic retrenchment in every department of national expenditure both in the Central and the Provincial Governments,

(ii) generally to regulate the currency and fiscal policy of the Government in a manner calculated to promote the productivity of the country, and

(iii) stop further efforts at maintaining the value of the rupee at 1s.-6d.,

the situation cannot but develop most alarmingly causing irreparable harm to the economic structure of the country.

(C) The Federation repeats its emphatic protest against the fact that in spite of its warnings during the last few years, a policy diametrically opposed to unequivocally expressed responsible Indian opinion has been pursued and is amazed at the Government's determined persistence in that policy on the eve of the transfer of the Finance and Commerce Departments to popular control."

I said, Sir, that the Resolution is a very comprehensive one and I hope that after hearing the Resolution as read out by me the House will agree with me. I do not propose to give any figures either of contraction or of the depletion of our gold resources, as I take it that the House has seen and remembers at least in the main points the various representations made by some of the important commercial bodies who are members of this body. I wish however, Sir, to refer briefly to the latest exposition of the Government of India's own position in this matter which is contained in the Honourable Finance Member's Budget speech. I refer to that part of his Budget speech which has the heading, "Review of Currency Policy". It commences with paragraph 101, and whilst there are explanations given about the various steps against which criticism has been levelled with regard to the currency policy of the Government of India during the last few months particularly, I should like to touch upon one point which I think requires not to be let pass without further refutation on our part.

I refer to paragraph 108 of the Honourable Member's speech which has the heading, "Policy of Dear Money forced on Government." The conclusion of that paragraph which is in words which are in italics runs as follows:—

"But it has been forced on the Government—"it" meaning the policy of dear money—by those private interests who

for various reasons, nervousness as to India's future or a desire for speculative gain, are sending money out of the country."

I know it is very difficult for Government to tell us how much money has been remitted outside the country by persons who do not usually in the normal course remit money outside the country. For instance, the European who has his capital here in the normal course in ordinary years takes his interest or earnings on that money outside India. I presume the Finance Member could not have that in mind. What he must have had in mind is the allegation,—I may call it an allegation until the Honourable Member is able to give us figures; not that I disbelieve what he has said,—the allegation of large sums of money being sent out either owing to nervousness as to the future of India or for the desire of speculative gain. The class which does it for the latter purpose, namely, speculative gain, is a class which is not confined to India for it belongs more to the west than to the east, and it is a class which can be dealt with and has been adequately dealt with in the past by a currency policy, in which Government themselves have confidence and faith, a policy which they can pursue with the support of the commercial community who will not favour these speculators. The class then which the Honourable Member particularly can have meant to criticise is the class which does not do it for speculative purposes but does it because of nervousness as to the future of India. Now, I suppose the Finance Member will agree that if there is any set of people in the world to-day who in spite of the perilous condition of their currency has still faith in its own currency, it is the people of India. What they have no faith in is the policy by which that currency department is guided and controlled. What they have no faith in is therefore the absence of their own voice in the management of that department, and the reluctance of Government to respond to or listen to criticism levelled at their policy in the best of spirits and with the best of motives. Sir, this very Federation and this very platform has criticised the Government policy for more than four years now. Every Finance Member,—and the Honourable Sir George Schuster has been one of those,—has been good enough to come here and listen to our wails and our tales of distress; and I am afraid he will have to admit that very little has been done till now to meet what we have put before him personally on this platform and generally before the Government of India both in speeches and in writings which certainly had not been wanting on the side of being equivocal. I feel, Sir, that the people of India

have yet faith in their currency and in the rupee. But the rupee has been so ill-treated, if I may say so, by the Government of India themselves that if they found that people who understand something about the underlying forces of the mismanagement of currency take their money outside India where they earn 6 or 7 per cent in gilt-edge securities, and put the money in foreign countries earning only 3 or 4 or 4½ per cent, surely I say to Sir George Schuster that if he were a private citizen of India and not the Finance Member of India, I do not know if he himself may not have done it. I therefore appeal to Government once more in consonance with the latest paragraph in Sir George Schuster's own speech at the Budget time which I will quote a little later, I appeal to him to rise to the occasion and to show to the people of India that the Government are anxious to help the people of India to retain confidence in their own currency. In the latter part of the Finance Member's speech he gave vent to some sentiments which I am sure this Federation will appreciate wholeheartedly. I know that in the other country, in England, he has been criticised very strongly and very unjustifiably; but unfortunately what has been happening in the last few months is that what is good for us is not good for the die-hards in England; and what meets with their approval in London, especially of the die-hard school, we consider to be deadly poison to us. But, Sir, for this sentiment which Sir George Schuster has expressed in his speech I am sure we are all thankful to him and appreciate him. He said in para 125 of his speech:

“In such circumstances, in the case of a business, if I may continue that analogy, the parties concerned, if they were upright and sensible men, would surely say, “We must co-operate during the period of preparation.” ”

And in the very last paragraph speaking personally, he said:

“I have tried in these proposals to measure the needs fairly and to meet them fully, guided above all things by the purpose of handing over a sound business to my successor.”

These are very laudable sentiments and I have no doubt that Sir George Schuster means them in sincerity. May I ask him if he will look upon this Federation as a set of people who are upright and sensible men, as a set of people who feel no less for their country, and will not allow of anybody else, including His Majesty's Secretary of State for India, to say “I can feel more for the

cultivator of India than you Indians can." I would protest against that; and if Sir George Schuster will give us credit for these two things, I say to him, "Here is a set of people whom you indicate in para 125 of your speech." Would he look upon us as businessmen and not as mere politicians? Does he regard us as anything but men who try to take to politics only when we find that as businessmen we cannot get our due and cannot get any redress? Very few here like to go to political meetings if they found that their business, the economic fabric were being run on the correct lines. (Cheers).

These are the qualifications of the Federation, which I would challenge anybody to deny. I invite Sir George Schuster to enlighten us, to take us into his confidence, and we will be the first to go out to the country and proclaim that the Indian currency system is sound and that the system requires that every one should stand by it. I invite Sir George Schuster in consonance with the sentiments he has expressed in the two paragraphs which I have quoted, to take the people into his confidence. I invite him further to exchange views—I do not know whether he would like to do it—by the appointment of a committee. We have heard it said that if a committee is appointed by the Government of India the exchange becomes weak. But I ask, why should a committee be appointed only for the purpose of considering the ratio? Are there not other weaknesses in the currency policy of India which require looking into? Are not our gold resources being depleted? Is not our gold backing to our currency to-day weaker than it was in 1914? In fact, is it not weaker, taking the note circulation, than it was in 1901? What progress have you made in the Currency Department? Is it not up to you as those who are nursing the baby of to-day in order to hand it over to an Indian cabinet a year or two later—is it not up to you to take the people of India into your confidence? Perhaps you will be doing yourself a lot of good and you will be sharing responsibility with them. Is it not in your own interest not to keep on managing the currency in a manner which at least some people characterise purely as callous and unresponsive to popular opinion? Is your exchange question so weak such an invalid that it cannot stand the appointment of a committee or consultations by the Finance Member with people who understand the problem and who have a stake in the country greater than any number of Europeans in India have to-day? I say that our stake, the stake of all of us who are permanent residents here, natives of India, is greater than the stake of the whole of the European commercial community multiplied thousand times over.

(Cheers). I ask you in all equity and morality, what right have you to pursue a policy which has been challenged by the Indian commercial community and the Indian public for the last so many years? I do hope that acting up to these laudable sentiments that Sir George Schuster has put in both on behalf of the Government of India and on his own behalf, he will be able to tell us something to-day which will give strength to his currency department and to the currency of India.

One word more and I have finished. It has been said that there is a retrenchment committee to be appointed and that the Assembly has nominated members for it. May I put it to Sir George Schuster that the day of a little cut here and a small cut there is long gone past? What we want off now is crores and tens of crores in the expenditure of the Government of India, and nothing in the shape of a few lakhs here or there will help. As a financier, every one of us appreciate that every pice saved is a pice gained and lessens taxation to that extent. But the problem has gone outside these small calculations of thousands or lakhs of rupees. It has now come to lopping off something in the neighbourhood of 15 crores out of the Government's budget.

In 1927, when Sir George Schuster's predecessor carried through the Assembly the Ratio Bill he put forward before the provinces the bait of a reduction of provincial contributions; and he said unless they agreed to the 1s. 6d. ratio there would be no remission of provincial contributions. I had then suggested that if the Assembly understood the ramifications of the new ratio which was then proposed, the Assembly would say "We would rather have new taxation of six crores to-day than allow you to play havoc with our cultivator and our industry and commerce." Less than four years have passed since then; and to-day it is not I who talks about the 1s. 4d. ratio; it is the representatives of the cultivators and the zemindars who have been clamouring about it. All that I can say is the cultivator has suffered a lot; the cultivator however will suffer more if more of India's gold resources are allowed to be frittered away; and I therefore ask the Government of India and its representative here to tell us what their policy is. I move the resolution. (Cheers).

Mr. D. P. Khaitan (Indian Chamber of Commerce, Calcutta): Sir, I beg to second the resolution that has been so ably moved by Sir Purshotamdas Thakurdas. We have seen that during the last 11 years the exchange has not lived for the country, but it

is the country that has lived for the exchange. On the altar of the exchange the currency department has been made bankrupt; the country has been mortgaged, and taxation upon taxation has been levied upon the people of the country for the primary reason that the bad ratio of 1s. 6d. must be maintained, that it must be maintained not in deference to Indian public opinion but in spite of it, that it must be maintained because the City of London and the Secretary of State want it. If the interests of the country had at all been considered, this exchange of 1s. 6d. would never have been put on the statute book. But if by a mistaken reading of the situation the Government of India thought fit to impose it upon the country, the subsequent economic developments in the country would have opened their eyes and they would have set the matter right. But they have not only failed to do so; they insisted on refusing to do the correct thing by the people of this country. We are told in the despatch of the Government of India that Indians cannot be trusted with the management of the Finance Department because the maintenance of the credit of this country unimpaired must be looked after. Who are the gentlemen who teach us that the maintenance of the credit unimpaired of this country must be looked after? These are the gentlemen who have raised loans amounting to not less than 121 crores of rupees during the last year as against the budget estimate of 51 crores; these are the gentlemen who have reduced our gold reserves by not less than 123 crores of rupees during the 2s. and 1s. 6d. regimes, and these are the gentlemen who have reduced our gold resources to as low as 16 per cent of the total note issue. Does it lie in their mouths to say that the Finance Department cannot be entrusted to responsible Indian ministers and that they will not be able to manage it? Is this the way in which the credit unimpaired of this country will be maintained? If that is their reading of the situation, I must say that a new dictionary has got to be developed for the English language. I hope that on the eve of the political situation, namely, when the Finance and Commerce Departments are going to be transferred to popular control, I do hope that on the eve of that transfer of responsibility, without waiting till that time comes, the Government of India will trust responsible Indian opinion and act according to their wishes, according to the light that they have in them, in order that the policy that may now be pursued may be followed hereafter when they get responsibility to administer their affairs. It is no use telling us that the financial department will not be transferred to popular control until sufficient gold reserves which have been decimated and depleted will be built up and a Reserve Bank can be established. Let them know

that India will not listen to it. India will not listen to anything the effect of which would be that the Finance Department will not be transferred to popular control. India has no longer the slightest confidence in the way that the Finance Department has been managed. (Cheers).

Mr. Kasturbhai Lalbhai (Ahmedabad Millowners' Association, Ahmedabad) in supporting the resolution said:—

Sir, After the exchange debacle of 1920-21 when Government of India changed their policy and appointed a financial expert as the Finance Member of the Government of India it was anticipated that the currency and exchange policy of the Government will be based on sound principles.

Sir Basil Blackett himself laid much stress on his achievement in restricting the Government borrowings to Indian market only, and that too at reduced rates of interest. What do we find instead to-day? The Government had to resort to large borrowing in the London market at high rates of interest when money is cheap all over the world. This is the legacy left by Sir Basil in his mistaken policy of fixing exchange at 18d. Consequently the Government securities have depreciated considerably. This is at a time when due to unprecedented slump in the commodity prices the trade demand is slack and the securities of foreign countries with a four or five per cent yield are at a premium of 5 to 8 per cent.

At the same time Government are borrowers in the open market to an unlimited extent paying as high as 6 per cent and over for three months treasuries. This is having a serious effect on the finance required by the industries and trade.

The year 1930-31 has been a phenomenal year in restricting the imports of piece-goods from foreign countries to more than 50 per cent. In spite of it Indian mills had great difficulty in disposing of their produce because the purchasing power of the people has been considerably reduced. Businessmen all over the world would naturally prefer a stable exchange and it may appear to be an anomaly that the Federation of Indian Chambers should be advocating to stop further efforts at maintaining the exchange at 18d. This is not because they do not understand their interest but they have to choose between the two evils, i.e., the fixity of exchange or frittering away the gold resources in the currency reserve in trying to maintain an artificial exchange and they have decided to choose the lesser evil.

Sir, I support the motion.

Mr. B. S. Dabke (Maharashtra Chamber of Commerce, Bombay), in supporting the resolution said:—

Mr. President and Gentlemen, I have great pleasure in supporting the resolution moved by the esteemed leader of the commercial community, Sir Purshotamdas Thakurdas. There remains, therefore, now very little for me to say in this matter. I will only deal with two or three points of this resolution as briefly as I can.

The Deflation of Currency and Fall in Commodity Prices.—

The Honourable the Finance Member, in his last Budget speech, has made a few observations, in anticipation of the criticism about the Government's Currency Policy. In course of his speech the Finance Member has said "that the reduction in the volume of currency in circulation is by no means excessive, having regard to the fall in prices and the diminished money value of business transactions. Our contraction has been a necessary consequence of, or sequel to, the fall in the world prices. It cannot be regarded as a cause of that fall." He has also shown by a few currency figures between the 1st of April 1926 and 31st December 1930, that the contraction of currency is about 18 to 20 per cent, whereas in the same period, the Calcutta Index number of wholesale prices fell 31.5 per cent, and he draws a convenient conclusion that the percentage reduction in the amount of currency in circulation is, therefore, small in comparison with the percentage reduction in prices. But the Calcutta Index number of whole-sale prices cannot be said to accurately represent the movement of prices in India. India is a large country, almost a continent like Europe minus Russia. The Index number of whole-sale prices for instance of Rome in Italy will not be an accurate Index number for the whole of Europe. Similarly, the Calcutta Index number cannot be an accurate Index number for the whole of India. Better method of keeping statistics on lines similar to those obtaining in the United States of America, where they have carried it to a higher degree of perfection should be adopted in this country, if they are to prove more useful. Incidentally I have to suggest that the Government of India should divide the whole of India and Burma into 10 centres of convenient sizes and Index numbers should be taken at all these 10 centres. From the Index numbers prepared at these 10 centres, an average Index number for the whole

of India and Burma, should be calculated. This average Index number of 10 centres of India and Burma will accurately represent the correct trend of the level of prices in India and Burma. As the prices of almost all the agricultural products of India have touched the lowest level now, this year (1931) should be made the starting year for the Index numbers of 10 different centres of India and Burma. No excuse of the want of funds should be put forth to shelve this subject of statistical enquiry for the scientific study of the economic problems of India. Now if prices in India must follow world prices they should not register a greater fall here than they do in other countries. But the fact is that they have fallen to a greater extent in India than they have done elsewhere. It is evident, therefore, that there must be some special reason, apart from the world factors, for this great fall in prices in India. I submit, that it is not the fall in prices that has necessitated the excessive contraction in currency but on the contrary, I may observe that it is the very policy of contraction of currency, that has led to this unjustifiable fall of prices in India and has impoverished the Indian peasants and ultimately further accelerated the fall of world prices.

The Honourable the Finance Member, while replying to Sir Purshotamdas Thakurdas, on this very resolution last year has said "From 1922-23 to 1924-25 there were exceptionally good monsoons, and the prices of one or two commodities in which India is particularly interested, such as cotton, showed exceptional recovery. The people of India in this period did accumulate quite substantial reserves." This was a period, indeed, of rising prices and it would have continued or at least there would not have been a set-back if the Government of India would have continued the normal expansion of currency as they did in pre-war years. But if they would have maintained the same expansion as they did in pre-war years, the fall in prices would certainly have been arrested. But since the first April 1926, a policy of contraction of currency was followed by Government instead of one of normal expansion as they did in pre-war years. The total contraction from April 1926 to December 1930 amounted to Rs. 96 crores. From these significant figures of the contraction of currency by the Currency Authority in India, I leave you, Sir, to draw your own conclusion, whether the decision of the Government of India since 1926 to work for a permanently higher ratio than 16d., Gold and which forced the Government to embark upon a policy of ruthless deflation is responsible for the present heavy fall in prices here as also elsewhere in the world. The fall in the world prices commenced after the Wall-Street crash

in New York, on or about October 1929, whereas it was gradually brought about here by the deliberate policy of deflation since the 1st April 1926.

If we study the Bank rates of the Reserve Banks of important countries like U. S. A., United Kingdom and France, we find that the fall in prices is always followed by easy money, and after the fall the Bank rates of these countries have been reduced from 5 or more per cent. It is also reported that the Federal Reserve Bank of New York, and the Bank of France, are considering a reduction in the present rate of 2 per cent to $1\frac{1}{2}$ per cent, whereas the Bank rate of the Imperial Bank of India has been maintained at an average rate of about 6 per cent and a fraction more since 1927 when the statutory exchange ratio was fixed at 1s. 6d. If we very carefully analyse the Bank rate of the Imperial Bank of India, we find that the maximum rate during the last 4 years was 8 per cent and the minimum was 4 per cent only for a period of 5 weeks from 28th July to 7th September 1927. It is significant to note that since 1915 the Bank rate never touched 3 per cent as it used to do during pre-war years. Besides there is a great discrepancy between the Bank rate and the call money rates of Calcutta and Bombay. When the call money rate in Calcutta was $2\frac{1}{2}$ per cent in May, 2 per cent in November and $1\frac{1}{2}$ per cent in December 1929 the Bank rate was 7 per cent throughout these months. You will see, Sir, that India follows the fall in world prices but does not follow the world in the matter of availability of easy money. The inference, Sir, is simple and irresistible, but I leave it to your judgment.

How the Convertibility of the Currency of the Country is Threatened.—I will now attempt, Sir, to show how the convertibility of the currency of the country is threatened from the weekly abstracts of the accounts of the Currency Department. On 22nd March 1931 the notes in circulation were Rs. 158,29,91,000. As against this circulation the Reserves held in gold and silver coins and Bullion and also rupee securities in India were as under:—

Silver Coin in India	Rs. 116,28,04,000.
Silver Bullion in India	Rs. 6,71,23,000
Gold Bullion in India	Rs. 25,07,00,000
Rupee security in India	Rs. 10,23,64,000
Total	Rs. 158,29,91,000

The total of the reserve of its metallic portion and investment portion exactly equals the value of the notes in circulation.

Now, if we analyse the two portions of the Reserves, viz., Metallic portion and Investment portion, we find that it consists of silver coin, silver bullion and gold bullion, all held in India now. If we take the total of the silver coin and silver bullion it comes to Rs. 122,99,27,000. This is the book value of the Reserve, and if we are to be satisfied with the book value, then the silver holdings of the Reserve, alone, amount to 77 per cent of the total value of notes in circulation. But is this correct estimate of this important asset of the metallic Reserve? When ascertaining the real market value of the assets and liabilities of any going concern what method do we follow? Do we take the book value of the assets or their market value. The answer is very simple. We calculate the market value of the assets. We must, therefore, take the market value of the silver holdings of the metallic Reserve. As far as the portion of the gold bullion of the metallic Reserve is concerned, we take its value as it is, as there are no fluctuations in the gold value. But such is not the case with silver holdings of the Reserve, silver coins form the largest portion of the metallic Reserve. The price of silver in London is, 13d. per oz. A rupee contains 11/12 fine silver. The value of this silver in a rupee at the exchange rate of 1s. 5 25/32d. comes to about As. 4. Therefore, the market value of the silver holdings of the metallic Reserve will dwindle down to $\frac{1}{4}$ of its book value, Rs. 122,99,27,000; $\frac{1}{4}$ of this is Rs. 30,74,81,750; if we add to this the value of the gold bullion, the total comes to (30,74,81,750 plus Rs. 25,07,00,000) Rs. 55,81,81,750. Thus, the percentage of the metallic portion of Reserve according to the present market value of silver in London to the total value of notes in circulation comes to about 35.2 per cent; the percentage is not 50 per cent of the total value of notes in circulation, which is required by the Indian Paper Currency Act of 1923.

Up to the year 1927 the weekly statements issued by the Currency Department used to contain footnotes regarding the composition of rupee and sterling securities in the Paper Currency Reserve. The foot notes disappeared after 22nd April 1927. They were very valuable. The Indian Merchants' Chamber of Bombay drew the attention of the Government of India, Finance Department, but the reply received was that "It was not desirable to give more information in this matter than is required by law."

From the weekly statements that are now issued by the Currency Department, we are not in a position to know the composition and kind as well as nominal and purchase price of the rupee

security held in India to-day. But they amount to Rs. 10,23,64,000. We do not know their present composition. But from the report of the Controller of the Currency for the year 1925-26, we find, that the composition of the rupee security in India was made up as:—

Rupee Securities—

	Nominal Value.	Cost Price
	Rs.	Rs.
3½ per cent loan of 1842-43	8,15,95,000	8,00,00,000
3 per cent loan of 1896-97	2,04,86,500	1,99,99,945 10 0
Total	10,20,81,500	9,99,99,945 10 0

If we take the present market value of the above two securities it will be about Rs. 5,04,00,000 of 3½ per cent loan of 1842-43 at its present rate Rs. 63; and Rs. 1,08,00,000 of 3 per cent loan of 1896-97 at its present rate Rs. 54. But of these securities worth Rs. 2 crores of 3½ per cent were sold in 1927, and as far as it can be conjectured, there are rupee securities of 8 crores of 3½ and 3 per cent; and 2 crores of Treasury Bills. If we leave aside Treasury Bills worth 2 crores of rupees, the present market value of rupee securities will be Rs. 4,86,00,000 against their book value of Rs. 8 and odd crores. The present market value of the investment portion of the paper currency Reserve will therefore, come to about (Rs. 4,86,00,000 G. P. notes of 3 and 3½ per cent and 2 crores of Treasury Bills) Rs. 6,86,00,000.

Thus the present market value of the Paper Currency Reserve is made up as:—

Gold Bullion	Rs. 25,07,00,000
Silver Coin and Bullion	Rs. 30,74,81,750
Securities in India	Rs. 6,86,00,000
Total	Rs. 62,67,81,750

This is the present market value of the total paper currency reserve and its percentage comes to about 39.6 to the total value of notes in circulation, viz., Rs. 158,29,91,000.

The Indian Paper Currency Act of 1923 lays down the proportion of the metallic Reserve to the total value of the paper currency

in circulation at 50 per cent. If metallic reserve be interpreted to mean Rs. (as it can be interpreted according to the strict letter of the law) then Indian Paper Currency Reserve, to-day, is in an excellent position of having a Reserve of about 93.5 per cent, but rupees are after all token coins and keeping a large Reserve of rupees is no guarantee for conversion of the paper currency into gold. What is necessary, therefore, for the Government is to build up such a metallic reserve as will enable them to convert their currency into gold. In other words, Gold Bullion or at the most gold securities should form the main portion of the metallic reserve. Instead of this, silver coin and bullion, alone form nearly 77 per cent of the present reserve. But if we take the market value of the silver contents it comes to only 35.2 per cent, so that the proportion of the gold value of the metallic reserve to the total value of notes in circulation is only 35.2 per cent. The extent of this evil is even more clear when it is remembered that under the currency act of 1927, the Government of India are under legal obligation to convert the local currency into gold at specified statutory rates. Under the circumstances the present Reserve is woefully inadequate and threatens convertibility of the currency of the country in view of the falling prices of silver throughout the world, and the major portion of our metallic reserve being held in silver coin and bullion (about 77 per cent) and gold holdings of the paper currency reserves being exhausted for meeting remittances to the Home Treasury and thus supporting artificial ratio of 1s. 6d.

Lastly, I say, Sir, that we are not fighting for the old ratio for the sake of sentiment, nor is it a mere fetish with us. It is our honest conviction, that, this ratio has ruined agriculture, industry and commerce and also affected labour. It is at the bottom of all the ills that afflict the country to-day. Our object in patiently pursuing this fight for the change in ratio as also in the present currency policy, is to convert the Government of India to our views. We are offering our hand for co-operation to the Government of India, for furthering the cause of the country and if the Government of India will drive out of their mind false notions of prestige and rise to the occasion, there will be no difficulty in finding a solution.

With these words I now support the resolution.

The Conference then adjourned for lunch till 2-30 p.m.

SECOND DAY'S PROCEEDINGS.

April 8th. 1931—Afternoon Session, 2-45 p. m.

The Conference re-assembled after lunch at a quarter to three in the afternoon, with Mr. G. D. Birla in the Chair.

Government Member: The Hon'ble Sir George Schuster, K.C.M.G., C.B.E., M.C.

The Chairman: I have to call upon Mr. Rajendra Somnarayan to speak, and Mr. Sidhwa also wants to speak for five minutes. Although Mr. Sidhwa's name is not on the agenda, I think I may allow him to speak first.

Mr. R. K. Sidhwa: Mr. President, the resolution which has now been moved by Sir Purshotamdas Thakurdas is a resolution which is being moved and passed by this Federation every year since the last four years in as strong terms as possible, and in equally as strong and vehement terms as possible has the Finance Member of the Government of India opposed it in spite of the eloquent speech of Sir Purshotamdas Thakurdas containing facts and figures which have been quoted by Sir Purshotamdas Thakurdas every year. Sir a year and a half ago when the Honourable the Finance Member visited the Indian Merchants' Association of Karachi, the President of our Association casually remarked about this ratio subject, and the Honourable Sir George Schuster not only strongly opposed it but he ridiculed the idea of referring to this matter over and over again. Sir, there is no denying the fact that now the question of this ratio has not only affected the commercial interests of India but has affected the very root of the economic condition of India and thereby has affected immensely the peasants and cultivators of the land. I do not desire to describe all the instances, but I do feel I must quote the instances where people of this country who have felt immensely on this issue and some of our members from our member-bodies have courted jails and have suffered long terms of imprisonment, during the last civil disobedience movement, not for any other reason, but for the fact that this ratio question had extended immensely the poverty of India. Sir, Mahatma Gandhi has made this ratio question one among his fourteen points, and we are certainly indebted to the Indian National Congress for taking up the cause of commercial interests, and to-day the question also constitutes a plank of the conditions of settlement with the Government on the constitutional issue. All these factors are there, and we do not know

what astounding and startling statements the Finance Member is going to make to-day in response to the appeal made by Sir Purshotamdas Thakurdas. He has been making speeches in this House every year and making appeals to the Government for the past 4 or 5 years and I for one have been always disappointed. Sir, no one would be more glad than myself if any pronouncement is coming to-day from the Finance Member showing the change of heart or the change of policy which they have adopted since the last five years. I for one do not attach any great importance to the quotations made by Sir Purshotamdas Thakurdas from the statement made by the Honourable Sir George Schuster during the Budget discussion. That was to the effect that he desired to hand over the finances of India in a very sound condition to the people of India. I do not know what that means. "Sound condition," according to Sir George Schuster, may mean that he considers that the present condition of the finances is sound and therefore he desires to hand it over to the people of India through the Indian Cabinet in that sound condition. I therefore desire to-day to state that in view of the adamant policy adopted by the Government of India, it is no use passing such resolutions; I would have rested content with the Federation passing to-day one or two main resolutions on the impending changes of constitution and one or two other similar resolutions: but when they have taken up so many other matters including this one question of the ratio also, I think we must do some practical business rather than pass these resolutions every year which are really very important as affecting the people of India but to which the Government always makes a very callous response. I therefore appeal to the Executive Committee that they should find out some practicable methods by which this resolution could be put into force effectively and whereby they could bring the Government of India to their knees. If I have to throw some suggestion, I would suggest to the Executive Committee that they should appeal to all the exporting businesses in India that they should confine their business to the foreign countries only excepting the British countries. Sir, it may be urged that this would not be a wise policy. Well, for the present Government, which is not responsible to the people, I consider this a very reasonable weapon to apply, and therefore I for one feel that the Executive Committee, which really feel that this issue has very wide and great importance, should find out practicable means to give effect to this resolution instead of our every year coming to this House giving expression to our views, the Finance Member giving his point of view, and so on and so forth.

Sir, we feel that we are honest in our desire, and the Finance Member also feels that he is honest in his own view: therefore it is up to us—just as the nation showed to the Government of India by taking up the challenge which was thrown by the Government of India and starting the civil disobedience movement—similarly, we must take some measures ourselves to show to the Government of India how intensely and keenly we feel on this issue so that they might really realise the whole situation. With these words, I resume my seat. (Applause).

Mr. Begraj Gupta (Marwari Chamber of Commerce, Bombay) said: Sir, the Currency and the Exchange policy of the Government of India, since the last great war has been very much prejudicial to the interest of the country as a whole and to the trade and industry in general. I need not go back into its history, as the House, I have the honour to address, knows it fully well. First the Exchange ratio was 1sh. 4d. and it was later on raised to 2sh. and was again reduced to 1sh. 6d. Thus there have been many variations in the ratio. It does not therefore behove the Government to declare that the ratio is a settled fact as it is quite clear from what I have stated above that the Government has so often been changing it in the past. Besides that there is no such thing as settled fact in politics much less in economics which is mostly and chiefly governed by the laws of supply and demand. The British statesmen have many a time pledged that the gold standard system would be introduced in India, but in fact they never cared to give a practical shape to their assertions; but on the other hand their policy has been quite the reverse. It is a significant fact that the rupee coins held by the Government as well as by the public, amount to nearly 350 crores, which at the market value of silver is worth Rs. 117 crores. This leaves a deficit of about 233 crores of rupees, against which the Government hold only Rs. 55 crores in gold reserve fund. I fail to understand how under such circumstances it is possible for the Government to make India a gold standard country. Indian Government has always to pay the following obligations: (1) Home charges; (2) unfavourable balance of trade; (3) interest on money borrowed abroad. The second obligation requires some explanation. India being an agricultural country, its export consists chiefly of agricultural produce. The total output of the agricultural produce all over the world has increased abnormally and has resulted in a general fall in prices of all those commodities. Hence the exports have fallen considerably. At present therefore the position is that our exports do not exceed much our

imports and in order to maintain the ratio at 1-6 the Government has to take recourse to drawing the reverse council bill and thus to raise money. If the Government were to go on raising sterling loan in London the credit of the country would suffer and would ultimately reach the point of bankruptcy. To save the situation there is no other alternative but to reduce ratio. The question is how much should it be reduced. My considered opinion on this point is that the Government must not only restore the ratio to 1-4 but should reduce it to 1 shilling or less than that, as the prices of silver have gone down much below the prices existed at the time the Commission considered the exchange ratio question.

The interest of our country demands that the Government must change its currency and exchange policy and leave the exchange ratio to be adjusted automatically in due course by the laws of supply and demand. If however the Government is bent upon having the exchange ratio regulated by legislation it should better fix it taking into consideration the present comparative value of gold and silver. This will in my opinion solve the economic problem of the country which faces it at present.

Gentlemen, I have briefly put the case before you and I trust I have convinced you that it is most imperative for the Government at this juncture to reduce the ratio at once without waiting any longer if it really means to safeguard the interest of our country as a whole.

Mr. Rajendra Somnarayan (Native Share and Stock Brokers' Association, Bombay): Mr. President and Gentlemen, too much stress was put by the Hon'ble the Finance Member when the proposal was discussed by the Assembly and much had been made off on account of an individual opinion from one important member, the President of the Association, to which I have the privilege to belong. But no notice was taken by the Hon'ble the Finance Member of the unanimous opinion of my Association which, barring no doubt two or three members, resolved a day after that 1s. 6d. is a ruinous ratio as far as India is concerned. Besides, while His Excellency Lord Goschen was in charge of the Viceregal affairs, my Association sent a memorandum and in spite of the short time at our disposal, we were able to obtain signatures of prominent citizens in tens of thousands from Bombay. A copy of the memorandum was also sent to His Excellency, the present Viceroy, in England, but the memorandum has been

shelved. All arguments from India met with one reply only, namely, that we know India's interest the best, we tell you that 1s. 6d. as it stands, is the most advantageous ratio, that it ought to be so maintained in the present circumstances and that India ought to support whole-heartedly what wise men at the Imperial Secretariat consider the best in the interests of India, whose interest is much more nearer to their heart than with those who represent important Indian commercial bodies, and that those who are not of Government's opinion are a pack of goats growling 'Daran, Daran', and so ought to follow the shepherd who carries a big bamboo-stick. But let me assure the Hon'ble the Finance Member that India has passed the stage of 'Daran, daran', has become 'Nidar' bolder and all his arguments and of those who support him are falling on deaf ears and India is more in a mood to confide into their own business representatives and that Indian opinion carries more weight with the masses. If Hon'ble the Finance Member cares to take public opinion, I am sure that he would find that out of 33 crores there would be hardly a few who would be on his side. Sir, world depression has been assigned as the reason of the setback on all sides in season and out of season. But while the world politicians look to it in a motherly way, the Mabap here act in a step-motherly fashion as India is not free to act in her own advantage. Sir, we have had enough of wait and see and what we want now is that they should act in a manner which would satisfy India's legitimate aspirations. With these words, Sir, as a representative of the Stock Exchange, I beg to support the Resolution.

The Hon'ble Sir George Schuster: Mr. Chairman and Gentlemen, The last speaker has suggested that his appeals fall on deaf ears. Sometimes when I have listened, as I have done to-day, to debates on this question, I am tempted to wish that my ears were deaf, and I am sure that all who are present here to-day will at least have some feeling of sympathy with me in this particular respect. One of the speakers—and perhaps he talked at least in the clearest sense of all,—said that unless I were prepared to show a change of heart to-day, the time for words had gone by and the time for action had come. He suggested that anything that I could say was already discounted, that he did not wish to listen to arguments, but that all he wished for was the sign of a change of heart. Gentlemen, I venture to say that my heart has always been in the right place as regards India. I do not think that I need a change of heart so far as my desire to work in India's

interests is concerned, and I venture also to say that these matters are not matters—however much we should desire to do so—that can be decided according to the dictates of our hearts. We have to use our heads. If I could do it with my heart, no one would be more anxious than I should be to meet any such general desire among the commercial community of India. But my job is one which must be done with the head and I cannot, while I hold it do what my head tells me to be wrong. Now, Sir, that means that this case ought to be met with argument and I am in a great difficulty in the matter to-day because the speakers for the Resolution have been so very brief. They have, in fact, used very little in the way of argument and I seem to sense a desire on their part not to hear very much argument in reply. Therefore, I wonder whether I ought to attempt to go at length into the whole question at all. But I would like at least to deal with some of the points in detail, to go over the considerations which influence my mind on the matter and to take this very important opportunity to put before you certain considerations which I do think that in the interests of this country you ought not to ignore.

Sir, this is a very old question; it is, indeed, difficult to say anything on it that has not in a sense been worn threadbare. Many of us will agree in one thing that we wish. I am sure we all wish that this question of the ratio could be removed from our midst and that this Federation could meet from year to year without having to discuss currency policy. But I venture to say that whatever we do now, even if your wishes could be met by me in a way which all of you would accept, which I should find difficult because I think some of you want one thing and some another,—but even if the wishes of the majority could be met, I venture to prophesy that currency questions will still come up in the future at the meeting of the Federation of Indian Chambers.

Sir, currency policy is a matter which is very much before the world to-day. It is a question on which the world has not yet attained the fulness of wisdom. I believe—and at least to this extent I agree with a great deal that many speakers have said—that a great deal of our troubles in the world to-day are due to an unwise management of currency policy. I believe that by a wise currency policy a great deal of the trouble to-day could have been avoided. But when I have said that I have said as much as I can say in agreement with what has been said on the other side, because my view is that what is necessary in the world to-day is International co-operation in a wise currency policy,

International co-operation in a wise credit policy, and in the economic use of the world's resources of gold, which, after all, is the basis of all currency. That, I believe, is necessary. But I do not believe that the evils from which India is suffering to-day are due to any special malice or any special stupidity on the part of those who are responsible for India's currency policy. I think that to suggest the contrary is really to mislead the public because India has to face difficulties to-day which have to be faced by other methods, and if you say that all those difficulties could be removed by a change in the currency policy, then I venture to reply that to take that line is to mislead the public in an almost tragic way, tragic because it will divert attention from the things which really matter.

Now, Sir, the Resolution which is before us is really divided into two parts. The first part deals with the alleged evils of the currency policy of the Government and the second part makes certain recommendations. As regards the second part, there are three recommendations: firstly, that a vigorous policy of retrenchment should be conducted; secondly, that fiscal and currency policy should be conducted in the true interests of the country, the interests of economic development; and, thirdly, that the attempt to maintain the ratio at 1s. 6d. should be abandoned. Now, as to the first two parts of that portion of the Resolution, I may say that I am in complete agreement. I shall return to them again. But the controversial part is that which deals with currency. Now that question has really two sides to it. There is, first, the examination of what has been the results of the currency policy hitherto, and there is secondly the question what ought we to do now. I venture to say that discussion of the first part can only lead us into what is really no more than a barren speculation. It is no use trying to "job backwards" or to speculate on what might have been. The only question that matters to us is what ought we to do now. I venture to put the point before the Federation in that way. That is the keynote of the question that we have to answer, *what ought we to do now*. To go back over past history is really only of value in so far as it helps to clear our minds or to give pointers to us as to what our future action ought to be. It may for this reason be advisable and desirable to say something of the past, in order to avoid certain misconceptions, and, in that connection, the first thing that I want to say is this, that the real difficulty we are up against in India is twofold. There is first of all the crisis created by the unprecedented fall in prices, and the world, I venture to say, has

never been through such a fall in prices as has occurred last year. There have perhaps been wider fluctuations in the past; there was a bigger drop possibly in the collapse after the post-war boom, but there has never been a fall in prices which in its effect has been so serious, as that with which we are now faced, for it represents a fall of 30 to 40 per cent in the prices of prime commodities which comes not upon an inflated price level but upon a deflated world position, so that the full effects of it are felt by everybody. That is one side of the problem and that creates a maladjustment in the economic life of the country which somehow or other has got to be put right.

The second side of the problem is caused by what I have always described as the political uncertainty which hangs over India to-day. I shall revert to that again. Now as regards the first side of the problem, the point that I want to make in looking back on the past is this, that if exchange had been stabilised at 1s. 4d. in 1926 instead of 1s. 6d., India would have had to face exactly the same problem to-day as she is facing. Internal prices would have adjusted themselves to that level of exchange, just as they had in fact adjusted themselves to the 1s. 6d. ratio, and the percentage fall, which has that effect which have already described of setting up a maladjustment in all the economic relations inside the country, that percentage fall would have been just as heavy. I think it is important to remember this and I believe that all who think seriously on this question will agree with me that that is not an incorrect statement. That sort of situation which is created by this fall in prices has got to be dealt with by direct and straightforward methods. I do not believe that there is any short-cut by which it can be got over. India must face it just as the other countries of the world has got to face it. India has no special claim for dealing with it by juggling about with currency values. India has no special wisdom which will enable her to find a solution which is not open for other countries of the world. I venture to ask members of the Federation who are here to-day to let that sink into their minds because one of the dangers of the present ratio controversy is that it diverts everybody's attention to one particular measure and makes them think that if one particular feature were removed, all the troubles would be over. The world unfortunately is a more difficult place than that, and, whatever you do as regards the currency, the main problem, I assert will still remain.

Now the first part of the Resolution states that the currency policy has reduced the purchasing power of the people. I have

found it a little difficult to understand what that means. Does it mean that the purchasing power of the people would have been higher if the ratio had been fixed at 1sh. 4d., in 1926? Does it mean that it could be made higher if the ratio were fixed at 1sh. 4d., or some lower level, now? I am at a loss to understand what that particular part of the Resolution means. If you take the general purchasing power of the country, and then if you want to test what the fixing of the ratio at 1sh. 6d., meant, what effect it had on the country, then I maintain that you ought to examine the Indices of the economic wealth *as they were in the years after the ratio was fixed at that level.* I further maintain that if you do that, you will find that on all the ordinary economic indices of wealth the country maintained its level of prosperity. There was no tendency,—as has often been stated as the tendency of too high an exchange,—there was no tendency for imports to be encouraged and exports to be reduced. On the contrary, if you take the four years after the ratio was fixed, and compare that period with the four years before, you will find on an average a much greater volume of exports and actually on an average a much smaller value of imports. On all the other indices, the savings of the country and everything else, I defy any one to say that the years after the ratio was fixed at 1sh. 6d., gave indication of an adverse tendency in the country. What has happened is this, that India has been caught up in this general slump now, and we are feeling the effects of what the rest of the world is feeling and it is convenient to relate that to the ratio controversy, and to say that if we could suddenly reduce the value of our currency, we should be more easily able to bear the effects of that fall. That, I maintain, is a wrong way of looking at the situation, a situation which had adjusted itself to the old ratio. If you want to alter it you have no special reason for doing so which is not present in any other country in the world to-day. I must assume that there is a definite meaning in that particular part of the Resolution and I take the meaning to be this, that although the purchasing power of the country, as a whole, may not be altered by the value of its unit of currency— and that I think must be accepted as a self-evident fact, the purchasing power of the country depending really on the goods which it produces—although that result may be accepted, yet what is meant is that the purchasing power of particular classes may be adversely affected. And I think the class which is in the minds of most people when they talk on these matters is the class of agricultural producers. What is felt as regards the position of the agricultural producer is that his fixed burdens which are

measured in terms of rupees are proportionately heavier according to the value of the rupee, that is to say the higher the value of the rupee, the heavier the burden of his fixed charges. Of course, if the value of his produce falls in terms of rupees and his fixed obligations, for interest, rent and taxes remain the same, then obviously he has a smaller margin of purchasing power. That is quite obvious and if you could reduce the real value of the rupee so as to reduce the real value of his fixed burdens, obviously you could make his position better. But is that—and this is the argument which I used last year and I do not want to dwell on it too long—is that the right way to deal with the situation? Is it fair as between the various classes of the country? Remember when this argument is brought forward that it is very easy to take one particular class and point out how the interests of that particular class may be improved, but it takes many classes to make a country, and if you juggle about with currency values, you may benefit one class, but you will surely damage another. Of course the effect of the Resolution would be to benefit everybody who has fixed payments to make and to damage everybody who has to receive fixed payments. When we talk in terms of the agricultural producer on the one side and of the people to whom he has to pay rents, his landlords to whom he has to pay rents and the money-lenders to whom he has to pay interest and the Government to whom he has to pay taxes, the public sympathy, perhaps naturally, is all on the side of the agricultural producer. But take other classes of people who are entitled to fixed payments. Take the class of wage-earners, for example, whose case is exactly the same. If you reduce the gold value of your currency, you reduce the real value of your wages. If that class is considered, surely the sympathies will be on the other side. These are, I know, all very elementary facts, but the point that I want to make—and I will not dwell on it much longer—is this that if you benefit one class, you damage another and if you want to create a fairer state of condition, the proper and honest way to deal with the situation is not by juggling about with your currency values, which may do great injustice, but by a direct attack on the particular conditions which require remedy. Now, before I leave this question of purchasing power, there is one rather curious fact to which I wish to call attention. The general suggestion of the Resolution is that the purchasing power of the country as a whole is reduced by maintaining an unduly high value for the unit of currency. Now, let us look at the other places in the world. We are shortly going to discuss the question of silver, and I have always understood that one of the

arguments, one of the reasons why people are internationally concerned with prices of silver is that silver is the basis of currency in certain other countries, particularly in China, and that a fall in the price of silver has reduced the purchasing power of China. That has been said over and over again. It has been said by many of those who have attacked the Government policy of selling silver, that we are upsetting the economy of the world because we are thereby contributing to the fall in the price of silver which has reduced the purchasing power of China. But China, if the value of its unit of currency is reduced by the fall in the price of silver, is undergoing exactly that condition which those who press for a reduction in the value of the rupee are seeking to create in India. Yet, we are told that in China to reduce the value of the currency is to reduce the purchasing power of the country, whereas, as regards India, we are told that to maintain the value of the unit of currency is also to reduce the purchasing power of the country. Now, this is not a mere dialectical argument. There is an underlying truth in it and I wish that members who are present here to-day would think it out for themselves. There is a great deal of inconsistency in the way in which these subjects are dealt with, and those who speak on them are apt to treat them in a way that suits the argument at the moment. As a matter of fact, my own view is that both the arguments are wrong. The purchasing power of the country does not depend on the value of its unit of currency. It depends on the value of the goods that it produces. China can purchase goods abroad by selling the goods which she produces. It does not matter what the value of her own unit of currency is; that is no more than a medium of exchange. The same thing applies to India. The purchasing power of the country as a whole will depend upon the value of the goods which the country produces, and the actual gold value of the rupee has nothing whatever to do with it.

Now, Sir, there are many other points in this Resolution which I had prepared to deal with, but I think possibly the time is getting on, and I do not wish to weary this meeting by going into many details. But there are one or two points on which I think I ought to say something, though I dealt with them pretty fully in my Budget speech. The two greatest complaints that are made against Government to-day are that our contraction of currency has been unduly heavy, and that in order to maintain a hold on the money market we have kept the interest rates unduly high and depreciated the credit of India. Now let me take

the last complaint first. I want to ask you to face the realities in this matter. If you wish to follow up the course of the credit of the Government of India in comparison with that of other countries, the best thing to do is to take some representative Government of India security and to consider the course of its prices in relation to some representative British security. A very good basis of comparison is to take the question for the Indian 3½ per cent sterling securities and to compare that with the price of the British Government 3½ per cent conversion loan. Now, if you make out a chart, or a graph, giving the fluctuations in prices of these two securities, you will find that for the last few years they had varied very much together, the Indian security always about the same number of points below the British conversion loan. You will find that the two lines begin markedly to diverge about November 1929. That,—if I may say so, and it is difficult to use words about this without leading to misunderstanding,—that period which began in November 1929 marked I think the first realisation in the outside world that really big constitutional changes were coming in India. That month gave the well-known statement of the Viceroy, and then a few weeks later we had an unfortunate event, the refusal of the Congress to take part in the Round-Table Conference and the launching of the civil disobedience campaign. I leave out the resolutions at the Lahore Congress because I do not wish to lay too much emphasis on those. I want you to face this question as a reality and quite impartially. It is not a question of blaming anybody or saying that it could have been avoided or that any insult to anybody is involved. The change in the status of India's credit really began, as I say, when people realised that important constitutional changes were coming as a reality. The outside public, I maintain, began to wake up to that for the first time about November 1929; and since then there has been hanging over India an uncertainty which is very unfavourable to investment in securities. It is that uncertainty which is really fixing the level of the prices of our securities in London, and it is the level of the prices of our securities in London which has really governed our position out here. I maintain it has nothing whatever to do with the short money rates which we have had to maintain in India. We might have had quite cheap money in India but unless we had been able to create confidence in the future which would have put up the prices of Indian sterling securities, there could not have been any very substantial rise in our rupee securities. Now, I ask you to consider that calmly and accept it as a true statement of the facts. I venture to think

that if you follow matters up on that basis you will find that I am correct. Therefore I do repudiate the charge that our policy of keeping control over the money market has damaged the credit of India. We are up against circumstances for which we are none of us responsible and which we can only improve by getting a measure of co-operation out here and creating in the outside world a confidence in what are to be the intentions of the future Government of India.

Then, as regards excessive contraction I gave certain figures in my Budget speech in which I used as a test of whether our contractions had been excessive or not the amount of our contractions, the percentage that it represented to the volume of currency in circulation. I compared that with the fall in the wholesale prices. The fall in the wholesale prices in the five years which I took was about 35½ per cent as shown by the Calcutta index number, and this had been accompanied by a fall in the currency in circulation of about 18 to 20 per cent. I maintained that that showed that the contraction effected had not been excessive. I did not suggest that it was possible to regulate the volume of currency with any mathematical accuracy in relation to the wholesale prices index figure. That is quite impossible; but I did say that if the wholesale index figure had fallen by 36 per cent, and the volume of currency had only been contracted by 18 per cent, that was pretty good evidence that the contraction had not been excessive. It has since been asked, or it has been mentioned in the press, that if India has had to undertake contraction of that kind, why have not other countries had to undertake similar contraction. It is an interesting point to follow up, and I should like to have time to follow it up in greater detail than I intend to do to-day. I only want to say two things. First of all you cannot make comparisons between a country,—and I say it in no insulting way,—in the somewhat primitive conditions as regards currency and credit which prevail in India, you cannot make comparisons of a country in that condition with the conditions of the great international money centres like London and New York. The contraction in London and New York is effected far more by contraction of credit than contraction of currency. You have also to take into account the importance of cheques as a medium of circulation, and you have got to take into account the variations in the velocity of circulation. These are two factors which operate quite differently in these international money centres to what happens in a country like India where things go

on rather primitive lines and currency is the only important factor. Now, I have certain figures which it might perhaps be interesting to give this meeting. If one examines the figures of the United States, there are very striking figures to show the extent of the contraction of credit in recent months. If you take the figures of Federal Reserve Bank, the average Reserve Bank credit outstanding in the United States in November 1929 was 1,631 million dollars against 1,357 for January 1930, and 1,129 millions for January 1931. The total reduction for the two years was thus about 30 per cent. Now, if you look at the Indian figures, and take the figures of the outstanding credits of the Imperial Bank you find no similar reduction. Then there is another point to be taken into account and that is what I referred to as the velocity of circulation. The Federal Reserve Bank in New York is I think the only Central Bank that regularly reports such figures, and I would like to quote the following figures the velocity of circulation, according to the way in which they measure it, was: in *outside* New York, October, 1929, 137; October 1930, 100; in *New York*, October 1929, 244, October 1930, 115. These figures indicate that outside New York the velocity of circulation had slowed down by 27 per cent and that in New York it had slowed down by no less than 53 per cent.

Then comparisons were also made with Japan. Now, as regards Japan of course we cannot go back earlier than the beginning of last year, because it was only at the beginning of January 1930 that Japan went on to the gold standard, but since then they have made very substantial contractions. During 1930 for instance, the note circulation in Japan fell from 1,642 million yen at the end of December 1929 to 1,436 million yen at the end of December 1930, a reduction of about 12 per cent; and during the same period the Indian note circulation fell from 179 to 161 crores, a reduction of 10 per cent. Other currency was also reduced in Japan during the same year; the gold and coinage of the Bank from 1,072 million to 876 million yen, a reduction of 24 per cent. At the same time, private deposits in the Bank of Japan which averaged 320 million yen in January 1930 averaged only 219 million yen in December. All these figures indicate that Japan had to face very substantial contraction in gold, in notes and in private accounts, I think at least as considerable as India has had to face this year. Now, I think the real cause of the criticism in India, the real cause of the fierce light which beats upon our actions in this matter is that in India it is the Government that is the currency authority, and everything that we have

to do in this connection is reflected in Government revenue; whereas, in other countries, it is the Central Bank which loses the profits or the loss of profits is distributed throughout all the banking systems in the country, for all the banks have to restrict their credits, but in India you see it all concentrated in the Government figures, and a Government is always more liable to criticism than any private institution, much more of course when it is a so-called "alien" Government. I would ask the members of this Federation to study these facts because the time has come when we want to get at facts in the matter, and whatever may be said in a spirit of emotion or enthusiasm, I am afraid the interests of India will be very badly served if financial and currency matters are dealt with in that spirit.

I now come, Mr. Chairman, to the last part of the subject with which I intend to deal and that is the question of what we ought to do now. And I think the question must, if we are to avoid confusing the issues, really be stated as follows: Admitting that the catastrophic fall in prices which has been experienced in the last 18 months has fundamentally upset the economic adjustments of India and has made the burden of fixed payments heavier on certain classes, can the situation be put right by altering the value of your unit of currency? That is really the question and that leads one on to a second question, and that is: once you decide not to maintain the value of the unit of your currency, what are you going to do? Are you going to attempt to step from one stabilised level to another, or are you going to let exchange go altogether?

I dwelt at some length on this question in my Budget speech and I argued that whether you wanted to have the first course or not, it was no longer possible, because, if in conditions like the present you were to depart from or actually repudiate your statutory obligation, it would be impossible to maintain exchange at any pre-determined level: it would mean letting the thing go altogether. I had very strong reasons for saying that. In the first place, I felt that, if you want to maintain stability, you have to maintain confidence, and if your attitude is that in the face of abnormal economic difficulties you are prepared to repudiate your obligations and depart from stability, then you must say good-bye to the chance of maintaining confidence for all time. It is no use your saying "Circumstances are very exceptional; we would never do this in any ordinary times; we are going to do it

now perhaps only to a limited extent." That is no use; once you admit the principle that, in order to meet the particular economic difficulties of the moment, you are going to alter the value of your exchange, then I say you have got to say good-bye to confidence, and no one is going to trust you to maintain stability of exchange in the future. That is one reason.

Another reason is that just at the present moment, in the present political uncertainty, if you were to let this one point, this one piece of sure ground go, you would have no sure ground left on which to stand, and you would create chaos in the country, and there would be no chance, even if you wanted to do so, of maintaining stability at any level that you could fix in advance. But I need not labour the point because I think I gather from the wording of the resolution that my conclusion is definitely accepted. I had expected to hear more said in the speeches on this point. I listened very carefully to what was said by the Chairman in his opening speech yesterday and putting that together with the wording of the resolution, I take it that the intention of this resolution is to urge upon the Government to give up 1s. 6d. and *to fix upon no other ratio*. The old cry of 1s. 4d. has been abandoned. We are now being asked to abandon stability altogether. To my mind that is a most amazing change; and I wonder if the public of this country have fully appreciated what is involved in it. I have, since I came to India, taken a good deal of time in studying the past discussions on this subject, and the one thing that has impressed me is that throughout all this long series of currency commissions and examinations of the question, the demand on the Indian side has always been for stability of currency—a demand which expressed itself in a claim to be put on a real gold standard; but the essence of being on a gold standard is that you maintain stability of the value of the unit of your currency. And if now there is to be a complete change, I can only feel that under the influence of sudden difficulties you people here are forgetting the lessons of the past, and are really running into danger of leading the country into something which it does not want. I think it is of interest to go back to what has been said in the past, and I have tried to select at random some statements that were made before the last Currency Commission by representative Indian bodies. I have confined myself to looking to representations made by Indian bodies, as I did not imagine that arguments of European Chambers of Commerce would impress this meeting very much. But now let us just consider what was said by the various Indian Chambers. Here is a

passage from the memorandum submitted by the Indian Merchants' Chamber, Bombay:

"My committee do not wish to discuss the effects of a rising or falling rupee, nor of a high or low rupee, on trade and industry, because they cannot agree that the standard of money of any country should be manipulated on such considerations and because any such manipulation vitiates all outstanding contracts and inflicts unmerited hardship and injustice on different sections of the community."

Those are words which I would have liked to use myself in the speech that I have just made because they put much better than I myself have put it, the argument that I was trying to make, that if you try to juggle about with currency values in order to improve the position for one class of the community, you are really going to do injustice to other classes, and are attacking by a back door what should be dealt with by a direct frontal attack.

Then again in the statement submitted by the Indian Chamber of Commerce, Calcutta, they said:

"Stability in terms of internal prices would necessitate the management of our currency, contraction and expansion of the volume of currency, according as the index number of prices rises or falls..... difficulties are bound to arise consequent thereon, and in practice there will be even more difficulties than in theory.

"Some of the difficulties may be stated as follows: Fluctuations in the index number can be ascertained only long after they have taken place It follows from the above that while on the one hand the object aimed at, to wit, the stabilisation of prices will be difficult, if not impossible, to obtain, a fresh element of uncertainty and speculation is introduced not only in exchange, but also in forming an estimate of the trend of prices. The price level will be exposed to a double set of influences, to wit, forces operating in the rest of the world as also the Government manipulations of currency. The act of manipulation —(and this is very important)— will necessarily have to be left in the hands of some person or set of persons; and even assuming that he or they could be so circumspect, farsighted and infallible, knowing human nature as it is, it would be too dangerous to vest such unbounded powers affecting 320 millions of people in a small body of men who, or some of whom, may not be able to resist the temptation of utilising the powers to their own advantage. The theory of stabilisation of prices has been correctly described as being neither fool-proof nor knave-proof, and

has recently been rejected by England where self-government exists. But to arm currency authorities with such powers will besides the economic difficulties be a fresh source of political suspicions in India. To adopt the theory here will be to commit a great economic and political blunder."

I think the last sentence is full of very sound sense. And yet surely this is exactly what is being asked for in the terms of this resolution. The currency authority is in fact being asked to abandon the stable ratio which has been maintained for nearly six years, merely in order to deal with difficulties created by the recent, and I hope, temporary fall in prices. Let me take another quotation: the Bengal National Chamber in their memorandum wrote as follows:

"A rising or falling rupee disturbs the normal condition of trade, industry and national finance. The interest of agriculturists is also affected in proportion to the rise or fall. A rising rupee favours imports no doubt, but leaves everything to speculators, because there is no knowing where it will stop. A falling rupee, on the other hand encourages exports; but here also speculation reigns supreme, there being no knowing of its destination. Stability of the rupee will help bona fide trade and make commerce more secure, but the evils of a high or low exchange, as have been shown above, will be a continuing obstacle, and will tend to ruin the country in either way. So it is best to have a gold standard, as there will remain no change of a rising or falling exchange except within the special points."

I think those quotations are very impressive and they brought home to me in a remarkable way the point which I have just made, how Indian opinion seems to have changed in these matters. I believe there are some men—and men of the highest intelligence—who are to-day flirting with the idea that in India external trade is of comparatively little importance; that internal trade is fifteen times in volume of what the external trade is, and that therefore it is better to have stability of internal prices and sacrifice stability of exchange. You cannot have both; you must either let your prices follow world prices and maintain stability of currency, or you must sacrifice stability of currency and detach your internal prices from world prices and try to maintain them on a stable level. Now, as I said, I believe that there are many men of the highest intelligence who are flirting with that idea of internal stability of prices to-day. Theoretically it is a

good idea; I would support it myself every time in theory. But in practice I cannot find better words than were used in that memorandum which I quoted above which said that the theory of stabilisation of prices has been correctly described as being neither fool-proof nor knave-proof.

That, gentlemen, I am afraid is the position. If we can produce some superman, immune to all the influences of the day, with a prophetic vision who could foretell when prices were going to rise or fall, such a man could work a system of stability of prices for you. If you can find him in India, have your system of price stability and welcome to it. But I will lay you, if you are betting men, three crores of rupees to one, that you cannot find such a man.

That concludes the most of what I have to say on this question. I recognise that in the quotations which I have given in regard to this question, it may be said that they were referring to the establishment of a gold standard, and it may be argued that what we have to-day is not a true gold standard; but that does not really meet the point. What we have to-day is a very good equivalent for the gold standard and the essential thing is that our currency system is being worked so as to maintain stability for the value of our currency in relation to the gold currencies of the world.

Then it may also be said that in this resolution there is nothing said about adopting this theory of maintaining stability of prices. I quite agree, but that I think is one of the weaknesses of the resolution; it asks us to abandon the 1sh. 6d. ratio, but does not tell us in the least what we have got to do then. It seems to think that the matter can be left to chance and that the ratio would find its own level. That, gentlemen, is a complete mistake. As a matter of fact, if you were to take that action, I am convinced that you would create chaos in this country, and that in a short time before India knew where she was, she would find herself in the position in which China is to-day. We are living in a time of great uncertainty when nervousness exists in every quarter, and as I have said before, if you remove this one piece of solid ground, the stability of exchange, I shudder to think what the results might be. You would precipitate a fall in exchange, while speculation would make it impossible for this country to defend the position, and the point at which the fall might stop is one as to which I should not like to hazard a guess. But at some time or other the currency authority would have to

attempt to step in and resume control, and therefore, the currency authority must have some sort of policy. If it is not a policy of price stabilisation, then it must be some policy of regulating the value of the currency according to what it considers to be the needs of the moment, and if that is not adopted as the alternative, then there is no excuse for departing from the present stability, and therefore, I say although this Resolution does not specifically recommend maintaining the theory of stability of internal prices, if the currency authority were to adopt this Resolution and abandon the present stability, it would be forced to try and evolve some sort of theory equivalent to that of internal stability, and then you are landed in all those evils to which I have called attention, and they would have it in their power to juggle about with the fortunes of the country.

So, Sir, when I come back to my original question what ought we to do now, I am unshaken in my own opinion that it would be disastrous to India to sacrifice stability of currency just at this moment. But that is not the end of the question. There is a vast amount that could be done to improve the situation, and I think the greater part of that, gentlemen, lies in your hands. As I have already pointed out to-day, and as I pointed out at length in my Budget speech, the real reason why we have had to take drastic measures to maintain rigid control of the money market is that we have had to combat a movement partly speculative, partly based on genuine anxiety about the future which has been leading people to sell rupees. I do not wish now to go into arguments as to what the extent of that movement has been, and I wish to assure my friend Sir Purshotamdas Thakurdas that in making these suggestions, I am not suggesting in the least that any people at this moment have operated in a dishonest way or that it represents any more than a natural reaction to the conditions which exist to-day. It would be unavoidable in any country. But if the Indian commercial leaders could make it clear that they agree to this policy of upholding stability of currency and that pending the transition to the new constitution they would co-operate with the Government, then I think a vast improvement could be effected in the situation. I think that in that case you would restore confidence, you would be able to stimulate again the flow of capital into India, we should be able to reduce rates for money, and I think our securities both in London and in India would rise. Also I venture to say that you would find the whole discussion of that difficult question of financial safeguards made vastly easier.

Now, that is one thing which could be done, but there are others. I, Mr. Chairman, have always tried, so long as I have been here, to take seriously the criticisms which are levelled against me by bodies like this Federation, and I have been trying to follow very closely the line of thought which lies behind most of the speeches which have been made to-day. I have been rather surprised that they have not dwelt more on the point on which I myself have dwelt, the effect which a fall in prices like this has had on the position of the agricultural producer with fixed payments to make. Speakers to-day have not dwelt so much on that side of the question as on the disastrous effects of the Government policy, that is to say, the disastrous methods which the Government has been forced to adopt in order to maintain stability of currency,—such as contraction and maintenance of high money rates. Now, I do feel entirely confident myself that we have done nothing that would not have been done by any currency authority in the world placed in similar conditions. We have followed what has been accepted as the orthodox method, and in finance, I believe, that to follow the simple orthodox methods is the best course. But I am fully prepared to discuss that question as to whether in maintaining our policy of stability of currency we could have acted in a way which would have been less detrimental to the interests of the country; I am fully ready to consider whether there are any other ways in which the desired end can be achieved. I had noted what I am saying on this subject before I came to this meeting, but I was very interested in some passages in the speech of my friend Sir Purshotamdas Thakurdas, when he suggested something like the same ideas. The suggestion has been made at various times that the Government should appoint a Committee to inquire into the whole currency question. Those suggestions we have had to refuse, because the mere fact of the appointment of such a Committee would create a state of uncertainty which I venture to think would make ordinary business transactions impossible. But that objection would not in the least apply to a Committee which might inquire into the methods of maintaining stability of currency, and provided it is clear that the agreed purpose is to maintain stability of currency, I should welcome the chance of co-operating with a special Committee to consider as I have already said whether that same object could be achieved by any other means which would be less disadvantageous to the commercial world in this country. That is a suggestion which might perhaps be considered. That is one thing which might be done, but there are others still.

I have only touched briefly on the first two recommendations in the latter part of this Resolution,—the question of retrenchment and the question of a constructive economic policy. Time is not available for me now to develop fully my own ideas of retrenchment, but, as I have already said, I am heartily in accord with that part of the Resolution, and I am fully determined to do my utmost to work along these lines. The necessity for retrenchment is indeed absolutely forced on the country in view of the present fall in prices, and if this Federation would desire to appoint a small Committee to discuss methods for giving effect to a policy of retrenchment with me, there again I should welcome such action. Speaking on behalf of Government, I can say that we mean business in this matter and that we should welcome co-operation from the representatives of the commercial world. Exactly the same remarks apply to the recommendation about a constructive economic policy. Here I must confess that it is not so easy to see what could be done, because the idea is less definite, but here again I say I should welcome co-operation from the representatives of this Federation in considering that question. Indeed, if we can work along these lines, that represents an idea which I myself have often preached. For I do maintain, and, in spite of what one of the speakers suggested about the honesty of my remarks, I would ask him to believe that they were honest, I do maintain, as I said in my Budget speech, that in this period of transition and pending the launching of the new constitution, we on the Government side ought to work in co-operation with the representatives of the public, and particularly in economic matters with the representatives of the commercial world. But co-operation means an effort on both sides. And therefore, I would invite from you, Mr. Chairman, proposals on this particular matter. If we can concentrate earnestly on matters of this kind and stop talk which by creating uncertainty about the future of the exchange is really damaging the true commercial interests of the country, then I think we shall have started on a line which offers some hope for the future. In the meanwhile, we on our side can only carry out our responsibility by facing facts and doing what we consider to be right. We cannot “job backwards” or speculate on what might have been. For myself, in the situation with which I have had to deal, I have taken a certain course in the firm assurance that it is a right course, and all the events which have happened since then have only confirmed me in my idea. For the moment, as I have said, the responsibility is ours, but the future lies with you. Do not ask us to wreck that future by doing what we know to be wrong, and what I believe that you, if you had full knowledge

of the facts and responsibility, would also agree to be wrong. That is a thing, Mr. Chairman, which I cannot do. (Applause).

The Chairman (to Sir Purshotamdas Thakurdas): Do you like to say anything in reply?

Sir Purshotamdas Thakurdas: Mr. Chairman, I am in a little difficulty in rising to reply to what the Hon'ble the Finance Member has said. I would like very much to know whether the House would like me to go through the various points raised by the Hon'ble Sir George Schuster in the course of his remarks, or they would like me to restrict myself to the two constructive suggestions which he has made in the latter part of his observations. I attach more importance to the last few remarks in which he invited assistance from this Federation, although I cannot possibly accept what he said in the earlier part of his speech regarding contraction or the doubts he expressed about reducing the purchasing power of the people of this country. Obviously, Sir, if the House wishes me to go through the various points he has made, you would have to give me much more indulgence than I would require if I am to restrict merely to the latter part of his speech, and bearing in mind the comparatively heavy agenda which we still have before us and which has to be finished during the course of this afternoon and to-morrow, I place myself at the disposal of the House. I should like you, Sir, to ascertain exactly what the House wants me to do in this matter.

Mr. Fakirjee Cowasjee (Karachi): We would like you to go fully into the various points raised by the Finance Member.

The Chairman: We have got a very heavy agenda, and this must be borne in mind, but I think there are certain remarks which fell from the Hon'ble the Finance Member which do require a reply. I should hope that Sir Purshotamdas Thakurdas would be able to finish within 20 minutes, but if you think you would require more time and the House has no objection to giving you more time, personally, I have not the least objection.

Sir Purshotamdas Thakurdas: Sir, it is very difficult for me to find out exactly what the House wishes me to do, but all I want to know is whether the House will have patience to bear with me.

(Several delegates from all parts of the House: Yes, yes).

The Chairman (to the Hon'ble the Finance Member): I hope the Hon'ble Sir George Schuster has no other engagement at 5 o'clock.

Sir Purshotamdas Thakurdas: I felt a little amused if I may say so at the Honourable Member's opening remarks that the speeches on the resolution were short and had little argument in them. When we make long speeches, as I did last year when I spoke for one hour in moving a similar resolution, we are told that it is impossible to reply to every aspect. I therefore this year tried the other method and took for granted much of what I said last year and said to myself that I would only cross the t's and dot the i's and leave the rest to the Honourable Member. He now says that because of their brevity there was no argument in the speeches. I suggest that is hardly fair. He perhaps meant it as a joke and I take it as such.

Now, Sir, the Honourable Member began by inquiring what is meant by reducing the purchasing power of the people. I wish to ask whether he is not in touch with the big importing houses in Bombay, Calcutta, Karachi and Madras and whether he is not in touch with what we have been hearing from Lancashire and Manchester regarding the reduced purchasing power of the people of India. I need hardly say that there is little accentuation there owing to the political movement in connection with the boycott of foreign goods. But that movement started only in March last and the ratio has been on the statute book since March 1927. Can he say from his experience that in spite of our having had an abnormally good cycle of years, taking all over India, that the purchasing power of the masses of India—and that is the factor which counts—has not been reduced by making the rupee artificially heavier, although it is doubtful yet whether the adjustments for that are complete. He recounted the various factors in the situation and there was a refreshing change from the tone of his predecessor when he admitted that the cultivator was being hit because he had to pay more in the shape of actual value for his land revenue, the number of rupees there not having been reduced but he overlooked one factor while he recounted others—namely, that the cultivator of India carries a debt of something like 6 to 8 hundred crores of rupees and that had not been reduced owing to the appreciation of the rupee from $\frac{1}{4}$ to $\frac{1}{6}$. The debt still hangs round his neck like a millstone. I therefore feel that as far as the question of whether the higher ratio has reduced the purchasing power of the rupee or not, it is beyond the pale of discussion or of

doubt. What does matter to my mind really is what the Honourable Member said regarding his insistence upon the credit of India being maintained. Now, Sir, all of us are as anxious about the credit of India in international markets as Sir George Schuster himself. I wish to ask him whether in spite of all his good will he realises whether the present administration of the Currency Department may not give a set back to the credit of India that will be irretrievable. What about that the gold resources of India are frittered away in the Currency Department? It is not difficult to make frantic efforts to maintain the value of the rupee but the Finance Member knows much better than many of us that there is a limit to his gold resources and perhaps there is a limit also to the extent to which he can borrow even in a friendly market in London. They will not lend him an unlimited amount for an indefinite period. They do put the screw on as far as the rate of interest is concerned. I wish to put it to him in all seriousness whether the political change which is impending and which is alleged to be upsetting the investor abroad, is not more likely to prove a complete failure if he continues to fritter away our gold resources.

The Finance Member has thought fit to defend here further his policy of contraction and he has reiterated what he said in para 104 of his speech regarding the contraction. I will read one sentence from para 104. He says there 'Now as to the extent of our contraction, I believe that an impartial observer far from saying that this has been excessive would be more likely to take the contrary view and criticise Government as currency authority for not having contracted further sufficiently.' When I read that I marked in my copy "to ask Sir George Schuster the name of the person he has in mind. Is that person in India or in England? I would very much like to meet that impartial observer referred to by the Finance Member." He is either completely ignorant of actual conditions in India or, without meaning any insult, I would say that that man deserves to be sent to the lunatic asylum. When the Fowler Committee reported and the exchange was taken to 1s. 4d. the bank rate went up to 15 and 12 per cent and although I was then at college I remember certain days when money was not available in Bombay even at 18 per cent. Does the Finance Member think that things have not come to that pass yet? Is that the idea of his impartial observer? The screw is tight enough and he who makes it tighter will be doing a crime against the agricultural, commercial and industrial community of India.

Then Sir George Schuster quoted figures of contractions and their amounts in other countries. I did not know that he was likely to favour us with this information but you must have observed that he only took the one year previous. We do not know to what extent there were contractions or the contrary in those countries previously but that is not all. May I ask Sir George Schuster if there is any parallel in the banking facilities and control of the money market in these countries and India. He mentioned the U. S. A. and he mentioned Japan. Does Sir George Schuster think that there are fair parallels which would enable him to compare the two countries as far as contractions are concerned? Take for granted that the figures that he has given afford some parallel to what has happened in India. May I ask Sir George if he has thought over this—whether these countries which he has named are suffering from that scarcity and dearth of money in the shape of high bank rate as India is? What is the bank rate in America to-day and what is the bank rate in Japan to-day and what are the conditions in India? I venture to submit that although Sir George may not have meant it, the comparison is misleading. He referred to part (b) (3)—stop further efforts at maintaining the value of the rupee at 1s. 6d. He dilated upon it, although I am afraid he overlooked what I said in moving the resolution that the ratio is not the only thing which worries us to-day. What worries us is the threatened disappearance of our none too excessive gold resources and he thought it right to remind the House to-day of what was said by my Chamber in Bombay and by your Chamber, Mr. Chairman, in Calcutta regarding the value of stabilisation in 1926. When I heard him read those quotations, I was reminded of what I had heard in the Assembly in 1927, members quoting to Sir Basil Blackett in favour of the $1/4$ ratio and against the $1/6$ ratio what he had said against the ratio of $1/8$ suggested by the Secretary of State. These quotations do not carry us far. What was said there was taking for granted one thing—that the correct ratio would be stabilised there. Does it mean that when the Government in spite of popular opinion to the contrary and by slender majority of 3 carried their $1/6$ ratio, we cannot protest against an injurious ratio which has been put on the statute book. I wish Sir George Schuster had not wasted his breath and our time in reading those quotations, because they do not apply at all. Government go on persisting in maintaining the ratio at $1/6$ and go on using our gold resources, even though year in and year out we have warned them and told them what our views are. May I ask what do you and your principals in London and the British Government propose to do when you have come to the end of the

tether is respect of our gold resources? May I ask whether there is any guarantee either implied or clear that England will right through maintain the ratio, whether India has necessary gold resources in her currency or not? Or is it this—that Government go on doing this, and, in the end will leave us to our fate,—to the fate of countries in Europe with depreciated currencies—and ultimately say 'We did our best. We are very sorry.' It is this aspect of the question which worries us. We do not want the Government of India to consider the ratio for the sake of change. We do not talk because of sentiments. Our head tells us that Government have been doing a wrong thing. We continue to agitate because we are convinced that Government are trying a most dangerous experiment against 33 crores of people, where their very livelihood is dependent upon this coin in bearing the King-Emperor's effigy. Sir Basil Blackett said in 1925-26 that everybody handles the rupee but few understand the vagaries of the rupee. I say that on you as the Finance Member of the Government of India lies the responsibility and sacred duty of seeing that India does not suffer the fate of some unfortunate countries in the West and the fate of the country which you named—China. I do not wish to go into the history of China. She is on a silver standard but even for China I heard it for the first time to-day, that the Chinese quarters were complaining that they were not able to export owing to the depreciated currency. I should have thought that when a country has a depreciated currency, her exports are on such a scale that every other country is afraid of her. Sir, the wail has been going out about China from countries which cannot export to China—the very people who are interested in importing into China; I do not want it to be understood for a single moment that I am in favour of a depreciated currency. I am all in favour of stabilisation and a stabilised ratio, but a reasonable, rational stabilisation which Government can maintain without sacrifice and without risking in fact our very existence for the next few years. It is that stabilisation which we want; we want a sensible stabilisation, not an unjustified stabilisation owing to some particular interest wanting it.

Sir, the Honourable Sir George Schuster suggested—I hope I have understood him correctly—that he is quite agreeable to have a committee to consider all the other aspects of the Currency Department's operations excepting the question of the ratio. I hope I have understood him correctly. (The Honourable Sir George Schuster nodded assent). I see the Honourable Member nods assent, and therefore I may proceed. Well, I look upon that

as a really good constructive piece of work, and I wish to ask the Honourable the Finance Member, if he is agreeable to have a committee or someone to consult with—and he will of course pick up the best brains in the country for that purpose—if so, might I ask why he is so anxious to cut out the question of the ratio as a condition precedent? If he is so sure of his ground, if he feels that he has self-confidence, that he will be able to convince these people that it is not to the interest of India to disturb the present ratio, that the Government of India have the capacity to maintain this even though they may have to sacrifice further four or five or ten crores of rupees, that the Currency Department can stand this depletion of India's gold resources, may I ask Sir George Schuster why he is so insistent that this particular thing should be cut out as a condition precedent? To me, Sir, it savours, if I may say so, of a want of confidence in the Government of India's own case on its own part. Few will agree to have a committee on a certain condition. Have a committee assembled to examine the whole case, to go into it thoroughly: and if the arguments are as strong as Sir George Schuster believes them to be—and I will not say whether I agree or disagree because that is not pertinent here—if the arguments are all as strong as that, may I ask Sir George Schuster why he does not say, "all right, gentlemen, you want it, come and sit down with us for a few days or weeks." I know his apprehension is that as soon as he does that, people will begin to get nervous, and speculation may get rampant. Well, Sir, you cannot prevent people from thinking even by an Ordinance. (Laughter). The discussion that we have to-day may make somebody in Bombay or Calcutta think that he had better operate for a few thousand pounds. But if your conditions are that you should make out a good and sound case and to get a reasonable set of people to go into it impartially, I suggest to Sir George Schuster that, as he has come more than half way, to my mind, he might come the whole way and say, "I have nothing to conceal, let us sit down and compare notes, and we will do whatever may be necessary." No one has suggested that a condition precedent should be made that the ratio will be changed. All that is suggested is to compare notes, to call for figures, to go in for further information which you may want regarding the reduction in the purchasing power of the agriculturist. If you can prove that the purchasing power of the agriculturist has increased owing to the higher ratio, no one will be more pleased than every member present here. So, let us discuss it fully; and after all, even supposing the committee consists of some wrong-headed people, it will be in the hands of the Government of India to take action. One can do nothing without His

Excellency the Viceroy permitting one to touch the Currency Act. Why, then, I suggest to Sir George Schuster, not have a committee to go into the matter thoroughly; I should be quite prepared to agree that the report of the proceedings of the Committee, if the Honourable Member so wishes, should be kept perfectly secret and confidential, and that members who act on it should be asked to give undertaking that they will give out nothing. Let Sir George Schuster put before the members all his cards, all the information at his disposal, and I submit that he should not give us to understand that he is himself wanting in self-confidence, because that alone can justify his imposing any condition precedent. I feel, Sir, that if Sir George Schuster wishes to tell us something further in this connection, he will have done useful work; but quite possibly he may want to consult the Government as a whole, in which case I hope that he will follow up what he has said here by inspiring more confidence in us and convincing us that the Government of India do not wish to continue to follow the policy which has aroused so much doubt. For, ultimately, if all our gold resources are depleted, Sir, who suffers? Each one of us suffers. Our fellow-brethren suffer, and I do not wish to say anything more than this, that the good or the evil which may come out of Government action is ours, and therefore they should not throw to the winds the advice and the suggestions which we so earnestly and so repeatedly give to them. It is possible that, God willing, we may turn the corner in the world depression even during the next few months. But no such signs are yet visible and it is up to us here to-day to press on Sir George Schuster that he should take the representatives of the commercial community into his confidence, put all his cards before them, and that he should not make any condition precedent because that would detract from the value of his inquiry and would savour of something—that either the Government of India or the Government in Great Britain wish to shield and protect something. But Sir George Schuster says that they have nothing such to protect.

Then the other suggestion that the Honourable Member made is in connection with a Retrenchment Committee. He said that he would be very glad to have co-operation and assistance from this Federation in that direction. I am sure the Federation will appreciate that invitation. Personally, as I have the opportunity to reply, if I may express my own opinion, I would recommend the Federation to say to Sir George Schuster, "thank you very much; we do not think we can do anything useful at this

juncture because, not that we do not appreciate your offer, but because we are convinced that what is wanted is a change of policy on many questions—not a few lakhs retrenchment in expenditure by cutting out a few officers or 'some staff.' It is a change of policy which is wanted. We should leave the Legislature and the Finance Department to do their best in that direction. They can do little compared with our needs. What we want is a change of policy in the Military Department, and the same applies to the other Departments; and I am afraid if a few representatives from this Federation went to that work, they may have to return grossly disappointed and dissatisfied. This is of course only my own personal suggestion.

I am convinced that the great thing which calls for our attention at the moment and which requires the attention of the Government of India also is insistence on this, that the Government of India should do their level best to inspire confidence on the part of the people in their currency policy. They have come to a point which I look upon as bordering on the dangerous. They may be able to purchase their sterling requirements at present at 13/16ths or 7/8ths off and on. But it ought to make the Finance Member think very seriously as to what might happen should the next monsoon be a poor one. I do not wish, Sir, to indicate any dismal forebodings, but I do think that at this juncture this offer which I have made here is one which it is most necessary that the Government should consider. There should be no preliminary condition, and there should be only one question, namely, that a committee should go into the facts and figures most thoroughly and fully and the state of things as the Government view them, and that there should be a reflection of popular opinion on the deliberations of the committee and then they should try to formulate any practicable scheme which may be arrived at, as the result of common conclusions, if any, come to. If no common conclusions are arrived at, the papers might be filed, but there would be at least this consolation that the question had been examined. Sir George Schuster has told us as to what may happen if we run away from the present ratio. Well, I feel I cannot resist the temptation of reading the concluding portion of this pamphlet a copy of which was given to Mahatma Gandhi yesterday, which to my mind puts the Indian view in a nutshell. I do not think that when I have got such a well-phrased paragraph handy, I should take up your time by dwelling on it at length. I would therefore conclude my remarks by reading here what is said under the heading: "The Moral".

“THE MORAL”

Very recently there was a talk by Mr. Lloyd-George on the City Financiers—chiefly the Bank of England—as being responsible for a precipitate return by England to the gold standard. The “Economist,” whose editor was here as Financial Assessor to the Simon Commission, in commenting on the speech said:—

‘It would undoubtedly have eased our problem if we had devalued the £; and returned to gold at say \$4.40 to the £; and we have repeatedly dissented from the ultra-conservative view of the City that this would have been a breach of faith.’

Here in India there was actually a breach of faith, but in the opposite direction. What was forced upon the country was not devaluation but a “plus valuation,” as one economic journal called it at the time for want of a better term in the English language for the extraordinary phenomenon. Complaining of the policy of dear money which hampers production, Mr. Lloyd George says that they cannot “build the city of God” because the “City of London occupies the site.” (Laughter). India’s grievance is much more substantial; yet, without using such language, one can say that until the transfer of Finance is real and complete, India cannot come to her own.”

Sir, it is because of Sir George Schuster’s remarks towards the end of his speech which I quoted in the morning and which I know came from the bottom of his heart that I venture to suggest to him even at this late stage that he may be able to help us to realise that, after all, the Government of India can move, if not in time, yet before it is too late.

The Honourable Sir George Schuster: Mr. Chairman, I think it is desirable that I should take advantage of your courtesy to clear up the point made by Sir Purshotamdas Thakurdas in his speech. He referred to “an offer which I have made” as going more than half-way to what he wanted. I am very sorry to say that I think he has misunderstood me. I thought that I had made our position very abundantly clear. The whole line of my argument was that if we were now to make a change in the value of the rupee, it would mean abandoning stability and that would bring untold disadvantages and evils on the country. I am afraid that I cannot modify my view about that in the very slightest degree. The suggestion which I did make was an invitation

really for ideas if this Federation has any ideas as to how the currency policy might be regulated, always keeping in mind the essential purpose of stability, in some way which might be less open to criticism to them than our present method. I am afraid I should be leaving this meeting under a great misunderstanding if I was to allow any suggestion to remain in anybody's mind that I felt that the question of stability of the present ratio was an open question. I thought that I had made very clear my reason why that cannot be submitted to an inquiry by a committee. I am sure Sir Purshotamdas Thakurdas, of all my political opponents, will agree that whenever there has been a demand for inquiry, I have tried to meet it: and it is always my desire, when I feel there is a popular demand to go into a certain question, to say: "Well, let us look into it. Nobody will be harmed by having this matter looked into. All that we want to do is to discover the truth." But in the present case, if you once admit that it is an open question, that creates exactly the condition which I say will be disastrous to business in this country, for it would mean creating a condition of uncertainty which would make all business impossible. Then there is another point. I do not myself see what such an inquiry could produce or what it could elicit. The facts are only too well known. I have never suggested for a moment that the position of the agriculturist who has fixed money payments to make will not become easier,—I have never suggested for a moment that his position would not be easier if the value of the unit of currency in which he has to make those payments were reduced. That is an elementary point. My whole argument was that if there is a case for reducing the burden of these payments, then it ought to be attacked in a direct way and that it is possible that a change of economic circumstances may establish a case for revision of rents and even for a revision of rates of taxation. But those cases should be created on their merits and met in the direct way. To attempt to interfere with contractual relations by altering the value of your unit of currency is, as I was trying to argue, a fatal mistake. The point has no mystery about it. All the issues in the controversy are well known, and I am afraid nothing will be gained by an impartial inquiry into this side of the question. But what would be of value to us would be to have suggestions as to how the currency policy can be administered in a way more acceptable to the commercial community, and also to consider in what way the readjustments which may have to be made as a result of the fall in values can best be made. It was on these subjects that I thought a joint discussion might be useful. I am afraid, much as I should like whenever a demand comes from Sir Purshotamdas Thakurdas to

meet it, that to meet that particular demand would be, according to my judgment, fatal to the present interests of the country.

Sir Purshotamdas Thakurdas: That is why I put it as clearly as I did. I was myself in doubt whether the Honourable Sir George Schuster wanted a committee and I halted for a few seconds for his nod. However, nothing is lost. From the remarks that he has now made Sir George Schuster appears to welcome no consultation with any representatives from any body unless and until it is distinctly agreed that the question of ratio would not be discussed or touched. I am sorry to hear that but it only confirms the general opinion that the Government of India have little self-confidence in their own policy.

The Chairman then put the resolution which was unanimously adopted.

The Chairman: I would like to take resolution no. 2. I was to move this resolution but as I am in the Chair I should not like to move it. I would therefore call upon Mr. Chunilal Mehta to move this resolution.

SILVER

Mr. Chunilal B. Mehta (Bombay Bullion Exchange): Sir, I beg to move the following resolution:

“(a) The Federation views with great alarm the unprecedented fall in prices of silver and is of opinion that unless steps are taken to improve the position of silver as a precious metal in the world there cannot be a lasting revival of normality of economic conditions in the world.

(b) In the opinion of the Federation the following steps are therefore essential for bringing about the desired result:—

- (1) That the main silver producing interests of the world should in co-operation with such Governments as have surplus silver for sale arrange for some co-ordinated plan for the regulation of the production and sale of silver,
- (2) That the Government of India as the Government which held the most important silver stocks should take a leading part in promoting such co-operation.

- (3) That the Government of India should take immediate steps to organise world opinion in favour of fixing ratio of gold with silver,
- (4) That the Government of India should decide their silver policy in consultation with a committee to be nominated from the elected members of the Assembly and representatives of this Federation and until that is done, the Government of India should not sell any silver."

Since this Federation met in Delhi last year during February, there have been important changes as regards silver situation. Last year the price of silver was 20d. Since then it touched 12d. the lowest in the history, and now it is about 13d. Further since we last met there are impositions of import duty on silver twice. Last year the Government levied a duty of 4 annas per ounce and this year they have increased the duty to 6 annas an ounce. Our internal silver price is a fictitious one, there being a heavy import duty. I will say that the price of silver without duty is about Rs. 29 per 100 tolas. The duty of six annas per ounce comes to Rs. 14 per 100 tolas or 50 per cent of the value. Thus the internal price is Rs. 43 per 100 tolas.

It is argued that the reason for decline is due to world conditions. But it is not so. The present state of silver market is due only to the policy of the Government of India. It is said that America is interested in high price of silver and so the American opinion is prejudiced. I will therefore read before you the opinion of two important British Firms of Bullion Brokers of London on the subject:—

Messrs. Sharps & Wilkins, a prominent firm of Bullion Brokers of London, write in their Annual Bullion Circular issued recently as follows:—

"What, however, has probably contributed most in the past two years to bring about the fall in silver from 20d. to the present level has been the selling of silver by the Indian Government. It was not so much the actual sales that were responsible for the fall, as the uncertainty of their next move. The consequence has been that potential buyers have bought from hand to mouth, dreading that at any moment further sales might be made, and it is not too much to say that at every shipment made of silver on Government account from India, a decided weakness has come

over the markets, both of India and China, with consequent fall in price."

Messrs. Pixley & Abell another prominent firm of Bullion Brokers of London write in their recently issued Annual Circular as follows:—

"There is little doubt that, apart from the world wide depression in trade, the fear of Indian Government sales has played a large part in the flight from silver, Eastern exchange fluctuating wildly from time to time on the most improbable rumours of large sales from this quarter. It seems equally certain this fear can only be allayed by some such pronouncement of policy as members of the Legislative Assembly at Delhi vainly sought from the Finance Member on February 4th, when, in reply to questions, the latter declined to pledge the Indian Government not to sell any more silver till prices rose."

It can be seen that even the British Firms clearly express that the reason for the present state of silver market is mainly the present policy of the Indian Government.

Our Government always comes forward to plead the cause of poor consumers whenever there is a question of import duty. In case of silver I will point out that the real and actual consumers are the poor masses and yet a duty of 50 per cent is levied on it.

It is said that silver is an article of luxury. Those who know India and Indians could never say so. We all know that at every marriage in poorer classes it is a necessity to have a few silver ornaments. They are not rich enough to buy gold ornaments. This custom of silver ornaments is since centuries. You cannot stop the custom under any circumstances. Such an article of daily requirement without which marriages would not take place, could never be called a luxury. Duty on silver is a direct tax on savings of the masses. It is argued that the duty helps the masses to dispose off their silver at higher price. This is an illusion. From where comes the higher price? One Indian will sell and another Indian will buy. You could not get higher price from outsiders. We complained that the value of savings has fallen heavily and something should be done to re-establish its value. The Government said: "All right! We impose an import duty to raise the value!" Gentlemen, you can understand the way in which our Government took disadvantage of our request.

Silver is a metal indestructible. There have been many occasions when India exported silver to other countries. There is a large amount of silver in India. Time may again come when Indian silver may be required for other countries. But owing to the heavy import duty our silver can never be exported. India is made a sink for silver.

Further I will tell you how the other countries of the world say about this duty. They say that 75 per cent of the world gold output is produced within British Empire. On the other hand 75 per cent of the world silver output is produced outside the British Empire. As such import duty on silver is imposed on the principle of Imperial Preference.

Let us review the silver sales already made and also what the prospects are for future. Till now Government of India have sold 90 (ninety) million ounces of silver. About rupees twenty-six crores in coins when melted would give us 90 million ounces of silver. Government will have realised out of the sales about Rs. 12 crores. The other 14 crores is a loss or deficiency in Reserve being difference between coin value and bullion value of silver. This deficiency of 14 crores in Reserve have mainly been met by deflations. The cash proceeds of 12 crores realised out of these sales should have been used in acquiring gold. Has that been done? No. Gold is not acquired and silver is sold off.

As regards future, according to the latest Paper Currency Return the reserve of rupee coins is about Rs. 117 crores and silver bullion about Rs. 6 crores making a total of 123 crores. Keeping 33 crores for our Currency requirements there seems an excess of 90 crores.

90 crores when melted and refined would give us about 300 million ounces silver. If sold at the present price of 13d. it would give us about £16 millions or Rs. 22 crores. Gentlemen, then it comes to this that if 90 crores be melted and sold it would give us 22 crores leaving a deficit of 68 crores in Reserve. Please imagine carefully what this means. Now how the deficit of 68 crores in Reserve is to be met.

I will explain in short the working of the Paper Currency Department so that it can be grasped what this means.

There is in circulation with the public, notes, exactly to the extent there are reserves in the Paper Currency Department. If we go to the Currency Office and give a thousand rupees and ask

for notes, they will give us those notes as issued fresh and against issue of those notes they will keep Rs. 1,000 received from us in cash as reserve. On the other hand when we go to the Currency Office and tender notes for 1,000 rupees and ask for rupee coins they will give us 1,000 rupees in coins and they will cancel the notes received by them from us. In short the Paper Currency Department is not to hold any notes in reserve. They should cancel the notes as soon as received against rupee coins given out.

I will now turn and say how the Government of India operates the Paper Currency Act as regards silver sales. Suppose they melt 1,000 rupees and refine. It would give them about 880 tolas of silver. In the reserve, they would maintain the figure of 1,000 rupees under "Silver Bullion" although silver is 880 tolas. The notes outstanding against those 1,000 rupees are in circulation. Then they sell silver bullion 880 tolas and realise 240 rupees with which they should buy gold and put in reserve. But what about the balance of 760 rupees notes in circulation which remain without reserve? To meet this they sell off securities worth 760 rupees and amount of 760 thus received in notes is cancelled which is a deflation.

Now if Rs. 90 crores are going to be melted, refined and sold, how and in what form the Government desire to meet the deficiency in reserve which would be Rs. 68 crores. There are securities at present worth only Rs. 10 crores. Does it mean that they will starve India for Currency? This House will certainly appreciate the views of the Hon. the Finance Member if he will enlighten us as how his plans are for meeting this huge deficiency of Rs. 68 crores in reserve.

It is argued that silver is sold to acquire gold for establishing Reserve Bank. Let us consider. The amount realised from silver sales till now has not been utilised for acquiring gold. Secondly amount of rupees 22 crores that is likely to be realised from the so-called excess silver sales is very small to help the formation of a Reserve Bank. Further it would take many years before these Rs. 22 crores could be realised and India should not wait for the establishment of a Reserve Bank till all the silver coins are melted, refined and sold.

One more point. It is a criminal offence for the public to melt a rupee coin. Nowhere in the Paper Currency Act the Government of India are empowered to melt silver coins and to my mind

in melting silver rupees the Government of India are violating the Act themselves.

I will now turn to other aspects of the situation. It is admitted by all that the drastic fall in the price of silver is one of the chief causes of the present world trade depression. The resolution on which I am speaking says that unless steps are taken to improve the position of silver as a precious metal in the world there can be no lasting revival of normality of economic conditions in the world.

The resolution further recommends a few steps as to how to secure the desired result. Steps number one, two and three I will take together. We know that the Hon. the Finance Member publicly in his speech last year declared his readiness and willingness to co-operate with world silver producers for the regulation of production and sale of silver. Beyond that nothing is publicly known. We do not know what steps were taken by the Hon. the Finance Member to put his desire of co-operation into operation. Last July when I was in New York I had come to know that there is a movement about the co-operation of main silver distributors with the Indian Government. Then, in August, I came to London and I heard the same reports. Then our Finance Member went to England and instead of arrangement being completed, it was reported "Broken."

Sir George Schuster holds the view that the public generally get the correct news and therefore much information should not be kept secret. This House will thank Sir George Schuster if he will enlighten us about the co-operation movement such as whether steps were taken by the Hon. the Finance Member beyond the open indirect invitation? If taken, what steps were taken and how far the negotiations had reached and finally what was the result? If broken, on what ground? Sir, this information will clear a great deal of mystery.

The first three steps suggested in the resolution are of international character and as such are beyond the control of the Government of India. As regards the fourth step suggested in our resolution, it is a practical step. It says that the Government of India should decide the silver policy in consultation with a committee nominated from the elected members of the Assembly and representatives of this Federation and until that is done the Government of India should not sell any silver.

Sir, silver policy is very important to India.

Gentlemen, since after 1926 when the Indian Government began to sell silver, they have come out as advisors to the masses saying that silver is a commodity and is not suitable as a store of value. They also say that they are selling silver in order to acquire gold. We are on gold exchange standard since 1893 and what the Government has to say as to why they bought silver about the year 1920 at a Dollar an ounce even though we were on gold exchange standard at that time. Gentlemen, at that time Government of India did not acquire gold for India and choked India with silver. There was no necessity to buy silver at that high rate if gold was acquired and supplied to India. At that time India was not allowed to secure her rightful quota of gold in spite of her favourable trade balances. And now to tell the people of India who are attached to silver from time immemorial that silver is only a commodity, is nothing but a breach of confidence. It is the duty of the Government to keep up the status of silver as a precious metal in the interests of India. At least they should not have followed the example of other Governments who discarded silver and began to sell. Indian situation is quite peculiar and different as regards silver and requires special attention and consideration. No other nation which has discarded silver, holds so much silver as the Indian nation. No other nation which has discarded silver, is attached traditionally so much to silver as the Indian nation. No other Government which has discarded silver, have imposed such a heavy import duty as the Indian Government. Owing to such special circumstances a very careful consideration should be given before embarking on a policy.

Last year this Federation asked the Government of India to stop sales of silver. As usual the Government disregarded our suggestion, sold silver and depressed prices.

I will read here a cable of Reuters from Shanghai dated 30th March, i.e., last week—which reads as follows:—

“It is reported from Hongkong that the Government of India are making large private sales of silver in London market.”

This shows that the Government is still a seller even at the present low price of 13d.

This year the Federation clearly expresses in its resolution that the Silver Policy of the Government of India should be

decided in consultation with a Committee nominated from the elected members of the Assembly and representatives of this Federation.

Consideration of Silver Policy will include all points such as

(1) Whether to sell silver or not?

(2) If to sell, how, when and where to sell?

(3) Why the import duty should not be abolished?
and all other points which are very important and which should be fully discussed and finally decided.

Finally as is known to all we are on the eve of important constitutional changes and at this juncture the Government of India will not disregard the suggestion of the most important commercial body of India.

Mr. Mangaldas Motilal Sheth (Bombay Shroff Association, Bombay): Mr. President and brother delegates, I have great pleasure in seconding the resolution on silver, but the mover of the resolution has ably covered almost the whole ground of this thorny problem leaving for me little to add. However, with your kind permission, I will say a few words.

The problem of silver has assumed world-wide prominence since the adoption by the Government of India of the policy of selling silver, which has depressed prices unprecedentedly. The abnormal fall in the price of silver has reacted on all the markets of the world, resulting in the complete demoralisation of trades during the last two or three years. How acute is the fall in the price of silver can be seen by a glance at the prices of the last four years, i.e., from 1927 to 1931. In 1927 the price stood at 30 pence and now it has come down to the ridiculously low level of 13 pence. The problem of silver is of paramount importance to India for reasons more than one. Silver is both a standard and store of value. The Indian people by habit and custom invest their savings in silver. The value of hoardings, though difficult to estimate precisely, is roughly computed at Rs. 400 crores. The far-reaching effects of the depreciation of the value of these holdings on the purchasing capacity of the people have told adversely on all commodity prices, resulting in the present depression. Further, the sharp fall in the price of silver has shaken the confidence of the masses in the intrinsic value of the rupee which

accounts for the heavy influx of rupee coins in the treasury during the last four years. The sale of silver was recommended by the Hilton Young Currency Commission, with a clear understanding to acquire gold to establish a gold bullion standard, but I submit that the object with which this recommendation was made by the Commission has been frustrated, for the proceeds of the sale, instead of being invested in gold or gold securities are frittered away in maintaining an artificial rate of exchange of 1s. 6d. The Government attribute this abnormal fall in the price of silver not mainly to their programme of silver sales but to over-production. How fallacious is the plea of Government can be seen if we look to production figures of the last two years. In the year 1929 the production was 263 million ounces, while in 1930 the same was 240 million ounces, which is a decline of about 10 per cent. Further it is almost likely that owing to the present low level of prices the production for 1931 is not likely to exceed 180 million ounces. Thus though the production has begun to decline, we still see the strange phenomenon of the price of silver going down out of all proportion. This can be only accounted for by the policy of Government in selling silver at any time and at any price. As pointed out by the previous speaker, even the London bullion brokers clearly express the view that the decline in silver is mainly due to the policy of Government of selling silver. Further, the imposition of a duty of 4 annas per ounce in March 1930, and an additional duty of 2 annas per ounce recently has made the internal price artificial. Even with such a protected market Government are selling silver in foreign countries, thereby losing in the form of freight and other charges.

In view of all these circumstances the best remedy to avert a fall in silver is that Government should cease the sales of silver. This will react favourably on the price of silver and consequently favourably affect the economic condition of India, China and the world. With the restoration of faith in the stability of silver prices and the improvement of the economic condition of the people of this country, the process of annual absorption of the rupee, roughly at the rate of 10 crores, will revive and within a period of 10 to 12 years the whole reserve will be disposed of.

I therefore hope the Government will consult the parties for the solution of this problem as mentioned in the last paragraph of the resolution and decide their silver policy. This is a very mild suggestion which the Government will be pleased to accept. With these words I second the resolution which is placed for your acceptance.

The Honourable Sir George Schuster: Sir, looking at the clock, I will endeavour to be very brief. I find it a little difficult to know exactly what points to take up for reply. Both the speakers have covered rather a wide field, and I think perhaps they may be open to a charge of having dealt with points which were not exactly covered by the resolution. As I understand it, Sir, there are two main points, to which attention is wished to be called, in the resolution. The first is that the Government of India should do what they can to co-operate with other silver interests in the world, to take steps for improving the price of silver either by co-operating in some scheme for bringing the price of silver into relation with the price of gold or in some other manner. And the other point is one which is mentioned as an addition to the resolution that the Government of India should decide their silver policy in consultation with a committee to be nominated by the elected members of the Assembly and representatives of this Federation; and that until this is done the Government of India should not sell any silver. Now, the second part of the resolution is a simple and concrete matter, the other raises very complex questions. I am afraid that as regards the simple and concrete matter, the suggestion that we should appoint a committee, and that we should decide our silver policy in consultation with that committee, I must say outright that I do not think any Government really could accept such a suggestion. The selling of silver stocks, I am sure my Honourable friend who moved this resolution with his knowledge of the silver market would confirm, is a matter which requires very great discretion and very great secrecy; and I think it would be quite impossible for any Government,—and here I may feel that I am protecting the interests of my Indian successor,—to agree to co-operate with an unofficial committee in a matter of executive policy of this kind. I would further put to this meeting that, although they may disagree with our action in selling silver at all, we really have handled our silver sales extremely well. I am sure my Honourable friend who moved this resolution will confirm that we have handled our sales with discretion and that we have never come in on a weak market. We have always taken the opportunity when there was a temporary strength to dispose of silver, and took that opportunity of selling, and I can certainly testify from my own experience that there has been no occasion in our silver policy where the immediate period after we have concluded the sales has been a period of weakness. We have always been able to select a period which has proved to be the beginning of a period of a slight strength, and I could prove if I

were to disclose facts that we really have been clever in our silver operations. But that does not affect the main question as to whether we should sell silver at all; and on that I think I am entitled to assume that opinion in India has somewhat changed in the last 12 or 18 months. I feel somehow myself that when I get up to speak on this subject I am not met by that absolutely uniform hostility with which I used to find myself opposed. I think there are some members of the commercial community who recognise that the Government of India in the interests of India must to buy back again at to-day's prices the silver that we have sold consider the disposal of India's silver stocks. After all we tried in the past four years, we should make a very handsome profit indeed for the Indian taxpayer. Coming now to the second point, the question of co-operation with other silver interests for improving the price of silver, here I may say that I am entirely in agreement with the resolution. If we could find a means of co-operation we would undoubtedly take it, and that I have myself stated publicly on two occasions. I cannot disclose to this meeting exactly what passed between us and American interests in this matter; but I gave a pretty good idea of what had happened in my Budget speech this year, and I then made it clear that the American interests had shown no disposal to go further than the scheme which had been discussed publicly in the press, which really meant this that the Government of India should hold out of the market altogether until the price of silver got to about 50 cents an ounce which is something like 24 pence an ounce. Until the price improved to that figure the Government of India should keep out and leave the market free to the American producers. I think that everyone will agree with me that for the Government of India to have acceded to a self-denying ordinance and to an one-sided arrangement of that kind, would have been to neglect the trust which we hold for the people. We are really in the position of any producer of silver. I maintain and I always have maintained that our position is no different from that of the owners of a silver mine. We have a certain definite quantity of silver to sell just as the owners of a silver mine have a certain definite quantity of silver to sell; and I have never been able to understand why the holders of silver which is already produced and available for sale should have less consideration and less opportunity to dispose of their stocks than those who own mines which may in the future produce silver. In that view I should have thought that if anybody can reasonably be asked to restrict his production, or rather restrict his sales, it is the man who is producing new silver rather than the public

authority who owns silver which is already in existence. Now the figures of silver production are interesting figures, and I think they should be studied before the charge is made that the Government of India is solely responsible for the slump in price of silver. As a matter of fact the actual new production of silver which had fallen to 175 million ounces in 1921 rose to 261 million ounces in 1929. That is an increase of something like 90 million ounces of new production. The Mexican production alone rose from 64 to 108 million ounces. That was a period of increasing production and that was also a period when a great many other governments besides the Government of India were putting silver from old coin on to the market. The Government of India was only one factor in the situation and whether we had sold silver or not the fact that we were in possession of this surplus stock would, as the mover of the resolution himself has admitted, have acted like a damper on the market and could always have been referred to as an important factor in the situation. I quite agree that India has been an important factor in the situation, but why India should be selected alone from all those sources of supply which have gone to make the over supply on the market I have always failed to see. Now, while production of new silver was going up between 1921 and 1929, from 175 million oz. to 261 million oz. the other supplies were also increasing; and actually taking those two years including new production and other supplies, according to my figures, there was about 200 million ounces available for sale in 1921, which rose to 319 million ounces available in 1929. That is an increase of nearly 60 per cent. Out of that extra 119 million ounces the Government of India has only contributed on an average less than 30 million ounces a year. Therefore I say it is completely misleading to point to us as the sole factors in the situation.

That is all I need say on the subject. I am afraid as regards co-operation with other interests I cannot say anything practical. All I can say is that we are ready to take advantage of any opportunity that occurs and that we are doing all that we can ourselves to create the opportunity. I cannot say more than that. The position is a difficult one; it depends entirely if I may put it on whether the American producing interests are willing to take a reasonable view of the situation or not. The whole question of silver and the possibility of giving silver a suitable value in relation to gold raises such complicated issues that I am sure no one would wish me to enter upon that at this time. - (Cheers).

Mr. Chunilal B. Mehta: Sir, I will reply very briefly. The policy of selling silver is not a new one. I am sorry the Finance Member does not agree to a conference as suggested in the resolution. It has been laid down by the Hilton Young Commission and the whole world knows that silver is to be sold; and the Hon'ble Member has admitted that the huge amount of silver holdings by the Government has acted as a damper and very adversely affects the silver market.

As regards the credit for selling silver at very high prices and saying that the Hon'ble Member could buy all the silver he needs at present at low rates, I do not agree. If the Indian Government comes out to buy I am certain he could not buy back even at 25d.

As regards production, from 1921 onwards it was a period when production certainly increased and that was because prices were high, Government of India themselves bought at dollar an ounce. However production of other metals during this period increased more in proportion to silver. The Finance Member says that the Government of India is not the only factor. But responsible British opinion clearly says that the policy of the Government of India is the main factor and his contention therefore cannot stand.

As regards selling 30 million ounces a year, I would suggest this: the Government should tell the world "We are going to sell 30 million ounces a year and will within, say, ten or fifteen years." Let the world know what you are doing. Otherwise it will not help any one, either the Government of India or the world at large. If you decide your policy your silver will be taken up at much higher prices than you are getting at present. I therefore think a policy is required and I would urge that my resolution should be accepted.

The resolution was put to vote and adopted.

The Chairman: I may say a few words in reply to what Sir George Schuster has said about our co-operation in connection with retrenchment. Sir Purshotamdas Thakurdas has already expressed his personal views. At this stage I can only say this: that if the Government would address the Federation in this matter we will consider very carefully the question of giving our whole-hearted co-operation. But I can say this much as to how

the mind of the members of the Federation may be working in this direction. There can be no doubt that no one can be more anxious than ourselves to give our co-operation to any action which might be calculated to reduce the administrative costs; but I should like to make it clear that if we offer our co-operation, it will be on our condition; we are not satisfied with applying a pruning knife here and there. What we want to apply is not a knife but an axe; and if we can be assured that we would be able to apply an axe to the administrative expenses, then I have not the least doubt that we would only be too pleased to give our co-operation. We have expressed our views in that direction off and on. So far as the military expenditure is concerned we are already committed to very very substantial reductions. Many of us feel as to why it is necessary for us to spend such a huge sum as 55 crores when our neighbours do not spend one-tenth or even one-fifteenth of what we are spending. Our President in his speech yesterday remarked about the emoluments of the services. They were increased under the Lee Commission recommendations; and since then the level of prices has come down to such an extent that it is only just to India that those agreements should be revised. I just want to tell all these things in order to tell Sir George how our mind has been moving in such matters; and if he thinks that we could be of real service, we will only be too glad to give our co-operation; but as I have said on one condition; we do not want to apply a small pruning knife, and cut a few lakhs here and there. We are not satisfied with that and therefore I say that if he wants our co-operation as he says he means business and is serious—if he really means business—we also mean business and we are absolutely prepared to give our co-operation on our conditions.

I should like to extend our hearty thanks to him for giving us the benefit of his presence and I hope he will continue to take the same interest in our deliberations in future. (Cheers).

The Hon'ble Sir George Schuster left the House.

The Chairman then announced that the elections would take place and those who were not present would receive the ballot papers and deposit them in the box before 1 p.m. He also suggested that the resolutions on the agenda paper should be disposed of before the meeting adjourned that day; and the next day resolutions not on the agenda would be taken up.

The Chairman next announced that Mr. Walchand Hirschand had withdrawn his candidature for the presidentship—and that being so he declared that Mr. Jamal Mahomed Sahib had been elected President unanimously.

At this stage Mr. Fakirjee Cowasjee wanted to explain his present position re: nomination from Sind.

Mr. Fakirjee Cowasjee: I want to satisfy members

The Chairman: We are all satisfied. (Several members: We are all satisfied).

Mr. Fakirjee at this stage resumed his seat.

Mr. Srikrishnadas Lulla: I am very glad to hear from Mr. Fakirjee that he represents Bombay and London as well, but I must say that he has not been taking interest in Karachi, because he represents other interests. We would certainly like to see Karachi represented.

The Chairman: Gentlemen, there is one other point on which I should like to have your advice. I do not know whether there are many such members who represent more than one constituency. Supposing one delegate represents more than one constituency, do you think he should be entitled to more than one vote? I think democracy demands that he should have only one vote.

A delegate: Then the other constituency will go unrepresented?

The Chairman: We can't help for it. I do not think that it would be fair that one member should represent more than one constituency.

The House agreed with the decision of the Chairman that one member should vote for only one constituency.

The Chairman: One more point I would like you to keep in mind. Mr. Meera Rowther was a delegate from Southern India Chamber. But we have received a telegram from his constituency that he is not going to represent them here. Therefore, he has been replaced by Mr. Vidya Sagar Pandya. Therefore, Mr. Meera

Rowther is no longer a candidate, and he cannot be a candidate for the membership of the Committee, because he has been replaced by Mr. Vidya Sagar Pandya.

Mr. Vidya Sagar Pandya: I am not anxious to be on the Committee.

The Chairman: I say you are a delegate, while Mr. Meera Rowther is no longer a delegate, and therefore he cannot be a candidate.

Seth Walchand Hirachand; That means there are only 31 members now instead of 32!

The Chairman: Yes.

Gentlemen, you are not to vote for Mr. Jamal Mahomed Sahib, because he has been elected President.

At this stage the voting papers were being distributed and the election of the Executive Committee proceeded.

The Chairman: I hope every delegate has received his voting paper. If any gentleman has not received his voting paper, he has to inform me. Those who have received their voting papers must give them back. I would like them to return the papers so that we can seal the box.

The ballot papers were then taken and placed in sealed box.

The Chairman: Order, order. Now, gentlemen, we will now resume the debate on Resolution on Industries, and I would call upon Mr. H. S. Mahomed to support the resolution.

Mr. H. S. Mahomed (Indian Match Manufacturers' Association, Bombay): Mr. President and Gentlemen, in the year 1927-28 the Indian demand for matches was equal to its production, as was estimated by the Tariff Board. A warning was given by the Tariff Board to the Swedish Match Company not to try to strangle out the indigenous concerns, as they had done in other countries by making use of their vast resources. In spite of this, however, the Swedish Match Company has expanded the capacity of its four factories which it had at the time and has now

seven additional factories. Sir, you will see that when the supply is so much more than the demand, the additional goods are dumped on the market,—and the Government say that they are watching the market; but surely, this over-production could not have been made in a day. Ever since the inquiries of the Tariff Board, the Swedish Match Company has been increasing its output simply for the purpose of dumping it upon the Indian market. During the war Japan had captured the Indian market. In order to regain it, the Swedish Match Company sold matches here for which they got the net sale return of Rs. 0-6-6 gross—a price ridiculously low and never heard of in the history of the match trade. When the Japanese people could not hold out, the Swedish Match Company bought their factories at scrape rates and closed them down.

In paragraph 115 of their Report the Tariff Board has pointed out that it is the aim of the Swedish Match Company to import matches from Sweden rather than manufacture them here. The Tariff Board held that India was able to make its own matches economically and of equally good quality as compared with the Swedish matches. Just as they did in Japan, they have employed various stratagems in 24 different countries of the world. Sir, I have with me materials to show how they have obtained control in Belgium, Germany, America, Greece, Italy, Czechoslovakia, Jugoslavia, Australia, Canada, etc., etc., and how they obtained 80 per cent of the world's match production. It is now the turn of India. I have already shown you how they have augmented their production. Besides this they have reduced prices by 40 per cent. Only one of their eleven factories paid out Rs. 2 lakhs as refund for the recent drastic cut in their rates for the unsold stocks carrying higher rates lying with their constituents. They allow in some places a deferred rebate of Rs. 3 per case to constituents who do not buy the goods of others. This precludes the indigenous manufacturers from selling their goods. They allow in Calcutta credit from 3 to 6 months. They bind down principal dealers by making a syndicate of dealers in big centres and allowing special terms to them.

When so much has been made of the vested interests of the Swedish Match Company by the Tariff Board, I am sorry to say that when our vested interests are at stake, the Government is so slack. The Swedish Match Company wishes that the Indian factories should close down so that they can import matches from the Swedish factories, holding their Indian factories as a check

against Indians re-starting the industry. The protection given to the indigenous match industry is thus being usurped by a foreign trust. And all this for what return? The Swedish Government will not allow any foreigner, even a Britisher, to hold more than 1-5th of the voting power in any Swedish joint-stock company. The Swedish Match Company has issued A. shares for Swedish people having one vote for each share, and B. shares for foreigners having one vote for every 1,000 shares. When the Swedish Match Company made an agreement with Messrs. Bryant and May, the British match manufacturers in 1927, all British territory was included except India. Is India then to be considered a common ground for exploitation by any rank foreigner? Government must distinguish between Indian, British and foreign interests and not allow such foreigners to exploit the country: our vested interests should be guarded and not those of the foreigners. If immediate steps are not taken, Indian manufacturers will not be able to hold on any longer, as prices have gone much under manufacturing costs. The factories will close down, and all the money put in by the Indians will be lost. Imagine, Sir, what a deterrent influence it will have on the future enterprise of India. So much unemployment will be augmented. Even a backward country like China is now trying to bar out such exploitation of its country, but our Government is still going on with its red tape business. It is such lukewarm attitude of the Government that embitters the feelings of Indians more than anything else. I hope the Government will not be in this case a day after the fair, as Mr. M. R. Jayakar says it has always been. I will now read a few passages from the Tariff Board's Report from which you will see that they are self-contradictory and made out to please all concerned. We read in para 29 of their Recommendations:

"Considerable provocation has been offered to Indian manufacturers by ill-considered actions on the part of some of the company's officers, such as the production and sale of inferior matches and the employment of questionable methods of advertisements and negotiation."

In paragraph 28 we get this:

"We find that there is no ground for the complaint that the Swedish Match Company is engaged in unfair competition with factories under Indian control,"

And in para 30, we find they say:

"We have not found that the interests of the Indian industry have been jeopardised by the activities of the company or that up to the present the existence of these factories in India has been prejudicial to the national interest."

You will thus see, gentlemen, what a handicap has been placed in the way of Indian factories by this foreign syndicate. I therefore accord my support to the resolution and resume my seat.

Mr. Nalini Ranjan Sarker (Bengal National Chamber of Commerce, Calcutta): Mr. President, our esteemed friend, Mr. Hoosseinhoy Lalji has made some pointed reference to our attitude regarding the salt industry. I crave your indulgence to make a statement to clear the position.

The Chairman: Is it Bengal versus Bombay! (Laughter).

Mr. Nalini Ranjan Sarker: I think it is not fair to Bengal to say that she has not the interests of other industrial provinces at her heart. (Hear, hear). We have demonstrated our sympathy with the demand for protection by other provinces in many ways, for instance, in such matters as protection to the textile industry or iron and steel. Bengal has never protested against the protection or the tariffs, although the main benefits passed to other provinces. (Hear, hear). Bengal also supported very strongly the Coastal Traffic Bill of Mr. Haji, though she quite realised that she did not stand to gain anything by this measure, at least immediately. (Laughter). Bengal, I may repeat, is not opposed to the protection of national industries, but our view has been that Bengal being the largest consuming province may justly demand that her views and interests should be taken into account in framing a national economic policy. (Hear, hear). I am anxious, Sir, not to be misunderstood. I prefer to be exploited by my own countrymen rather than by foreigners, (hear, hear), nor do I want that we should become instruments in the hands of unjustly vested interests or of people who stand for the policy of divide and rule. We are always prepared to accord our support to all measures for promoting national industries; but, on the other hand, we feel that we can reasonably demand, where more than one course is open to the Government to protect any particular industry, that the method should be adopted which is least burdensome to the consuming provinces, particularly when such protection means a benefit mainly to one province in the

first instance. In fact, this was the consideration on which my Chamber took its stand when it opposed the levy of salt duty and suggested that the indigenous industry should be protected by the grant of a bounty. I would, therefore, submit that a very wrong impression has been formed regarding the attitude of my Chamber. Taking into account the significant fact that the consumption of salt is confined to our one particular province only, the Bengal consumers were thoroughly justified on ground of national economy to insist that the responsibility of supporting a national industry should, instead of being fixed on a particular section of consumers, in excess of their capacity to bear it, rather devolve on the general body of tax-payers. I should ask you, Gentlemen, to consider the case in this light and see if the demands of Bengal consumers were not justifiable even on the score of equity. I need hardly remind you that the question regarding the distribution of the duty was not in contemplation before the subject was referred to the Committee appointed by the Assembly. The proposal emerged out of the deliberations of this Committee and the principle of the distribution of the duty in the manner recommended by them is a frank acknowledgement of the special claims of the consuming community in this particular instance. I am sorry Mr. Hooseinbhoj should have referred to our attitude in a spirit which is not at all justifiable, without trying he should have tried to understand our point of view. I would not have taken up your time to clear our position here but unfortunately Mr. Hoossainbhoj's remarks left me no option.

Mr. Hooseinbhoj A. Lalljee: Sir, on a point of personal explanation. I am very sorry if I have given any cause of complaint to my friend Mr. Sarker, but I never said the word that has been attributed to me. What I said was that I was surprised to see that the Bengal was not anxious to develop their own salt industry at their own coast. If they had supported the measure that was before the Assembly, I am sure they would have now realised that by giving that support they would have been at liberty to manufacture their own salt. And, above all, Sir, I never said that Bengal was in love with foreign salt. I am very much obliged to my friend for the assurance given and I really feel sorry if he has taken any of my remarks so much to heart. I think my remark that they also ought to become industrialists has somewhat upset him. But, Sir, I never uttered those words that have been put into my mouth, in fact, I will admit Bengal is as nationalist as any part of India.

Resolution re: Industries was put to vote and agreed to unanimously.

The Chairman: I would now call upon Mr. Ranchordas H. Gandhi to move Resolution No. 6 regarding Burma.

BURMA

Mr. Ranchordas H. Gandhi (Burma Indian Chamber of Commerce, Rangoon): Mr. Chairman, I have the honour to move the following Resolution:—

“The Federation is of opinion that the question of the constitutional evolution of Burma should be left to the decision of the people of Burma. There are ample indications to show that responsible Burmese opinion is dissatisfied with the decision of the Round Table Conference and the Secretary of State's statement in the House of Commons on the 20th January last to pursue separation without Dominion Status. The Federation considers that the proposed Federation of Indian States and provinces has created a new position under which Burma can join with such federation with great advantage to herself. The Federation, therefore, urges that full and proper facilities should be provided for the people of Burma to express their free and clear opinion on this matter otherwise rendered more difficult owing to repressive laws now in force.”

Sir, this resolution is to a certain extent self-explanatory. As we all know, since the war and especially after the advent of Mahatma Gandhi into Indian politics the desire for self-determination is all the more keener and therefore it is in the fitness of things that this Federation representing the great Indian commercial community should leave the decision of the separation of Burma to the will and desire of the people of Burma. As we all know, Burma was annexed to India perhaps against the will of the people of India, or perhaps the people of India had no voice in the matter, and as long ago as 1885 the Indian National Congress passed a resolution against its annexation. Then we know also that the late lamented Mr. Gokhale used to cry in the Imperial Legislative Council—although his cry was a cry in the wilderness—, about the great burden of crores and crores of rupees that was levied on the Indian tax-payers on account of the expenses of Burma. However, as the province of Burma became a part of India, people from various parts of India began to visit that province for business or other purposes just as people go to Delhi Madras and Bombay. And the Indians have large stakes in that

country. Nevertheless they are in a minority—numbering about 10 lakhs. Now, Sir, as we want self-determination for ourselves, we also wish that the Burmans should also have self-determination for themselves. And it is with this view that the Indian community residing in Burma has left the decision of this question entirely to the will and desire of the people of Burma and that feeling is very well expressed in the resolution that I am moving. I need not, therefore, Sir, dwell on that aspect of the case any more; but there is another thing also to be borne in mind. There are complaints from the people of Burma, viz., the Buddhist Burmans whose number is more than about 130 lakhs. Their complaint is that they have not been consulted properly. I may tell the House that several opinions are being held in this matter. There is one section of the people in Burma which wants separation at any cost whether the people of Burma get Dominion Status or not. Then there is another party which is called the People's Party which is in favour of separation only if they get Dominion Status. They maintain that their number is sufficiently large to justify this request. At any rate, they do not want separation unless they are given a constitution which is in no way inferior to that of other provinces of India. Then there is the third party, which believes in the homogeneity of Burma with India. They believe that the Indian culture and the Burmese culture is one and the same and they say that it is the greatest and the largest party in Burma. The name of this party is the General Council of Buddhist Association. They say it is to Burma what Congress is to India. I may tell you that since the last 10 years it has been the most predominant political party in Burma. It did not take part in the deliberations of the Simon Commission. It did not take part even in the Council elections. They have boycotted the Legislative Council of Burma for the last so many years. The President of this Party has wired to all the public Associations in India saying to the effect that if they take part in the elections, they will be able to return the largest number of members. We find from the reports of the proceedings of the Round Table Conference that even the Prime Minister had to acknowledge that there was a difference of opinion amongst the Burmans themselves notwithstanding the fact that the Sub-Committee had recommended the principle of the separation of Burma for the acceptance of the Round Table Conference. I may also draw your attention to one important fact. The Sub-Committee on Burma had not before them the scheme which was later on declared by the Prime Minister on the Federation of Provinces and Native States. That scheme was not then evolved and therefore it was

not made public and the Burma Sub-Committee did not know anything about this scheme at all. Later on when the Burma Legislative Council discussed this point in Rangoon, even people who had stood for separation said that as a new situation was created they must take the new Federal scheme into their consideration. U. Ba Pe who was one of the delegates to the Round Table Conference also said to the effect that he did not want anything which was less than Dominion Status even if separation was granted. But it appears they wanted to wait and see how far real autonomy would be given under this Federal scheme, and then decide for themselves whether they should join in the Federation of future India or not. It was in this strain that the important associations of Burma wired to the Secretary of State for India, the Prime Minister and the Viceroy. As we all know, recently there was a debate in the Legislative Assembly and the views expressed there were unanimous, and I am glad that Mr. Arthur Moore, the representative of Europeans, also declared that as far as the Europeans were concerned, they did not want to do anything which was against the wishes of the people of Burma. This principle was unanimously accepted by the Legislative Assembly and it was decided that a referendum under the direct supervision of the Government of India should be taken of the views of the people of Burma. This Federation therefore in accordance with the wishes expressed there and also in accordance with the popular wishes of the Burmese people and also in accordance with the wishes of those Burmans who recently visited India, has put forward this resolution for your acceptance. There are many difficulties and complications but I would not like to refer to any of them. At least I should tell you one thing for your consideration. The people of Burma belonging to all sections of political thought say that only one side of the case was represented at the Round Table Conference. Whether these people who complain would have gone to participate in the Round Table Conference or not, I am not prepared to say, but in any case there was only partial representation of Burma. So, in the second Round Table Conference which is going to be held in London, I think it is but fair that they should be afforded an opportunity to be represented there. They have also wired to the Congress and other associations to this effect. Some efforts were also made to approach His Excellency the Viceroy in this matter. I do not know what has come of them. In any case, I hope and trust that this Federation will be very much pleased that the people of Burma are given this opportunity to find out a solution of this

complicated question for themselves and thus bring about a solution by good-will and agreement so that there may be no dissatisfaction. With these words, Sir, I beg to move the resolution for your acceptance.

Mr. B. Das (B. and O. Chamber of Commerce) *Mr. Chairman, I have great pleasure in supporting the Resolution moved by my friend Mr. R. H. Gandhi. The Burmese people along with the people of India want self-determination and they want Dominion Status. The Indian public have never accepted the Prime Minister's dictum that the separation of Burma is a settled fact. So also the Indian merchants through this Chamber have never accepted that doctrine that the separation of Burma is a settled fact. The people of Burma kept themselves aloof from the Round Table Conference and they have not accepted that doctrine and I am glad that Mr. Ranchordas Gandhi who represents the Indian Chamber of Commerce is willing to concede to the Burmese people the right of separation in case they require it. Those delegates from the Federation who are going to the Round Table Conference go there with an open mind, that is, they do not accept the separation of Burma as a settled fact. If the people of Burma, not the Indians in Burma, but the Burmese desire separation let them have it by all means, but we, who have lived and worked together for many years, do not like that Burma should be made a colony and should be made the hunting ground of English merchants and English capitalists. We have recently heard of all the riots that were started in Burma against the Indians. As far as I have been able to judge, I know that some of the Uriya labourers and some of the Andhra labourers in Burma were murdered. But my firm conviction is that those riots were incited by vested interests of the European mercantile community, or it may be as some say the riots were inspired by the Burmese Government and the recent enforcement of the repressive measures that have been initiated so that Burmese public opinion should not filter to India and should not filter to England, that also has been engineered by the European mercantile community and by the Burmese Government. However, on behalf of the Federation, I want to make this assurance to the public of Burma that Indians will not stand against the Burmese desire for separation. But the Indians would not like that Burma should be separated and turned into a Crown Colony of England, but that Burma should attain the same Dominion Status

*Speech not corrected by the Speaker.

and above all, we, all Asiatics, want eventually an Asiatic Federation of all Asiatic nations. We would like that Burma should remain alongside with India as our equal partner and work up to that high ideal of Asiatic nations and if the Burmese people, in time, decide to secede, as I learn they want the right of secession from India after the attainment of Dominion Status, it is their look out and not ours.

The Chairman: I hope Mr. Maung Maung Ji will not take a long time in speaking on this motion.

Mr. Maung Maung Ji: Gentlemen, I desire to thank your Executive Committee for the invitation they have extended to me to speak on this question. Fortunately for me my task has been rendered easy by the speeches of my two previous friends and I wish to impress on the minds of those who are in this august assembly the need to get your support and sympathy. I have had a ready and unaffected sympathy wherever I had been and the Indian National Congress had given every support to the wishes and aspirations of my people as embodied in the Resolution passed by the Congress. But unfortunately the work of the British Government in Burma is to separate Burma from India so that the vested interests may exploit Burma to their hearts' content. You will have realised that according to some of the politicians of the West the joining of India and Burma together is considered as an historical accident. In this connection, I should like to say that the British sovereignty in India is also an historical accident. In fact the Norman conquest of the Saxon Britain was also an historical accident. When these accidents seem to suit the British people, they bring out the same accidents in order to suit their game. I do not want to touch much on the cultural and religious unity of the two countries. Within the narrow space of time that is allotted to me, I will just enter upon the outskirts of the cultural affinity of the two countries. You have got sacred cities all over India. You have got the sacred rivers all over India; you have got at the same time the sacred mountains all over India and they all are scattered all over this great country so that the cultural unity of India may be kept alive. In the same way, we who live across the Bay of Bengal look up to these sources of spiritual life as a Hindu in the South of India would look up to the sacred river Ganges in the North. (Applause). In the same way, we who live across the Bay look up to Bodh-Gaya, the place where the Lord Buddha attained his enlightenment as a source of spiritual inspiration. Therefore, if

the Government or those people who have got vested interests in Burma say that there is no cultural affinity, that there is no religious affinity with India, then I say that they are not quoting history in the light of truth. Sir, this Federation I am told is the richest assembly in India. It consists of men, merchants who probably if they put their resources together can buy up Burma and addressing an assembly such as this, I should not appropriate much of your time in discoursing on the spiritual and cultural aspects but more time should be spent on the economic aspect of the question. I will therefore put before you the incalculable benefits we derive from the union of India and Burma. Burma's imports from India average something like 14 to 16 crores in value and the chief articles are gunny-bags, tobacco, twist and yarn, piece-goods, coal, etc. As against this Burma's exports to India average about 24 crores and rice which form about 46 per cent, the other important items of export being timber and mineral oils. You will therefore see that there is mutual benefit for the two great countries. If Burma is separated, speaking from a selfish point of view, I think Burma will be the worse from the economic standpoint. If Burma is separated in the economic sphere, India, being a bigger country, can afford to raise her tariff walls against Burma and I am afraid Burma will be the great sufferer. India can get rice from any other part and if India does not choose to buy from Burma, she can afford to do so and under the Federation scheme, I am sure you will have a very gigantic scheme of irrigation and the cultivation of indigenous rice will be introduced in other provinces and when the question of cultivating indigenous rice comes then probably our poor market—the Burmese rice market—will be absolutely ruined by the cultivation of paddy in this country.

Now, you may take the question of gunny bags. We have no near market for gunny bags. We will have therefore to go somewhere else and in that case we shall have to pay more for the gunny bags, because of the great distance we have to carry and therefore the price of rice will naturally go up and we will be the sufferers in that case too. With costly gunny bags, the export from Burma will have a hard time indeed against other centres like Saigon, Japan, etc., on this side and under the five years Soviet programme in Russia on the other side. If Burma and India are one, Burma would be a Member of the new Federation like any other major province of India and adjustments by tariff walls against other outside countries would be all for the benefit of Burma. I feel that we may derive greater benefits if we are

to be an autonomous partner of the Great Indian Federation. It was Sir Harcourt Butler who admitted that the connection with India is of great benefit to the Burmese people. Now, we have got to consider the question of capital. In this connection I should like to mention the advantage that we derive from the capital invested by the Chettiar community. Para 799 of the Report of the Burma Provincial Banking Enquiry Committee, Vol. 1, says, that the "Chettiars (South Indians) are justified in their claim that they have supplied the capital required to develop Burma and that no other agency has yet appeared that was able and willing to supply capital as they have done." That is a factor which we must take into account. You will therefore realise that our connection with India will be a great benefit to us also and it will be a great benefit to you also. I feel, as I talk to you, that my time is flying and I have therefore very little time to speak to you about the motive that lies hidden in the separation of Burma from India. The intention of the British Government in its attempt to separate Burma is to keep Burma all to herself for the purpose of exploitation. I know Great Britain is going to lose India. Why not keep Burma if she is going to lose India so that she may benefit to the fullest extent in her exploitation? We have got one of the most important things in the world—oil—and wherever there is oil, you find the British interests there. The British therefore do not desire that Burma should go out of their hands, because Burma could be turned into a powerful naval and aerial base and thus be an auxiliary port of Singapore base. It will become a great centre for the British to exploit us. Therefore every effort will be made to separate Burma and it will be our endeavour at the same time to do what little we can to keep the two countries together because in the unity of these two great countries we shall have the salvation of the masses of both lands. I know our people are so poor as your people. I also know at the same time that millions and millions of our people cannot even get one meal a day and the poverty is still perpetuated because of the economic exploitation of our people by the British. All that I desire is that you will be so kind as to consider our case so that our people may not be exposed to hellfire—if I may use a slang—and bloody exploitation of the British people. I desire to thank you once again for the opportunity you have given me and I venture, above all, to make an appeal to you, not so much on the economic unity of the two countries, but on the spiritual unity of the two great countries.

You have given us Lord Buddha, one of the greatest men the world ever has produced.

You have given us spiritual freedom, and to-day you have got Mr. Gandhi who may be considered another prophet who is solving the problems of the world by love. Are you therefore going to desert Burma at this juncture and say that you are going to close the door of the Federation against us? In the light of the work that you have done for us I am sure you will not desert us at the time of trial.

The resolution was put to vote and was carried unanimously.

RIGHTS OF BRITISH MERCANTILE COMMUNITY AND RESERVATIONS AND SAFEGUARDS

The Chairman: There are two more resolutions on the agenda, resolutions nos. 7 and 8. Resolution no. 7 was to be moved by Sir Chunilal Mehta and seconded by myself. As you know, Sir Chunilal Mehta has left and therefore with your approval I will move this resolution from the Chair. There has been some mistake in printing this resolution and an important portion has been omitted from it. After the word "enterprise" the following portion should be inserted:

"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."

That was a very important addition which was made in the committee and by mistake it was omitted in print.

The full resolution now reads as follows:

"The Federation of Indian Chambers of Commerce and Industry disapproves of clause 14 of the Report of the Sub-Committee No. 3 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."

Mr. M. A. Master (Indian National Steamship Owners' Association, Bombay): Sir, I should like to know at this stage what

has been decided by the Executive Committee with regard to the resolution about the Round Table Conference. Am I to take it that this is the resolution which they have adopted or is there any other comprehensive resolution to follow?

The Chairman: The position is this. First of all, this resolution as it stands on the agenda was decided on. Then some members thought it necessary to add something about the political aspect of the thing, and we thought that the addition which I have just now read out would be adequate. We deliberately avoided putting in any other resolution because we thought that if we passed any resolution which would not tally with the resolution of the Congress it would appear as if we were in conflict with the Congress views. At the same time some thought that it would not be wise to identify the Federation entirely with some of the Congress views because they thought they could not be accepted by the Indian mercantile community. Therefore we framed this resolution which deals with two aspects; one is about the equality of trading rights with regard to which we disapprove of the resolution passed by the Special Committee of the Round Table Conference; and the other is about the safeguards and reservations about which we say we cannot accept them unless they are in the interests of India. We thought this resolution as worded would meet the point of view of the Federation. I personally think it is quite satisfactory but if any other member thinks it necessary to move any other constitutional or political resolution we will take it up after the agenda is over with the consent of the House. I personally think this ought to be quite satisfactory. However, I should like to know the views of the House.

Mr. M. A. Master: What I wanted to know was this. In the minutes of the Executive Committee meeting which was held on the 5th February it was stated that a constitutional resolution about the Round Table Conference was to be framed. I want to know whether that is the resolution which has been read just now.

The Chairman: Yes. An important portion of the resolution was omitted in print which I have read just now.

Mr. M. A. Master: Then I submit that in view of the importance of the resolution and the thinness of the House this matter may be deferred till to-morrow.

The Chairman: I have no objection if that is the desire of the House. But is it the desire that there should be a debate on

this resolution? If a debate is not wanted it is better that we should finish the business to-day; but if the House wants a debate on this, we may postpone it till to-morrow. We have still a heavy agenda, and you will find that after these resolutions are finished there are many domestic matters which require discussion. For instance, in conducting the business of the annual session I find that there is no guidance in the rules and regulations. Probably I may have to make some suggestions to amend the rules and regulations in order that the future President may have adequate guidance. There are a lot of other domestic things to be taken up which will take up the whole of to-morrow. So if you think this resolution ought to be postponed I will accept your view. But I personally think that no debate is required and if the resolution meets with your approval we will pass it.

Mr. M. A. Master: What I desire to submit is that many members wish to take part in this business and it will be hardly fair to the absentee members to proceed with this resolution because it is a matter of very great importance.

The Chairman: If those members have left surely it is their own fault. They should not have left when there was much a heavy agenda, and they were hardly fair to us when we are sitting so late to finish our work.

The resolution was then put before the House and carried unanimously.

IMPROVEMENT IN THE CONDITIONS OF WORKERS

The Chairman: Then there is another resolution no. 8. This was drafted by my friend Mr. Ambalal and Mr. D. P. Khaitan was to second it. But the mover is not here now and I will therefore with your permission move it from the Chair. This again is a non-controversial resolution.

“While fully recognising that without adequate protection, patronage and co-operation of the State to withstand competition from foreign countries it is not possible to bring in India conditions which will improve to a satisfactory standard the well-being of all workers, the Federation calls upon its Member Bodies to make strenuous efforts to bring about such improvements in wages, in hours of labour and conditions of work—agricultural, industrial, commercial and others, as is possible under the existing unsatisfactory conditions in respect of protection, tariffs, and exchange and currency policy of the State.”

The resolution was carried.

The Chairman: Now I will take such other matters on the agenda which we can finish to-day. We will take item no. 5.

"Adoption of the Fourth Annual Report and the Statement of Accounts for the year ending 30th November, 1930."

The Report has been circulated and if it is the desire of the House that the Annual Report and Statement of Accounts should be adopted we will adopt them.

Mr. M. A. Master: Sir, I have to make one observation. I wish to point out to the House that so far as the Report of the International Labour Conference is concerned.

The Chairman: I think I can explain it on your behalf. I have your letter before me.

Mr. M. A. Master: I will not take more than a minute. I was under the wrong impression up to now that it is not open to the adviser to make any report. My friend Mr. Fakirjee cleared the point. Mr. Fakirjee's report, I find from the proceedings, is merely recorded. So far as my personal information goes it is a very valuable document, a document which was sent over to the International Shipping Federation and it would be quite fair if the Executive Committee would extend the courtesy to Mr. Fakirjee of forwarding that report to Government just as the report of Mr. Jadu Nath Roy was sent.

The Chairman: I think the point which you raised in your letter was whether it is the delegate alone who is entitled to submit a report or whether the report should be a joint report, that is, signed by the delegate as well as the advisers. I do not know what is the view of the House in this matter, but if you will allow me to express an opinion, personally I think that as the Federation selects not only the delegate but also the advisers, the report should be a joint report signed by the delegate as well as the advisers. That practice has not unfortunately been observed in this matter. Mr. Fakirjee submitted a separate report and we had another report from the delegate and the delegate gave the impression that the report was a joint one. It appears now that you were not a party to that report which was submitted by Mr. Jadu Nath Roy.

Mr. M. A. Master: I have said nothing about the merits of the report. It was not signed by me.

The Chairman: Then my impression is correct that you were not a party to that report. I want to know whether you identify yourself with that report or not. Since you have not signed it, that means that you do not associate yourself with the report.

Mr. M. A. Master: I was never given an opportunity to sign that report. The report was submitted by the delegate and I was given to understand that the practice was that it was open to the delegate only to submit a report and not to the advisers.

The Chairman: What you have pointed out has been recorded, and I hope matters will be set right in the future.

Mr. D. P. Khaitan: I might state for Mr. Master's information that these reports are joint reports and usually bear the signatures of the delegate as well as the advisers. It is difficult to understand why this particular report is not signed by the advisers.

A Member: Including the European adviser, if any?

The Chairman: They are not our representatives. So far as we are concerned we should hold responsible only to those whom we select.

There is one other observation which I desire to take about these delegates. I have seen at times that when delegates come back from Geneva they give interviews to the press before they submit their report to the Federation and what they propose to submit to the Federation is given out to the press. Of course the Federation gave them no mandate to the contrary in the past, but I think it would be only fair to the Federation if in future until they submit their report they resist the temptation of giving interviews to the press as regards the work they may have done at Geneva. That I think would only be fair to the Federation.

Mr. M. A. Master: Are the other items of the report open to discussion? I know time is short but there is one more point to which I wish to draw the attention of the House. The Executive Committee have been receiving reports on various matters. It is quite natural but it is not possible for them to meet oftener than 3 or 4 times a year. A letter was sent by the Indian National Steamship Owners' Association requesting the Committee to adopt a procedure that when reports are received, copies may with the

permission of the President be sent down to the member bodies for their information and for such observations as they may like to make. It would be very kind of you if you were to enlighten me as to what the procedure the Committee is likely to adopt whether the reports will only remain with the Executive Committee till they meet and after the reports have been disposed of by them copies will be forwarded to the member bodies. This is a very important matter; after all we are business organisations and interesting reports come to the Federation.

The Secretary (Mr. Mulherkar): The letter referred to by Mr. Master was submitted to the committee two days back and the committee decided that "such reports should be circulated immediately to the member-bodies, requesting them to submit opinions on the reports. The President is authorised to take any action he may deem fit in the light of those opinions expressed."

Mr. Master: That is very satisfactory, Sir.

Mr. Fakirjee Cowasjee: May I be permitted to clear one point? You have asked a particular question why this particular report was not signed by the advisers and delegates. I was left in the lurch by the delegate going out of Geneva the following morning the conference was over; he simply left his address as to where he was going and he gave me to understand that he would be in London for not more than two days; it was difficult for me to find where the delegate was put up; and I personally think that courtesy was due to the advisers from the delegate that he should have sent his report to us first for signature or at least obtained our consent or what observations we would like to make. I waited for such a courtesy—for six months—and finding that it was not coming I took the task upon myself to frame a report in the light of the experience I gained from the work done there; and I am sure that had it not been for the courtesy of the International Organisation, namely, the Federation of International Shipping, the delegation would have been left in the lurch. I may also be permitted to say, without any sort of boast or pride, that when this report which was sent as a matter of reciprocity or courtesy to the International Shipping Federation in London, they wired for fifteen copies more: I do not know why, but they must have found it very useful, or at least very interesting.

The Chairman: I think now that all these points have been raised the best course would be in future when delegates are selected,

that the Secretary should guide them by sending a gist of to-day's discussions, so that they may keep in mind the views expressed by the House.

Mr. A. L. Ojha: In view of the remarks offered by you, Sir, about delegates in the matter of giving interviews to papers before sending in their reports, I would like to know as a matter of information, if it was the only time it happened, because I was a delegate last time and when I came to know about the resolution in this connection I wrote to the office here and what I was told was not quite clear.

The Chairman: I had no one in my mind—but a vague impression that some delegate had granted some interviews and we received the report long after the interview was granted. I do not remember who it was and I am making this criticism, if you call it a criticism, in the most friendly spirit: not as a grievance at all. I think it is only fair to us that we should know beforehand all about the work of our delegation instead of knowing it through the Press. May I take it that the Report and accounts are adopted?

The Report and the Statement of Accounts were declared adopted.

AFFILIATION TO NON-INDIAN CENTRAL ORGANISATIONS

The Chairman: I would suggest that item 7 be taken up:

“To consider the advisability of putting restriction on the affiliation of member-bodies of the Federation to other non-Indian Central Organisation.”

Views seem to be divided on this matter. I think the safest course would be to put restrictions, because in the present political atmosphere we are naturally very suspicious. I think all this trouble was about some gentlemen in London attending the Federation of British Chambers of Commerce. I think it was Messrs. Udani and Banthiya who went on the nomination of the Gwalior Chamber of Commerce. Mr. Erulkar did not attend; but there was a row in London and this is all about that.

Mr. Walchand Hirachand: It started with that, certainly, but since then the situation seems to be, there are some special international organisations dealing with special subjects and we have

here member-bodies who are interested only in those questions, e.g., Gum Manufacturers' Association and shipping and matches, etc. There is an international organisation for shipping. Supposing there is an association here interested only in shipping, are they entitled to affiliate themselves to that international organisation?

Mr. Master: The International Shipping Conference is perhaps the largest body in the world representing shipowners' interests; if this motion is accepted I think we should have to dissociate ourselves from that organisation,—I mean the Indian National Steamship Owners' Association who were unanimously elected as a member of that international organisation.

Mr. Walchand Hirachand: My point is this: that it is to the interests of the Shipowners' Association that they should form part of this International Conference and no restrictions should be placed on the right of this association to become a member of that body which only deals with one special subject, namely shipping.

The Chairman: I think you have to adopt one general principle: either you put restrictions or you do not; you cannot have it both ways; I think the complaint was that these gentlemen in London should not have attended that conference. If it is the desire of the Federation that it is in the interests of Indian trade and commerce that such conferences should be attended by our delegates, then I think we need not put any restriction.

Mr. Walchand Hirachand: Can we not differentiate as regards these special international organisations?

The Chairman: I think that would be causing very great complication. You must have one general principle.

Mr. C. A. Buch suggested that the question be postponed till the next session.

Mr. Hooseinbhoj Lalljee seconded the suggestion.

Sir Purshotamdas Thakurdas: I do not think the idea underlying this is brought out. The correct thing would be to record this today, and if in the course of the year it is again raised, it should be

brought before us in a different form. I do not think it would be right to postpone this. As a matter of fact I think this has been hanging fire for the last eight months nearly, and I suggest that we say that "the meeting is of the opinion that this should be recorded."

This suggestion was adopted by the House.

REPRESENTATIVE OF THE FEDERATION IN GERMANY

The Chairman: We will take Item No. 8 now. The suggestion is that we should have some representative in Germany, and as it would not be possible at present to start with a big establishment, Mr. Mehta suggests that we should have an Indian who has domiciled there as our representative, and he should be given a sum of Rs. 1,500 per annum so that he might give us information about Indian trade and so on.

Mr. B. S. Dabke: Sir, may I point out to you that in the invitation cards it is stated that the items on the agenda will be taken one after another, whereas we find that several items have not been taken. For instance, we have not gone through Appendix A, B and C, and I find that the ordinary procedure has not been followed. It is no use our coming and voting or saying ditto to whatever is said by some one or other delegate present here. The fact is, Sir, we are all tired now. (Laughter)

The Chairman: I want to tell you, Mr. Dabke, so far as the controversial items are concerned, I do not propose to take them to-day. I am going to take only those items which in my opinion are least controversial.

Mr. B. S. Dabke: If there are no controversial items, then let them be taken as read. The fact is, we have been sitting here from 11 o'clock in the morning, and we have had no rest whatever. What is the use of rushing through things in this manner?

The Chairman: I am not taking any controversial things now, otherwise you will have to sit till 9 o'clock to-morrow.

Mr. Dabke: If some of these things had been taken up yesterday, we would have saved much of our time.

The Chairman: What could we do? We had to meet Mahatma Gandhi, and you had to attend the Garden Party.

Khan Bahadur Chandoo: Why not meet at 10 o'clock to-morrow morning?

The Chairman: If members like to meet at 10 to-morrow morning, I have not the least objection, but you will have to sit till mid-night to-morrow.

So, now I shall leave out No. 8, and No. 9 as they cannot be finished to-day.

Then comes item No. 10 which relates to the appointment of Honorary Auditors. About this, Gentlemen, now that the office is going to Madras, you will have to elect some one who belongs to Madras, and Mr. M. K. Dandekar is the gentleman whose name has been suggested for the post of Honorary Auditor. The question is that Mr. Dandekar be elected.

The resolution about the appointment of Mr. Dandekar as Honorary Auditor for the coming year was unanimously adopted.

Mr. Hooseinbhoj Lalljee: May I know Sir, what other controversial matters remain?

The Chairman: We have still to discuss items Nos. 8 and 9, and then in No. 11. there are some new resolutions also which have been submitted. Now, I should like to know, gentlemen, what you desire me to do with regard to to-morrow's programme. Personally, I should like to begin at 11 o'clock and finish the agenda paper by 1 o'clock and then take the National Committee meeting work.

Sir Purshotamdas Thakurdas: If possible Sir, we should not change the programme, because some members who are not present to-day will turn up to-morrow at 11.

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The Chairman: A number of delegates who are absent have not received the ballot paper, and we have promised that to-morrow at 11 o'clock we will give them the ballot paper and finish the work by 1 o'clock.

Sir Purshotamdas Thakurdas: Then let us meet at 12-30, Sir.

After some further discussion it was decided that the Federation should meet at eleven of the clock on the next day.

The Federation then adjourned till eleven of the clock on Thursday the 9th March, 1931.



THIRD DAY'S PROCEEDINGS

Thursday, the 9th April, 1931, 11-0 a.m.

The Annual Session of the Federation commenced at the Delhi University Hall at 11 a.m. with Mr. G. D. Birla in the Chair.

The Chairman: Before we proceed with the business of the day I would like to call upon those gentlemen who were not present yesterday to receive their voting paper.

Ballot papers were issued to those representatives who were not present on the previous day.

Lt. P. S. Sodhbans: Sir, with regard to the supplementary resolutions which were circulated along with the agenda, there is one resolution about the establishment of a central library and a commercial secretariat. I was given to understand by Lala Shri Ram that we would be able to discuss that.

The Chairman: Very well, I will see about that.

Lt. P. S. Sodhbans: I have two other resolutions also.

The Chairman: Very well, immediately the business is over, we will take them up.

We had yesterday before us Mr. Mehta's Report about appointing a representative in Germany. I think the suggestion was made that we should discuss the matter a little more at length, and I should like to invite suggestions from some of the delegates. We were discussing yesterday item no. 8—that is, the suggestion made by Mr. J. K. Mehta, the Secretary of the Indian Merchants' Chamber, Bombay, that we should consider the appointment of our representative in Germany to look after Indian trade, and when we wanted to discuss that matter last evening some members suggested that we might postpone it to to-day; and so I should like to know if any more observations have to be made on that point.

Mr. Hoshang N. E. Dinshaw: I thought one Trade Commissioner had already been appointed? Shall we not be multiplying the jobs unnecessarily? Won't it be redundant? We have already got the man there.

The Chairman: If you will look into Appendix C, you will find a note by Mr. Mehta which will give you an idea. The question has to be discussed among ourselves in the first instance.

Mr. Fakirjee Cowasjee: Sir, a point of principle was raised—whether the Federation should appoint its own unofficial representatives in foreign countries. The Committee decided to refer this question to the annual general meeting of the Federation. It concerns the functioning of the Federation, and I have to request you to let me know if I should speak on the functioning of the Federation, or should restrict myself to this resolution and speak on the functioning of the Federation later on.

The Chairman: We are discussing at present the question whether we should have a representative in Germany of the Indian mercantile community. If you want to say something which is relevant on that point, I should be delighted to allow you to speak.

Mr. Fakirjee Cowasjee: Sir, the subject of the functioning of the Federation cannot be isolated when the question of principle has been raised, in dealing with this matter of Mr. Mehta. Doubtless the two are connected. It is impossible to isolate them as far as my view goes and I should like to be allowed to speak on both.

The point is this. As far as I recollect, when this body² was founded in the year 1927 in Madras, it was generally believed that it would establish a secretariat which will deal with all the vital questions pertaining to this country as may come up year after year. This suggestion was taken up in the Executive Committee of 1928 which met here in Delhi, with the result that several suggestions came from the members then present, and a response was very generously made by some of my friends on the right as well as opposite, and that constituted the fund of Rs. 50,000. These Rs. 50,000 were required to be augmented by donations and contributions from other gentlemen who were not present then; It at least gave me the impression that it was agreed that a full grown secretariat with secretaries of powerful calibre would be established to deal with all the vital questions. Unfortunately, Sir, all the duties have devolved on the members of the Executive Committee since the last four years, and with what result? They have worked to my mind very strenuously; and not only have their labours been strenuous but they have been considerably

out-of-pocket to attend meetings whenever called upon, and sometimes at very short notice by telegram within 24 hours. They responded to these calls at great inconvenience to themselves and at great monetary loss and sacrifice; and the results achieved should satisfy any critic, but unfortunately it has been believed in circles which are not continuously in touch with the functioning of the Federation that Executive Committee of the Federation has a touchstone in their hand so that immediately any grievance comes up, the Executive Committee must meet in response to an S. O. S. signal, the touchstone must be applied and the grievance must be removed immediately; and if time is taken by the Executive Committee, there is a voice of discontent raised from the members who raised the grievance. Of course I admit that the affiliated members have a right to call upon a Federation of this nature to look into the grievances either provincially or generally, but I ask, where are the sinews of war for them? Do these members expect that the sinews of war are to be multiplied and supplied by the members of the Executive Committee themselves, or are these bodies prepared to supply those sinews of war? To-day a delicate position has arisen as a result of the discussions at the Round Table Conference. What has been the result? Several committees have been appointed to fight the battles at the Round Table Conference, not in India but on the other side of the Mediterranean. Proposals have come forward from those people who want to safeguard their interests in this country to form themselves into strong committees to present their views before the next R. T. C.: but, alas, India may shout as powerfully as possible at all the meetings but she is not taking any concrete measures to establish a secretariat which should examine all the pros and cons of the case as would appear before the R. T. C. and oppose it strongly with facts and figures. Our own nominees should be empowered, they should be given that strength to fight all those powerful bodies on the face of the globe in London. How are we going to do it? I therefore rise to say that the functioning of the Federation, as is surmised by the affiliated bodies should be raised to that standard that it should have a permanent secretariat, having secretaries of high calibre to assist the executive body to solve the vital questions appertaining to this country. In order that this can be done, the only possible method is to find the sinews of war, namely, money,—and the money must come forward from the affiliated members,—not in the shape of petty fees of Rs. 150 but in solid round rupees. Then, Sir, dealing with this particular question, there is a small misprint. As far as I recollect, Mr. Mehta went as adviser to the Employers' Delegate to

the 14th Session of the Conference and not to the 13th. However, that is only a misprint. The question naturally arose to the mind of my friend, Mr. Hoshang, that if a Trade Commissioner exists in Hamburg, would it not be duplicating the work if we appoint men also? With due deference to Mr. Hoshang, I may say, if he only knew the working of the Trade Commissioners and had what little inside knowledge I have personally got, he would be the first man to deery the Trade Commissioners wherever they have been appointed by the Government of India. But unfortunately my friend has not had that experience yet, but when he gets that, he will be of the same opinion as myself. Turning to the suggestion of Mr. Mehta, I personally think it is a very sound proposition if we get the proper man to represent the cause for which it is proposed. The question is to get the right man. I am not doubting the integrity of the man that Mr. Mehta may have in view. I am not doubting his calibre also, but I say, subject to those conditions, I would back the proposals of Mr. Mehta going forward, but there must be the condition that the sinews of war must be supplied by the affiliated members and not by the members of the Executive Committee.

Lt. P. S. Sodhbans: Mr. President, Mr. Cowasjee has touched the points which I raised at the beginning about the secretariat resolution which has been circulated to the members as a supplementary resolution. I entirely agree with him that unless a permanent secretariat is established, it is impossible for us to make progress and to fight on the floor of the House with anybody. We must organise ourselves, we must collect blue books, we must collect all materials, economic or otherwise, in order to put our case very strongly, and the question of the establishment of a representative at Hamburg or in other foreign countries as Mr. Mehta has suggested, is a very sound proposition. However, in order to achieve this object it is absolutely essential that we must organise first, and this is my proposition. Otherwise I am in perfect accord with Mr. Mehta that we must have representatives, but as long as we are handicapped for want of a permanent secretariat, it will not be possible for us to work the scheme.

Mr. Hosang N. E. Dinshaw: I should like some information before I offer a few remarks. What will be the probable cost of the staff and expert to be located at Hamburg?

Mr. Chairman: Mr. Mehta has said that to run a fully-equipped bureau would be a costly affair, costing £1,000 per annum, but such an arrangement as an experimental measure cannot cost

more than Rs. 1,500 a year. If you want more information, I think I may ask Mr. Mehta to enlighten the House more fully. Mr. Mehta, would you kindly further explain our suggestion? Your proposal is there, but the House would think, desire you to explain your proposal a little more fully.

Mr. J. K. Mehta: Mr. President, I shall try to explain in a few words what I intended when I made this proposal. It is true that there are Trade Commissioners now in London and Hamburg and there is going to be one at Milan shortly. But the functions of the Trade Commissioners are entirely different from the functions of representatives of the Federation who I propose should be appointed. The function of the Trade Commissioners is carried out in a circuitous manner. The inquiries made here of the Director-General of Commercial Intelligence will be sent to the Trade Commissioner at Hamburg or Milan and those inquiries will be answered by him; perhaps replies coming back again through the Director-General of Commercial Intelligence. It may be that these inquiries may even be replied by these Trade Commissioners. Their work, however, will be confined necessarily to trade matters. As long as the present system of Government goes on, these Trade Commissioners will be necessarily Government officials who will not be able to do any propaganda work as well as would necessarily be required for the Federation. This is the fundamental difference between a Trade Commissioner and a representative of the Federation that the latter will be able to have some propaganda for our trade and industries. When the boycott movement was going on in this country the German manufacturers of cotton piece-goods wanted Government of the country to retaliate against India. A Trade Commissioner would not be able to explain the nature of the boycott movement and also why the German manufacturers should not ask for retaliation. Your representative can, however, give an authentic and reliable information as well as explanation. What I want is, if we get a good man and I am quite sure that the Executive Committee will find out a good man, then such a representative will not only answer all the inquiries of our individual Chambers and Associations but will also be a sort of propaganda agent for the Federation. We have so many economic and financial grievances that it is highly essential that there should be one representative either in Germany or in any other place to place those grievances before the people there and to make the people there familiar with the particular viewpoint of Indian commerce and industry. With this view I suggested that there should be a representative in

Germany. I selected Germany because, as the European opinion will tell you, it is the heart centre of Europe. Also because we have got many sympathetic elements there. Again, there is another thing in favour of Germany. Mr. Fakirjee referred to the want of finances of the Federation. So, what I suggest is that a gentleman who may be already there and who has got a vast experience both of German political and financial life and who may be willing to serve on a small honorarium may be appointed as an experimental measure for one year only. The experiment will cost the Federation about 1,500 rupees only per annum which will just cover his ordinary out-of-pocket expenses, that may be incurred in connection with postage, travelling, printing, etc. And during the course of a year you will be able to see whether you have got a good return for your money or not. Afterwards you could either extend the system or close it. But I think it highly desirable that the Federation should start on this experiment of having a representative in Germany. I do not wish to tell the name of the person whom I myself would be very willing to recommend and who will be willing to serve us. The Executive Committee, I think, know the name of that gentleman. And if the Executive Committee afterwards want any information, I shall be glad to furnish them with further details. For the present, I hope that the Federation will accept this suggestion. This gentleman has been in Germany for the last 22 years.

Mr. Begraj Gupta (Marwari Chamber of Commerce, Bombay): President and Gentlemen, I humbly approach you to oppose the Resolution which has been laid down before you. The Resolution suggests an appointment of an agent in Germany to give help and information to Indian traders. I do admit that it is good for the country to make propaganda in foreign lands but I am of opinion that instead of utilising Federation's limited energies for propaganda in foreign lands it is far more useful to organise commercial associations in every city and town, small or great in order to make the Central Federation so powerful that it may be able to remove all difficulties of the commercial community which now and then befall on our community or country in the shape of law or any such thing. The Federation has paid less attention towards internal trade affairs till now. It is not sufficient to have forty-two trade associations as its members in this large country. Then and then only the Federation would be in a right position to expand its activities to allied countries. With these words therefore I humbly oppose the Resolution.

Mr. Hoshang N. E. Dinshaw (Buyers and Shippers Chamber, Karachi): Sir, I support the contention raised by my friend who has just preceded me. I think it is highly essential that we should have our own representatives in commercial centres and we should also have proper technical organisation at the headquarters itself, fully equipped to combat the various views raised by competitive commercial bodies. We lack that just at the present moment. We have got no secretariat which is capable of furnishing the member bodies or even delegates with the necessary pabulum to combat the various views advanced by other competitive bodies. It is very essential therefore that we should be able to put our own House in order before we send our representatives to commercial centres of Europe. I am happy to say that it is a very good policy to send your representatives to the various cities of Europe, but without an adequate financial arrangement where will you be. Before you launch out that policy, you should have a cut-and-dried scheme in regard to funds and expenses. How do you propose to meet those expenses? Besides, if you propose making a start with Hamburg, as a centre, where will you call a halt? Why not Russia to-morrow and South Africa the day after. I should think that all these considerations require to be properly looked into and a scheme should be brought up before this Assembly at the earliest possible date for its favourable consideration.

Mr. Ratilal Mulji Gandhi (Grain Merchants' Association): Sir, as I understand it, there is no definite resolution which we are considering, but we are merely considering a suggestion as it has come from Mr. Mehta. As has been stated in Appendix C, it is a question of principle. No doubt I agree and appreciate the views expressed by Mr. Mehta in his note as well as the views expressed by him just now. But my point is this: Are we considering the question from the point of view of having a parallel institution of Trade Commissioners appointed by the Federation instead of our demands up till now to the Government of having Trade Commissioners on behalf of India in various foreign countries? As far as I can judge, this is a principle which we have to decide first for ourselves; because if we are going to make an experiment, it must have some basis, viz., we decide that we are going to have a sort of parallel institution on behalf of our Federation of Trade Commissioners not only in Germany but in other countries like France, Italy, Belgium and Holland. Therefore Sir, I submit that before we take into consideration this particular suggestion of Mr. Mehta, we should decide upon this principle of having our own Trade Commissioners in foreign countries.

Up till now, we have been demanding from Government that they should appoint Trade Commissioners. No doubt, last year at our sessions we passed a resolution wherein we demanded that these Trade Commissioners who are to be appointed by the Government should be practical Indian businessmen. My point is this that instead of taking upon ourselves the task of establishing this parallel institution, it would be much better for us to ask the Government that the appointment of these Trade Commissioners should be made in conjunction with the Federation. I think that would serve our purpose in some way instead of having a parallel institution to be run by ourselves which would involve a great deal of expense. My next point is that if we are going to have an establishment and an organisation of a Trade Commissioner in any foreign country, I should say that it will not serve our purpose in having a man who will work only, as I understand from the note, a part of his time. If that is the case, I do not think he will be able to devote his full time and energy to the work that we are going to entrust in him. Therefore my submission is we must first of all decide the principle whether we are going to have parallel institutions of Trade Commissioners appointed by the Federation.

Mr. Amrit Lal Ojha (Indian Mining Federation, Calcutta): Sir, I have heard all what has been said in connection with the matter under discussion. The gentleman on my left, in the first instance, thought that it was redundant or superfluous to have a representative of the Federation appointed in view of the appointment of a Trade Commissioner in Germany. Subsequently changing his views, he thought that it was not proper to have a representative in a foreign country when we were not properly organised in this country. I know that we have got to do many things in this country. Though we have got the Federation to which are affiliated almost all Indian Institutions including Chambers of Commerce scattered over throughout the country, we have not yet got the proper organisation of the kind we find in Western countries. Another question raised in this connection is about the principle on which we should proceed. It is stated that if we appoint a representative at one place what about more such appointments, if any, considered necessary at other places and what about necessary funds? I may be permitted to say, Sir, that if we have got to wait, till we have properly organised in this country or till we are in a position to consider other such appointments that might be demanded on a principle, particularly when our finances would not permit us to do so, we may have to wait indefinitely. We are businessmen. We must look at

things from practical point of view. If we have got limited funds, we can start by appointing only one representative at a place from where we think he would be able to render best services. I may say from my own personal experience that at present a place in Germany would be the most central place and a representative like one suggested by Mr. Mehta posted there would be very useful and helpful in various ways.

It is true that we urged the Government to appoint Trade Commissioners in different countries and that we pressed to post Indians as Trade Commissioners. It is equally true that an Indian gentleman has already been appointed as Trade Commissioner at Hamburg in Germany, but still I think it would be advantageous to have our own, a non-official, representative. There can be no question about any clash as I think the functions of both will be different. The Trade Commissioner appointed by the Government has got to follow a certain policy laid down by the Government. Apart from this, merchants and industrialists are sometimes not inclined to convey certain informations through an official agency which they would be glad to convey through a private agency. In this case the representative appointed by the Federation, due to his position and status, will, I trust, be in a position to command confidence and would, therefore, prove most useful.

Mr. Srikrishnadas Lulla (Karachi Indian Merchants' Association): I rise to lend support to the proposition that came from Mr. Mehta and I think the opposition to the suggestion is based upon two grounds. The first is that we have not got secretariat arrangements for the internal trade of the country and secondly that we have not got the necessary finances for running an institution of that character. So far as both the points are concerned, there is nothing to prevent us from organising a secretariat here or to develop internal arrangements, so that if we find it necessary to appoint a representative in Germany, that would not in any way be impeded or hindered by the arrangements which we may find necessary to make in our own country. Next with regard to finances, the proposal put before us is that it would cost us a modest sum of Rs. 1,500 which we could easily afford. I submit, that as Mr. Mehta suggested, it would be an experimental measure only and at the end of one year, after having noticed the work that we are able to do, it would be open to us to revise our opinion, and expand it or contract it as we may find necessary. With regard to the necessity for an appointment of this character, I think every one is agreed that the Trade Commissioners, at

present appointed by the Government, though Indians, are representatives or the mouthpieces of the British Indian Government and they represent not the Indian point of view which we represent but the Anglo-Indian point of view and it is not quite consistent with our own point of view. If we find a necessity for it and if it costs us so little, and if we think there are willing people to render honorary service to us on a nominal honorarium, I do not see any reason why we should not accept the suggestion of Mr. Mehta and put it into operation. At the end of one year, after studying the result of the work, we will be able to decide for ourselves whether it is necessary to have representatives on a larger basis. In the meantime we can devise ways and means to improve the situation and collect money to meet the expenses. With these words, I support the recommendation made by Mr. Mehta.

Mr. B. S. Dabke (Maharashtra Chamber): There are conflicting views as regards the suggestion of Mr. Mehta. Some obviously feel the difficulty of money, some others feel the difficulty of not having a proper secretariat of the Federation. My view is this. As we are on the eve of a national Government and as the Federation has appointed Members to attend the Round Table Conference, the Government is naturally going to change its outlook and the views of the present Trade Commissioners that are the mouthpieces of the alien Government will naturally change and they will become the mouthpieces of the Indian Government, when responsibility is granted to the Central Government and when finance and industry are in Indian hands. Then the whole atmosphere will change. It is only a question of twelve months. I should therefore like that the question should be postponed to the next session.

Mr. Devidas H. Shah (Mill-owners Association, Baroda): *I am afraid, Sir, there has been some confusion about what is to be done. At least so far as I am personally concerned, I fail to understand whether we are going to appoint a parallel representative in foreign countries, or we are going to make an experiment so far as Hamburg is concerned. The case has not been properly made out for the appointment of a Trade Commissioner at Hamburg in preference to other places. Is it that we have been able to find some gentleman willing to work there which we have not been able to find in other countries? Tomorrow, Sir, the exporters of manufactured goods in India would

* Speech not corrected by the speaker.

require our representative to be in South Africa, if there is any likely market to consume our manufactured cloth and textiles in that country. Will we then be in a position to appoint some gentleman who is a resident there and who is also willing to work on a nominal honorarium? Or are we to tell those gentlemen who are urging us to appoint a gentleman in South Africa that it is not a suitable place to locate a Trade Commissioner and that the experiment should be confined to Hamburg only and that you do not require representation in South Africa so much as Hamburg? Let us first decide this question, whether we want a representative in all the places, where there are representatives of Indian Government at present, or is it that we want urgently a representative to be appointed only in Hamburg, in view of the fact that we are going to deal with Germany, in future, on a larger scale than we do now? If that is decided, I suppose this House will be spared much of the time spent in discussing this subject aimlessly. I am afraid confusion has been made because while pressing for the appointment of a Trade Commissioner, people are telling us that because our representatives of the Government of India do not represent us there, that is why we want a gentleman of our own choice to be placed in Hamburg. When we generalise the situation as the mover has done, then it is a question of principle and then we ought to be able to allocate funds for the place which needs our representative most. If we say it is a question of experiment, then let us find a more likely place where our trade will be more flourishing than it is likely to be at Hamburg. I believe Germany is an exporting country, it is our raw materials that Germany wants. It ought to be plain to the members of this Federation that what we aim at is to utilise all our raw materials, manufacture them and then send them out and except in the case of machinery, most probably we do not want to import any goods from outside. In that case, I suppose our representative should be in a place where our manufactured goods may find the best market. If from that point of view we are going to decide, then let us decide first whether we are to send any representative at all, then decide whether we have the funds necessary and then see whether there are any likely competitors in the field. Until we decide all these matters, it is futile to discuss other matters concerning the appointment of a Trade Commissioner.

Sir Purshotamdas Thakurdas (Indian Merchants' Chamber):
 Sir, in view of what has been said by the last speaker, it may be useful to supplement the information which has been given to the

House by Mr. Mehta. In order clearly to understand the motive of Mr. Mehta, it is necessary to remember that his note was drafted a year back when although the idea of Indian Trade Commissioners at the four centres was known, yet no Indian Trade Commissioner was actually appointed. It is unfortunate that some members are under the impression that anything which Mr. Mehta suggests indicates a parallel officer to the Indian Trade Commissioner. I understand that the Indian who has been nominated by Government as Trade Commissioner in Germany is a very capable officer commanding the confidence of the Indian commercial community. It would be most unfortunate if we get out the impression either privately or in the Press that we were thinking of having any parallel organisation, even though as an experimental measure. I must say that we would like this to be made abundantly clear. The fact of the matter is that what Mr. Mehta suggests is nothing like a parallel organisation, to the Indian Trade Commissioner in that place, but something which would be supplementary to his work and to his office. The Indian Trade Commissioner is responsible to the Government and can only work on certain lines. Of course, he will reply to all enquiries made and attend to all other work which is ordinarily done by Trade Commissioners of other countries in foreign countries. But he will not be able to put forth the grievances of the Indian commercial community which may be at times very necessary. Being situated in Germany, a correspondent of this Federation may be able to do what is colloquially called "propaganda", but whether the Federation considers it necessary to have any such activity or not is a different thing. Many Germans whom I have met lately during the last few years complained to me that there was no Indian organisation on the Continent which could supply the requisite information regarding trade and industry in India and the prevailing political conditions in India. This appointment which Mr. Mehta indicates should be regarded more as an appointment of correspondent to the Federation, somebody who will be able to move freely amongst the commercial circles and convey relevant information which will interest us so that he may be able to impart and spread such commercial information and also convey such facts and figures as he may be supplied with from this end. It is perhaps understandable when suggestions are made that we may wait for the appointment for one year and consider this after one year. I fully realise that a suggestion like that is a reasonable one. If the Federation feels that within a year things will be more clear regarding our political status and regarding the control we will have in making this

appointment of Trade Commissioners, then I think it would be quite reasonable to say that we would consider this again at the end of the year. On the other hand there are many who hold the opinion that during the next year, it would be useful to get somebody reliable and capable and at the same time knowing the commercial conditions in important European countries. He would thus be able to put out as much information as we may be able to send out from here, for instance he will put that currency pamphlet which we have just published and make it reach the proper quarters, such as the powerful newspaper organisations in Europe. If we can utilise the suggested correspondent for such a purpose, then the maximum expenditure of Rs. 1,500 which Mr. Mehta indicates cannot be considered to be very prohibitive for that purpose. I have heard many say that during the next year or eighteen months, correct information about India's condition may repay itself a thousand times if done in the proper manner and through the proper channels. I therefore feel that the question can be said to have good advantages. It can also be said that there are very good reasons for postponement of this appointment as Mr. Dabke pointed out. A question has been raised by previous speakers as to what have we done at home in regard to the propaganda, that we turn now our attention outside India? Everybody will admit that we have done practically nothing except that we have brought together 42 commercial bodies at the end of three years activities and have inspired such confidence and such interest in their representatives that even at the end of two very strenuous days of discussion, when you Mr. Chairman pointed out yesterday that we should sit beyond eight o'clock, there are still many left here to-day to take part in the discussion. I do not look upon that as something which should be considered as nothing. A lot remains to be done. In fact what has been done till now cannot be said to be even 1/100 per cent of what remains to be done. If we are going to wait for any sort of publicity work in foreign countries until we have achieved here 50 per cent of what we have to achieve, I am afraid we will have to wait until many of us are all gone to the other world. Therefore we have got to go ahead, and I believe sooner or later we may have to have correspondents all over the important commercial centres. If we can get good, reliable and solid people to do it in other countries, provided we get them imbued with a sense of little service to India, even though residents in foreign countries and if they like to be reimbursed for their actual out of pocket expenses and do not expect to make a living out of

that, then we can take advantage of such gentlemen. The gentleman whom Mr. Mehta has in view has been a resident there for nearly a quarter of a century and I am told he is held in high esteem by the commercial community there and he is prepared to do this work for actual out of pocket expenses, actual charges on postage, carriage, transport hire and so on. In fact he does not expect to make a living out of this. The appointment is not suggested to be made for more than one year. If at the end of one year, it is found that the Member-bodies do not want that sort of assistance, or that the gentleman is not able to do anything very much to the advantage of the Indian commercial community, then the Federation would be entitled to put an end to the appointment or to make another more suitable appointment. The cost involved would be considered to be the maximum, that is Rs. 1,500 and I do not think it can be said to be prohibitive.

One word more before I resume my seat. A few gentlemen raised the question of the finances of the Federation. The report of the last audited accounts is with Members. I should like to mention that as a matter of fact during the last three years, there has been a deficit of Rs. 20,000 in the actual working of the Federation. The contribution from the member-bodies and the expenses show a deficit of Rs. 20,000 which has been made up by voluntary contributions made by a few members of the Federation who put up in all Rs. 70,000, in order that the Federation may have a fund with which to start. I therefore feel that it should not be considered that the Rs. 45,000 is the surplus of our working but it actually represents a deficit of Rs. 25,000. I feel therefore that regarding finance if any more ambitious schemes are to be entertained we will have to make different and separate arrangements for their finance. I am sure you will all agree with me that none would like this balance with which we open the current year to be depleted any further because in that case at the end of two or three years we will again have to depend upon a very slender bank balance. I feel myself that for the reason which I have tried to explain, Mr. Mehta's suggestion should be recommended to the Executive Committee and they should be asked to make an appointment for one year, provided they are satisfied regarding the standing, etc., of the person and to report on the work done by this officer to the Federation at the next annual general meeting. The Federation must then consider the question of continuing it or of putting an end to it. Our friend said that similar suggestions may come from other countries. One wishes that such

suggestions did come from other countries where the Indian commercial community would like to have such assistance. I personally think that if more of such suggestions did come which appeared to be feasible, the member-bodies would not be against increasing the contribution by 10 or 20 or 30 rupees a year in order that a few more additions may be usefully made to our activities.

Mr. Nandlal M. Bhuta (Seeds Traders' Association, Bombay): Sir, I should like to make one point clear and it is this. There is already one institution existing in Berlin known as the Hindustan Information Bureau which supplies all kinds of information required by merchants, etc., and they are also making all sorts of propaganda for commercial purposes. Then there is another gentleman staying in Hamburg for the last 20 years, Dr. Das Gupta, who is also making the same kind of commercial propaganda. I therefore think that when there are already two people working in Germany it is not necessary to incur any more expenses.

The Chairman: I think we have now discussed it at some length, and if you allow me to do so, I will now take the sense of the House. Members will give their vote on the following motion:—

“That the Federation recommends to the Executive Committee to consider Mr. Mehta's scheme, and if they are satisfied regarding the details, they may spend upto a sum not exceeding Rs. 1,500 during the next 12 months.”

The resolution was carried.

The Chairman: Now, gentlemen, I think we have finished all our items on the agenda except the elections. We have already collected the voting papers and we will wait till 1 o'clock to scrutinise the votes.

Then we take item No. 11 which is:

“Any other matter that may be placed before the Annual Meeting by the Chairman.”

Under this head I have received a number of resolutions, and it is provided in our bye-laws that after the usual agenda is over and if the House consents, we can take up new business. So I will

place before you one by one the resolutions I have received. I will ask you in the first place to decide whether you will take up these resolutions or not, and if you do decide to take them up we will start discussion on them. Mr. Sidhwa wants to take up a resolution which we received from one of the member-bodies about the Companies Act and which the Executive Committee decided not to take up. The resolution reads thus:

“This Federation resolves that the Indian Companies Act requires amendment and that a committee be appointed to revise the same and to readjust the Act to remove the present irregularities and to safeguard the interests of the investing public which would be a necessary factor in starting new industries and bringing the existing industries on a better footing.”

We had nearly 80 resolutions altogether which we received from the member-bodies and we saw that it was impossible to take up all those resolutions in the short period at our disposal. You have seen that even with 8 resolutions we have taken up nearly three days, and had we taken up all these resolutions we could not have finished them even in a fortnight's time. Therefore we decided to pick up some of the more important resolutions. But if you think that we should take up this resolution also at this stage then we can start the debate.

A Member: Who is going to appoint this committee?

The Chairman: Probably it is meant that the Government should appoint this committee and revise the Companies Act.

The House by a majority of votes decided to take up the resolution.

The Chairman: Mr. Sidhwa may now move the resolution but I am going to enforce a strict time limit. You must therefore finish your remarks in five minutes.

Mr. R. K. Sidhwa (Karachi Indian Merchants' Association): I will take three minutes.

Sir, the resolution which you have read out and which I now move needs no elaboration because at one of the Federation meetings this subject was fully discussed. Apart from that you have just now interpreted the resolution truly that it is the desire of

the Federation to ask Government to appoint a committee and remove the very objectionable provision in the Companies Act regarding managing agents. I do not desire to go at any length into what the managing agents do to the detriment of the interests of the shareholders. I can give a number of instances where the companies had to be closed down on account of the extravagance of the managing agents. I can give instances where they have made purchases in the interests of themselves rather than in the interests of the shareholders. It is not for me to cite instances of this nature because it has been fully discussed and known in the country. I therefore particularly lay stress upon the provision about the managing agents in the Companies Act which should be totally removed from the Act and the managing agents or the directors should be held directly responsible to the shareholders. You know, Sir, that in 1917 so many companies had to go into liquidation only on account of the irresponsible way in which the managing agencies were conducted. Several shareholders were ruined not merely on account of the fluctuations of share prices but for the vagaries and extravagance of the managing agents which I need not dilate upon here or give any details of because I am sure many of the members present here fully know them. With these words I move the resolution and hope that in the interest of the shareholders and the investing public the House will support this motion.

Lt. P. S. Sodhbans (Indian Chamber of Commerce, Lahore): Sir, I second this resolution, but on quite different grounds. I second it not on the ground of the vagaries of the managing agents but on account of the efficient working of the joint stock companies. In England in 1929 a committee was appointed by the Board of Trade to go through the Companies Act and they made certain recommendations. Therefore it is necessary that we should amend on the same lines the Indian Companies Act which is practically on the model of the old British Companies Act, and also to meet the changed Indian requirements. As regards the vagaries of the managing agents I can only say that I am a professional accountant and I am not, therefore, concerned with those things. But I want that these companies should be efficiently managed so that our industries may be brought on a sound footing. Most of the people are quite ignorant, I find, of the Companies Act and also of the corporate joint stock business and that is why we are not prospering and making any real advancement in the country. That is why I want that we must have a good Companies Act on the basis of which we may place our industries on

a sound footing. With this idea I support the resolution of Mr. Sidhwa and not with the idea of attacking the managing agents and others.

The Chairman: I will not allow any more speeches in support of the resolution but I will allow one speech against it and then I will put it to the vote.

Mr. Fakirjee Cowasjee: Sir, I will not speak either in favour of the resolution or against it, but I just want to give an explanation. The point is this that this resolution came from the Buyers' and Shippers' Chamber at Karachi and it was not sent with any intention of attacking any one connected with the companies. It was sent simply with the fundamental idea of taking away the defects in the Companies Act so that the investors may have that confidence which is essential for the promotion of the industries of India.

Sir Purshotamdas Thakurdas: I want to tell the House why this resolution was omitted from the list of resolutions which were put before the House. I may inform Mr. Sidhwa that when I read that resolution before it came up to the Committee which decided on the resolutions to be put before this House I rather favoured it and I was one of those who pressed that this resolution should be put before the House just as the Insurance Resolution has been put. It may interest the House to know the reasoning which persuaded me not to press my view. It was pointed out that the amendment of the Companies Act was a matter likely to take not six months or a year, but two or three years before an amending Bill could be put into shape. Various commercial and industrial bodies have to be consulted all over the country and a Bill embodying all the points will have to be introduced in the Assembly and referred if not to a Joint Committee, at least to a Select Committee of the Assembly. That might argue for immediate action being taken, but it was pointed out that the legislatures as at present did not give that material for a committee of this nature as may be expected at the next election whether under the present constitution or the new constitution. The general expectation is that it will be an enlarged constitution, at least more representative; and what is most attractive in the suggestion is that it is expected that it will be able to revise this Act with an Indian Minister responsible to the legislature for the Commerce Department. We have waited so many years already—twenty or twenty-five years; the Companies Act is had enough; there is a lot to be uprooted

and a lot to be replanted. The only question is whether you are prepared to wait for the next year or eighteen months until you know that the Commerce Department is likely to be a transferred department under a popularly elected minister responsible to the Assembly.

Lt. P. S. Sodhbans: That argument might apply to every resolution we have discussed so far.

Sir Purshotamdas Thakurdas: You have had your say, Mr. Sodhbans, and I do hope you will let me have my say. The question is whether the legislature under the present conditions, with Sir George Rainy as Commerce Member, is attractive enough for you—more so than a legislature formed on a more representative basis with ministers responsible to the House. If Mr. Sodhbans thinks that it applies to everything he may think so. I do not. I personally think that that argument made out a case for not pressing this now.

The remarks of Mr. Sidhwa rather proved the case. Mr. Sidhwa seems to have not a high opinion of managing agents. He overlooks the fact that but for managing agents Mr. Sidhwa would not be here and would not be able to take interest in the development of this subject. Howsoever bad the managing agency system in India may have been, there would have been no mills either in Bombay or Ahmedabad, Delhi, Calcutta and other places—in fact there would have been no Scindia Company with which to talk about Haji's Coastal Reservation Bill. Therefore the managing agency system is not so bad as Mr. Sidhwa would paint it. The question is whether we should abolish it or purify it—whether we should mend it or end it. I would rather mend it. This is a fundamental question underlying it and I think the Federation would not be mistaken if they had a little patience.

A Member: Sir George Rainy mentioned that he was going to appoint a committee, in the course of a discussion he had three months ago with the Bengal National Chamber of Commerce.

Another Member: Let us pass this resolution and send it as a reminder.

The resolution was put to vote and declared lost by 24 votes to 18.

Mr. Sidhwa demanded a poll and the President said he would take a poll after conclusion of the other business.

The Chairman: I have received a requisition from Mr. Sidhwa about an amendment of the Rules as follows:—

“That the Executive Committee will consider all resolutions sent by Member-Bodies and place such resolutions as they deem fit before the members at its annual meeting, but it shall be the right of every member present to have at such meeting to propose any new resolution or amendment for discussion and adoption by the House.”

(The Chairman then read out the relevant rule—rule no. 26 and explained it).

If any member desires that there must be an amendment of the rules, the procedure ought to be this: that the member ought to write to the Executive Committee and the Committee after considering the same should submit it to the general session, unless eight of its members are against its being sent to the general body. In that case ten members of the Federation can call a requisition. That is the position. In the first place I want to remind Mr. Sidhwa that delegates are not members of the Federation. The members are the Member-Bodies; therefore the requisition should come not from the delegates but from the Member-Bodies; and even if the proposal emanates from a Member-Body, first of all it should go to the Executive Committee; if the Committee decides not to send it to the General Body, then alone they can ask for a requisition. The best course for Mr. Sidhwa is therefore to move his constituency to write to the Federation. As it is at present, it is not in order and I rule that it cannot be taken up for consideration.

Mr. M. A. Master: Is it open to any member to move any amendment on any propositions that are coming up before the House? Is it not the right of every member to move an amendment?

The Chairman: I can express only my personal opinion because there is nothing in the rules. In the first place most of our resolutions are expected to deal with matters on which we expect observations from Government Members; that being so we must frame our resolutions long before we meet: otherwise the Government Member may not be able to reply: he can say “the resolution you sent out to me; and the resolution you are discussing are two quite different things and I am not in a position to reply.”

In the second place my personal opinion is that amendments should come always from Member-Bodies. (The Chairman then explained the present practice). But if you like, I think you may appoint a small sub-committee to amend the rules and regulations, as well as the bye-laws. Or perhaps it will be better that you empower the Executive Committee to appoint a small sub-committee to formulate rules in various directions. For instance, take the question of election itself: Member-Bodies sent out to us names of the delegates and changes are made by telegram; it rests with the Chairman to accept the changes or not, under the existing circumstances. I would therefore suggest that you ask the Executive Committee to appoint a small sub-committee to draft the new rules: that will be constitutional; then it could be circulated to Member-Bodies and decided either at the next annual session or before it if necessary.

Mr. R. K. Sidhwa: In view of your statement, Sir, I withdraw my proposition provided the House agreed to-day to appoint a committee to revise the rules. It is not possible always to send in amendments in advance—sometimes amendments have to be framed emanating from the discussions and deliberations here and it is the right of every member to send in amendments at that very juncture. If the House agrees to your suggestion I withdraw my proposition: otherwise not.

A Member: Your proposition has already been ruled out of order.

The Chairman: As regards amendments, my own view is that even amendments in the open House should be authorised by the Member-Bodies and not left to the discretion of delegates; otherwise it would be impossible to conclude our business in the course of two or three days. I think we had better ask the Executive Committee to appoint a small sub-committee in this matter. Is that the sense of the House?

Mr. R. K. Sidhwa: And to invite opinions.

Mr. M. A. Master: Your suggestion, Sir, is a very eminent one and I think the House will accept it. But I wish to draw your attention to one fact. Two resolutions were brought before this House which were not circulated. Occasions may arise in future when Resolutions will come before this House which have not been circulated previously, and certainly it shall be open to

any Member coming here without consulting his constituency to move amendments to such Resolutions. I refer to the resolution of Equality of Trading Rights. I understand that amendments were sent over to you, but that you decided that amendments could not be moved. Now, Sir, this resolution was not circulated. It is one of the most important resolutions which should be passed, and certainly it cannot be said that amendments should not be moved to it because it has not been previously circulated. I hope the Executive Committee will bear in mind this important point when framing new rules.

The Chairman: Are you referring to the Equality of Trading Rights resolution?

Mr. M. A. Master: Yes, I did refer to that.

The Chairman: I think we must have something to guide us in future. I admit there is nothing at present to guide us, and therefore the Chairman has to use his own discretion. We must have a small committee.

The suggestion for the appointment of a small committee was adopted.

Mr. B. S. Dabke: I think the Executive Committee should not have the whole power, because it is quite competent to draft rules of this character, and so what is the use of appointing a small committee again?

The Chairman: You cannot expect the Executive Committee to draft rules and regulations. First of all, the small committee will have to prepare a skeleton and place it before the Executive Committee to make alterations, etc. Then again it will be sent over to the Member-Bodies. If there is confidence in the Executive Committee, then you better say so. You are, Mr. Dabke, over-suspicious in these matters. I think we have already decided that the Executive Committee should appoint a small committee. Now what is there to distrust?

Mr. Dabke: My point was that this drafting work could very well be done by the Executive Committee itself.

The Chairman: No, it cannot be done by the Executive Committee. Some of us have got no legal knowledge, probably the work will have to be entrusted to some lawyers.

Now, there is another resolution which Mr. Sidhwa has sent in, and I will just read it out to the House.

A Delegate: He is the father of several resolutions (Laughter).

The Chairman: This is his resolution:—

“While reiterating its full faith and confidence in the Executive Committee, this Federation resolves that in future all elections, recommendations and nominations to bodies wherein Federation may be represented should not be done without a previous reference to the Member-Bodies.

“The Federation also resolves that in the event of Mahatma Gandhi not participating or retiring from the R. T. Conference, the delegates of this Conference will also automatically retire.”

Now, there are two portions of this resolution. One is that the Executive Committee should not make any choice of its representatives to any committee or commission without referring the matter to the Member-Bodies concerned, and the other is that if Mahatma Gandhi does not attend the Round Table Conference, then our delegation also should not attend.

A Delegate: I understand that that undertaking has already been given.

The Chairman: That is the mandate of the Executive Committee.

Mr. M. A. Master: Could you oblige the House by reading the directions which the Executive Committee have given.

The Chairman: In fact, I said that in my speech day before yesterday, and it is already on record. Now, I have got before me the exact wording of the resolution. It is this:

“The Committee also put on record that in the event of Mahatma Gandhi not going to the R. T. Conference owing to difference of opinion or a grievance against the Government, then the delegation should not go, but if Mahatma Gandhi does not attend the R. T. Conference for any other reason excepting the one stated above, the President then shall call a meeting of the Committee for considering the situation.”

Mr. Srikishandas H. Lulla: It does not bind the delegation to this—"if for any reason Mahatma Gandhi is unable to go or participate in the R. T. Conference."

The Chairman: I am afraid I have to say something more on that, and so I would ask the Press to please leave the hall for a short while while we are discussing this question.

At this stage the Press representatives left the hall.

*The Chairman explained to the House as to what considerations weighed with the Committee of the Federation to arrive at the decision referred to above. After some discussion the Chairman, on the suggestion of Mr. Sidhwa, ascertained the sense of the House and declared that it was the sense of the House that the resolution should not be taken up.

PATRONAGE TO INDIAN INDUSTRIES

The Chairman: There is a resolution by Mr. Ojha which he wants to move. I should like to know the sense of the House as to whether they want to take up this resolution. It reads as follows:—

"This Federation expects that all Indian industrialists who claim protection and patronage in any form should in their purchases and dealings and general policy give the same protection and patronage to Indian industries, especially those concerns which are Indian owned and Indian managed."

I should like to know the sense of the House—whether they want to take up that Resolution.

A delegate: Will I be in order if I point out to the House that the North-Western Railway having Indian coal available is not using Indian coal? I just wanted to know.

The Chairman: We are not discussing the North-Western Railway. Is it your desire that I should move it from the Chair?

The House gave its assent.

The Resolution was then moved from the Chair and declared carried unanimously.

*Full report of the discussion is printed as a confidential document.

UNFAIR ACTIVITIES OF FOREIGN CONCERNS AND THEIR
EFFECT ON INDIAN ENTERPRISES.

The Chairman: There is another Resolution from Mr. De. He wanted to move it as an amendment to Resolution No. 4 but I told him that he could not move it as an amendment but could move it as a Resolution, so that it could be discussed if that was the desire of the House.

(Here the Chairman read out the Resolution about the tramways and the unfair competition against Indian bus owners).

If you approve, I will ask Mr. De to explain to the House why he thinks it necessary that the House should discuss this Resolution. I shall give him five minutes to explain his views.

Mr. K. C. De (B. and O. Chamber): My Resolution is as follows:

"This Federation desires to impress on the Government the necessity of taking steps to protect Indian enterprises by putting a stop to the unfair activities, such as rate war, by the foreign concerns against them and request the Government to institute a thorough and impartial public inquiry into the methods of unfair competition carried on by the Calcutta Tramway Company, Ltd., against Indian bus owners."

I want to point out that these foreign concerns are trying to put down the struggling industries of this country. We know that these foreign concerns, whenever their interests clash with the interests of the Indian concerns, do not hesitate to take any steps, fair or foul, to crush the Indian concerns. The present activities of the Calcutta Tramway Co., against the Indian bus owners are equally mischievous, if not more. As you are probably aware this company has a foreign capital and has a monopoly in the second city of the British Empire and uses that monopoly to dictate its own terms. When the Indian buses began to ply in the streets of Calcutta, the tramway company at once reduced its rates by one-third, besides giving lot of other concessions, such as mid-day concessions, monthly tickets and so on. Their only object is to drive out these Indian competitors, so that they can have their monopoly once again. It will be news to some of you that more than a crore of rupees has been invested in this business.

The Chairman: Will you at this stage only explain why you think the House should consider this Resolution?

Mr. De: I will only say this. If the present state of thing goes on, the Indian bus owners will have to close their business. Not only that, hundreds of small capitalists and several thousands of labourers will be unemployed. About more than a crore of rupees will be lost to the country. So it is essential that the House should pass this Resolution urging Government to set up an inquiry.

The Chairman: Would you like to make this Resolution of a general character? We have no statistics before us about the rate war and the way Indian bus owners are suffering from it. If the Federation after making inquiries thinks that this Resolution should not have been passed, it would look bad.

A delegate: On a point of information. Have the trade organisations taken any steps in the matter before they approached the All-India Federation?

Mr. De: Representations have been made to the Federated Chambers of Commerce and the syndicate. They are trying to give redress if possible.

A delegate: Grievances of this character could be found in every corner of India. I think before we do anything here the local organisations should take up the matter first. If it is necessary to make an all-India effort, the Resolution should be worded in more general terms. Moreover the Federation has collected no statistics and it must have reliable information before it.

The Chairman: Would you (Mr. De) have any objection to make it of a general character?

Mr. De: No.

The Chairman: I would make the Resolution general and it would read as follows:

"This Federation desires to impress on Government the necessity of taking steps to protect Indian enterprises by putting a stop to unfair activities such as rate war by the foreign concerns against them and requests Government to institute a thorough and impartial public inquiry and to grant relief where grievances of the nature exist."

The Resolution was declared carried.

The Chairman: It is now getting on to 1 o'clock and if there are any gentlemen who have not received voting paper, will they please come and take it?

The Chairman: There is a Resolution on the supplementary list of Resolutions, which was not adopted by the Executive Committee, from Mr. Sodhbans. The Resolution is as follows:

"It has been often noticed that for want of up-to-date statistical books and other important publications the Indian members of the Central Legislature and others who are working for the cause of Indian Commerce and Industries, are greatly handicapped in collecting information; therefore this Federation resolves that a Central Library be established at Delhi. In order to achieve this object this Federation requests the affiliated Chambers and Associations to send regular contributions annually or monthly and other public-spirited Indians to send donations so that the Central Library and Secretariat may be established as early as possible."

I think that matter has already been discussed.

A delegate: What action has been taken?

The Chairman: Action cannot be taken because you are simply inviting funds.

Lt. Sodhbans: I think the House is not yet ready for the Resolution.

The Chairman: Gentlemen, Lt. Sodhbans is not desirous of pressing it.

Mr. Sidhwa, do you want to insist on a poll being taken of those in favour of and those against the Companies Amendment Act Resolution favouring an amendment of the Companies Act?

Mr. R. K. Sidhwa: Yes, because it is a very important matter.

(A poll was taken, resulting in 14 on this occasion in favour of the resolution instead of 19 on the previous occasion).

Mr. R. K. Sidhwa: Perhaps members have not thoroughly understood what they were voting for. There is a mixture of issues.

The final poll resulted in 14 for and 25 voting against the Resolution.

The Chairman: Now, gentlemen, there is only one item of business left. After lunch I propose to announce the results of the election, and we can have a vote on one or two things. Unfortunately our President even to-day is not well, but he has sent a message. But before I adjourn, I should like to ask Mr. Isserdas if he would like to offer some observations which he intends to make about the meeting place of the Federation.

Mr. B. Das: You said, Mr. Chairman, you would appoint a committee to revise rules and regulations.

The Chairman: Yes.

Mr. Isserdas Varindmal (Karachi Indian Merchants' Association): Sir, on behalf of Karachi I move that the next annual meeting of the Federation be held at Karachi. If, gentlemen, you come to Karachi, there will not only be no trouble but you will all be happy. Karachi is neither too cold nor too hot, but is temperate. The Congressmen have all been satisfied with Karachi. If you do come, gentlemen, we will do all we can for you.

A delegate: I suggest that this year will be a most important year and that the meeting should be held in Delhi, but we might suggest to those gentlemen who propose Karachi that the next session should be held in Delhi but that the session next after that should be held at Karachi.

Mr. Isserdas Varindmal: As there has been a most successful session of the Congress in Karachi, I presume you will all agree that the most successful session of the Federation will also take place in Karachi.

Lieut. Sodhbans: Sir, last year I was under the impression that the session was to take place at Lahore, but Lala Shri Ram and other friends asked me not to persist as owing to the session of the Assembly all the members of the Assembly shall be here

*List of persons who voted for and against the Resolution is given as Appendix "B"

and at the same time because it would be convenient to the Government members and that therefore it would be desirable that the session should be held in Delhi. So my Chamber did not insist on their proposal, in the interests of general harmony amongst the different bodies as well as for the proper functioning of the Federation. Moreover, Delhi no doubt is a central place, being the headquarters of the Government of India in winter and easily accessible from all sides—from Bombay, from Calcutta, from the North-West Frontier Province, from Lahore, from Karachi and all other places, and moreover this was the place from which the Hindus ruled, and this was the place from where the Mahomedans ruled and this is the place from which the British are ruling. I therefore suggest that the session should always be held in Delhi. Some apprehend it might or might not be lucky, but that thing need not be seriously considered. My friend from Karachi said that the session should be held in Karachi because the Congress have had a successful session there, but that is no valid reason. The Congress is a political body, it has to do some other work apart from the constitutional advancement; it has to arouse the feeling of the people for political propaganda. Well, it is not a question of propaganda here,—it is an organisation of capitalists. (Some delegates: Question).—I mean, not capitalists but businessmen. As businessmen we have to look at things from a different point of view; and from our point of view I think we should hold that the session should always be held at Delhi and nowhere else.

Mr. B. S. Dabke (Maharashtra Chamber): I rise to invite the next session of the Federation to Sholapur in Maharashtra. Sholapur is an important industrial city, and we would much like the Federation to meet there next year. I think our Karachi friends should not be too greedy, as they have had a very successful session of the Congress this year, and I hope our friends who are here will unanimously welcome our invitation.

Mr. Mahomed Ismail (S. I. Skin and Hide Merchants' Association): May I say a few words on behalf of the poor people of Madras? If it is a question of provinces, well, my province has had very few chances, very scanty chances of being honoured by having there such an august session as that of the Federation. Therefore, we think that we should be honoured again. It will be after three years that we will have an opportunity of welcoming you in Madras. Therefore I cordially invite the Federation to hold its next session in Madras and I hope that the friends assembled here will not grudge this privilege to Madras next year.

Mr. Hoshang N. E. Dinshaw (Buyers and Shippers Chamber, Karachi): I strongly support the resolution moved by my friend Mr. Isserdas. Karachi had not had the honour of being the venue of the Federation. Many members have spoken in favour of internal centres from the commercial point of view, but I want them to realise the importance of port towns. Let them come to the ports and realise how they pulsate with life. We shall be only too happy to have the Federation in Karachi next year and I request that all the opposition to it will be withdrawn.

Mr. Fakirjee Cowasjee: Sir, it is a standing invitation from Karachi, but the practice has always been that the President has always had a free hand to fix the venue for the succeeding meeting. That being the case, I think we should leave it to the good graces of the President and if he feels that the circumstances are such that he can accept the invitation from Karachi, I hope he will do so.

Mr. Begraj Gupta spoke in Hindi in support of the proposal put forward by Mr. Fakirjee Cowasjee.

The Chairman: I think we never decide in the open House as to where we should hold the next meeting of the Federation, but the feeling of the House has been recorded and the Executive Committee will keep them before their eyes when they fix the venue of the next session. I may however warn the members that it is not a profitable proposition to invite the Federation.

We should now adjourn because there is nothing left on the Agenda except the announcement of the election results and the vote of thanks.

The Session then adjourned for lunch till half past two of the clock.

AFTERNOON SESSION*Thursday, the 9th April 1931—2-30 p.m.*

The Session commenced with Mr. G. D. Birla in the Chair:

ELECTION OF OFFICE-BEARERS

The Chairman: Gentlemen, we have now only two more items on our agenda, one is the announcement of the result of election, and the other is the vote of thanks to the President. I will first of all announce the results of the election. Altogether 86 votes were recorded, of which the following secured the following votes:—

*Myself (Mr. G. D. Birla)	.. 79
Sir Purshotamdas Thakurdas	.. 78
Seth Walchand Hirachand	.. 63
Mr. Nalini Ranjan Sarker	.. 59
Sir Chunilal V. Mehta	.. 54
Lala Shri Ram	.. 50
Mr. Kasturbhai Lalbhai	.. 49
Mr. Ranchordas H. Gandhi	.. 46
Mr. M. A. Master	.. 46
Mr. Fakirjee Cowasjee	.. 42
Mr. Hussainbhoj A. Lalji	.. 42
Mr. M. L. Dahanukar	.. 41

Two Honorary Treasurers have been elected, Mr. D. P. Khaitan getting 73 votes and Mr. R. L. Nopani securing 52 votes.

Now, I will move a vote of thanks to the President.

“This annual meeting of the Federation records its warmest appreciation of the services rendered to the country and to the Federation by the retiring President Lala Shri Ram and for the very able manner in which he directed the affairs of the Federation during a period full of difficulties for the trade and industries of India.”

Gentlemen, we all wish that Lalaji had been here to-day to receive our thanks and congratulations. Unfortunately, for the last few days he has been keeping very poor health. Those who saw him working hard in the committee meetings which were held in Delhi for continuously two days could bear testimony to his patience and his ability to work hard. He worked so hard that he very nearly collapsed in the committee meeting. His health was so very poor, that we all very much wished him to take com-

*Full list of the Office-Bearers is printed as Appendix "C."

plete rest, but he did not like to shirk his duty. The next day when we assembled here to hear Mahatma Gandhi's address in this hall, he came here in spite of his poor health, and when I asked him how he was feeling, he said, "Well, Gandhiji's presence has been an inspiration to me and I hope I will be able to go through." But as you all saw, he collapsed again in the midst of his speech, and since then, although he is slightly better, he has not fully recovered. I need hardly say all about his hard work. He has to work in extraordinary times. There was economical depression. There was political unrest in the country, and the trade and industry was passing through very serious position. In these hard times Lalaji had to work very hard, and those of us who saw him working can bear testimony to his ability, amiable character, to his sense of duty, to his sense of justice and his impartiality. I wish, gentlemen, that he were here this afternoon in our midst to receive our congratulations. I hope you will all join me in congratulating him for the excellent service which he rendered to the Federation during the last 12 months and receive this resolution with acclamation. (Applause). I hope he will recover soon, and I will ask the Secretary to convey this message to Lalaji personally.

Mr. Behram N. Karanjia (Indian Merchants' Chamber, Bombay): Gentlemen, I have a very pleasant duty to perform and that is, to propose our thanks to the Chairman.

"This meeting tenders its warmest thanks to Mr. G. D. Birla who conducted the proceedings of this Federation with marked ability, tact, courtesy and impartiality." (Applause).

You know, gentlemen, that such resolutions are only formal and conventional, but having watched the proceedings that Mr. Birla has conducted for the last three days with cool head and in spite of provocation he was so patient in hearing that he gave his courtesy and consideration to each and every member, and you, gentlemen, will agree with me that we could not have a more capable and adorable Chairman. (Hear, Hear.). Gentlemen, in our commercial community we are not rich in men, conversant with the rules of debate and endowed with ability to govern meetings but among the few statesmanlike members that we are proud to claim in our Federation, Mr. Birla stands conspicuous. (Applause).

Lt. Sodhbans: Gentlemen, it is my pleasant duty to second the resolution moved by my friend, Mr. Karanjia, to thank our worthy Chairman, Mr. Birla. During the course of our discussions there were sometimes some breezes. Of course, these things

always happen in the course of debates, but without these occasional breezes the whole business would have been a very tame affair. (Laughter). We want sometimes Bhujas with some chillies, because it creates good taste. In fact, we come here with one motive and that is to render a service to our country for the advancement of industry, trade and commerce so that we may be masters in our own country at least. When we come here with this noble idea, it is essential that we must have harmony, but sometimes there are bound to be differences of opinion, but from such differences of opinion it should not be thought that we have no respect for one another, it does not mean that we have no respect for the pioneers of trade and industry, for men who are working for the advancement of trade and commerce. With this idea we are all here, and we are all unanimous in holding that Mr. Birla has discharged his duties in a most admirable manner with cool-headedness. That is why I am seconding this proposition. (Applause).

Sir Purshotamdas Thakurdas: I think the resolution may be put to the meeting, and I hope you will all carry it with acclamation.

The resolution was carried with acclamation.

Mr. G. D. Birla (Chairman): Gentlemen, it is very kind of you to pass a vote of thanks for the little service which I rendered you during the last two days, if you may so call it at all. When I stepped in the Chair, I did so with a mixed feeling, I knew that the task was not such which could be envied. At the same time I felt the consolation in the fact that I was relieving Lalaji of his onerous duties which on account of his bad health he was not able to undertake.

I had another consolation that instead of Lalaji I had to bear the brunt of some friendly criticism. I must say, however, whatever be the ostensible appearance of the breezes referred to by Mr. Sodhbans after all they were exercising a healthy check on the administration of the Federation and I know fully well that they were all well meant and calculated to promote the interest of the Federation. Now, gentlemen, before I conclude to-day's session I should like on your behalf to express our thanks first to our scrutinisers, Mr. B. Das and Mr. J. K. Mehta, who took the trouble of scrutinising the votes. Secondly, I should like on your behalf to express our thanks to the Delhi University authorities who gave us this hall and last but not least I would like to express my thanks on your behalf to our able Secretary who has been conducting his business very efficiently. I should

also like to thank the volunteers who have been performing a very difficult task of attending to the delegates during the last three days. Before I conclude I should like to read a small message which the retiring President has sent to me. He says:

MESSAGE FROM THE RETIRING PRESIDENT

"Fellow Delegates,

Allow me to apologise to you all for my inability to be present during your deliberations owing to my sudden illness. During the tenure of my Office as President of the Federation, I have received encouragement and assistance from many of you for which I owe you a debt of gratitude. The meetings of our Executive Committee were well attended; and it was very gratifying to me to find so much harmony and goodwill among our members.

During the year under review, we were unable to hold any meeting at Calcutta as most of the members found Bombay more convenient owing to a variety of circumstances. But this must not be taken to imply that we in any way belittle the importance of Calcutta as a great commercial centre.

I am aware that much of what has been done during the year has been due to the ungrudging co-operation of so many friends and I must once again thank the members of the Federation for the help and guidance they have given to me. I am particularly grateful to Mr. Birla for having presided over this Annual General Meeting in my unavoidable absence. Last but not the least I must thank Mr. Mulherkar, our Secretary. I cannot sufficiently thank him for the intelligent and hard work that he has done throughout the year willingly and cheerfully.

I regret that circumstances beyond my control should have prevented me from coming over personally to thank you all for your indulgence."

Now, gentlemen, I have lastly to thank the brother delegates who have come to this place from very long distances in this hot weather. Let us all hope, whether we meet at Karachi or Lahore or Delhi or some other place, when we meet next year we shall meet as free men in a free country. (Loud applause).

Mr. M. L. Dahanukar: Before we part we have another task to perform and it is certainly a pleasant task. We all sincerely thank the past Executive Committee who have carried on their deliberations so strenuously and at such great sacrifice in a time of big national upheaval. (Applause).

The proceedings of the Annual Session of the Federation then came to a close.

APPENDIX A

List of Member-Bodies of the Federation of Indian Chambers of Commerce and Industry with their Representatives.

Names of Members.	Names of Representatives.
1. The Ahmedabad Mill-owners' Association, Ahmedabad.	1. Sir Chinubhai Madhawlal, Baronet. 2. Sheth Kasturbhai Lalbhai. 3. Sheth Ramanlal Lallubhai. 4. Sheth Himatlal Kalidas.
2. Millowners' Association, Baroda.	1. R. R. Sheth Trikamlal Girdherlal, Zaverchand Laxmichand. 2. Sheth Chandulal Keshavlal. 3. Mr. Devidas H. Shah. 4. Mr. Ishwarabhai C. Sheth.
3. Bihar & Orissa Chamber of Commerce, Patna.	1. Hon'ble Rai Bahadur Radha Krishna Jalan. 2. Mr. B. Das, M.L.A. 3. Mr. Balkrishna Das. 4. Mr. K. C. De.
4. Behar & Orissa Mica Association, Giridih.	1. 2. 3. 4.
5. Bengal National Chamber of Commerce, Calcutta.	1. Mr. Jadu Nath Roy. 2. Mr. Nalini Ranjan Sarker. 3. Mr. P. C. Coomar. 4. Mr. K. K. Mitter.
6. Bengal Jute Dealers' Association, Calcutta.	1. Mr. Chiranjilal Layalka. 2. Mr. Prabhudayal Himatsingka. 3. Mr. Bansidhar Jalan. 4. Mr. Narayandas Bajoria.

Names of Members.	Names of Representatives.
7. Bombay Bullion Exchange Ltd., Bombay.	1. Mr. Lachhamandas Karakchand Daga. 2. Mr. Maneklal Premchand. 3. Mr. Chunilal B. Mehta. 4. Mr. Gordhandas Purshotamdas Sonawala.
8. Bombay Shroff Association, Bombay.	1. Mr. Mangaldas Motilal Sheth. 2. Mr. Chunilal B. Mehta. 3. Mr. Mohanlal Ambalal Parikh. 4. Mr. Chunilal Vrajilal Mody.
9. Burma Indian Chamber of Commerce, Rangoon.	1. Khan Bahadur Ahmed Chandoo. 2. Mr. S. A. S. Tayabji. 3. Mr. Ranchordas H. Gandhi. 4. Hon'ble Mr. A. Hamid.
10. Buyers & Shippers Chamber, Karachi.	1. Mr. Fakirjee Cowasjee. 2. Mr. C. A. Buch. 3. Mr. Jamsheed N. R. Mehta. 4. Mr. Hoshang N. E. Dinshaw.
11. Delhi Hindustani Mercantile Association, Delhi.	1. L. Ram Pershad. 2. L. Ameer Chand Khosla. 3. S. Lakshmi Narain Gadodia. 4. S. Murli Dhur.
12. Delhi Factory Owners' Federation, Delhi.	1. Lala Shri Ram. 2. Sirdar Bahadur Sobha Singh. 3. Mr. N. G. Bhagat. 4. Mr. Baij Nath Syal.
13. East India Jute Association, Ltd., Calcutta.	1. Mr. C. S. Rangaswami. 2. Mr. J. L. Pandit. 3. Mr. Motilal Lath. 4. Mr. Basantlal Murarka.
14. Grain Merchants' Association, Bombay.	1. Mr. Nandalal Kilachand. 2. Mr. Dhanji Devsi. 3. Mr. Ratilal Mulji Gandhi. 4. Mr. Habibbhai Ismail.

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Names of Members.	Names of Representatives.
15. Gwalior Chamber of Commerce, Lashkar, Gwalior. (C.I.)	1. L. Ramjidas Vaishya. 2. Mr. N. M. Shah. 3. Mr. J. P. Jhalla. 4. Mr. B. R. D. Kotawalla.
16. Indian Chamber of Commerce, Calcutta.	1. Mr. D. P. Khaitan. 2. Mr. G. D. Birla. 3. Mr. S. K. Bhattar. 4. Mr. Anandji Haridas.
17. Indian Chamber of Commerce, Coimbatore.	1. Mr. R. K. Shanmukhan Chettiar, M. L. A. 2. Mr. P. S. G. Ganga Naidu. 3. Mr. B. A. Padmanapa Iyer. 4. Mr. V. Arunachalam Chettiar.
18. Indian Chamber of Commerce, Lahore.	1. L. Harkishan Lal. 2. Raja Sir Daya Kishen Kaul. 3. Mr. K. L. Gauba, Bar-at-Law. 4. Lt. P. S. Sodhbans.
19. Indian Chamber of Commerce in Great Britain, London.	1. Sir Shapurjee B. Billimoria, Kt., M.B.E. 2. Seth Kasturbhai Lalbhai. 3. Mr. M. A. Master. 4. Mr. Gaganvihari L. Mehta.
20. Indian Insurance Companies' Association, Bombay.	1. Mr. K. S. Ramachandra Iyer. 2. Mr. J. C. Setalvad. 3. 4.
21. Indian Merchants' Association, Chittagong.	1. Babu Jasoda Lal Ghosal. 2. 3. 4.
22. Indian Merchants' Chamber, Bombay.	1. Sir Chunilal V. Mehta, K. C. S. I. 2. Mr. Behram N. Karanjia. 3. Mr. Hoosainbhoj A. Lalljee. 4. Sir Purshotamdas Thakurdas, Kt., C. I. E., M. B. E.

Names of Members.	Names of Representatives.
23. Indian Mining Federation, Calcutta.	1. Mr. S. C. Ghose. 2. Mr. A. L. Ojha. 3. Rao Bahadur D. D. Thacker. 4. Mr. K. Basu.
24. Indian National Steamship Owners' Association, Bombay.	1. Mr. Jamnadas M. Mehta, B.A., Bar-at-Law. 2. Mr. Walchand Hirachand. 3. Mr. M. A. Master, B.A., LL.B. 4. Mr. Kaikobad C. Dinshaw, J. P.
25. Indian Produce Association, Calcutta.	1. Babu Rameshwar Lal Nopany. 2. Babu Gaurishanker Dalmia. 3. Babu Goverdhandasji K. Bhatt. 4. Mr. P. D. Himatsingka.
26. Indian Tea Planters' Association, Jalpaiguri.	1. Mr. Joges Chandra Ghose, B.L. 2. Mr. Debes Chandra Ghose. 3. Mr. Biraj Kumar Banerjee, M. A., B. L. 4. Mr. Nalini Ranjan Ghose, M. A., B.L.
27. Jute Balers' Association, Calcutta.	1. Sj. Rameshwar Lal Nopany. 2. Sj. Sitaram Saksedia. 3. Sj. Madanchand Gouti. 4. Sj. Khoobchand Sethia.
28. Karachi Indian Merchants' Association, Karachi.	1. Lala Jaswantrai Churamani, M. A. 2. Mr. Srikishandas H. Lulla, M. A., LL. B. 3. Mr. R. K. Sidhwa. 4. Seth Isserdas Varindmal.
29. Maharashtra Chamber of Commerce, Bombay.	1. Mr. Walchand Hirachand. 2. Mr. M. L. Dahanukar. 3. Mr. B. S. Dabke. 4. Mr. S. P. Ogale.

Names of Members.	Names of Representatives.
30. Marwari Association, Calcutta.	1. 2. 3. 4.
31. Marwari Chamber of Commerce, Bombay.	1. Mr. Laxmandas Daga. 2. Mr. Begraj Gupta. 3. Mr. Kedarnath Agarwal. 4. Mr. Kishan Prasad.
32. Mysore Chamber of Commerce, Bangalore.	1. Mr. R. S. Maniam. 2. Mr. S. G. Sastry. 3. 4.
33. Native Share & Stock Brokers' Association, Bombay.	1. Mr. K. R. P. Shroff, J.P. 2. Mr. Rajendra Somnarayan, B. A. 3. Mr. Jagmohandas J. Kapadia. 4. Mr. Amratlal Kalidas.
34. Nattukottai Chettiyars' Association, Rangoon.	1. Mr. M. Ct. M. Chidambaram Chettiyar. 2. 3. 4.
35. Seeds Traders' Associ- ation, Bombay.	1. Mr. Ratilal Mulji Gandhi. 2. Mr. Nandlal Kilachand. 3. Mr. Gordhandas Jamnadas. 4. Mr. Nandlal M. Bhuta.
36. Sholapur Merchants' Chamber, Sholapur.	1. Mr. Gulabchand Hirachand Doshi. 2. Mr. Shivlal Bhagwandas Gan- dhi. 3. Mr. Nagappa Bandappa Ka- dadi. 4. Mr. Bhagwant Sambhanna Kathale.

Names of Members.	Names of Representatives.
37. Southern India Chamber of Commerce, Madras.	1. Mr. V. Ramadas Pantulu, B.A., B. L. 2. Mr. M. Jamal Mahomed Sahib. 3. A. Rangaswami Iyengar. 4. Mr. Vidyasagar Pandya.
38. Southern India Skin & Hide Merchants' Association, Madras.	1. Mr. M. Jamal Mahomed Sahib. 2. Mr. M. Mahomed Ismail. 3. Mr. M. Sundaram Naidu. 4. Dewan Bahadur M. Balasundaram Naidu.
39. Telikanta Brokers' Association, Calcutta.	1. 2. 3. 4.
40. United Provinces Chamber of Commerce, Cawnpore.	1. Lala Padampat Singhania. 2. Lala Rameshwar Prasad Bagla, M. L. A. 3. Mr. K. L. Gupta, B.A., LL.B. 4. Mr. B. N. Chopra.
41. Indian Match Manufacturers' Association, Bombay.	1. Mr. H. S. Mahomed. 2. Mr. Yacoob H. Lalljee. 3. Mr. Goolamhusein Matches-walla. 4. Mr. Aziz H. Abdoolahoy.
42. Deccan Merchants' Association, Bombay.	1. Mr. A. R. Bhat. 2. Mr. S. M. Patkar. 3. Mr. V. R. Dangi. 4.
43. Indian Mercantile Chamber of Ceylon, Colombo.	1. 2. 3. 4.

APPENDIX B

Result of the Poll demanded by Mr. E. K. Sidhwa on the voting on the Resolution relating to Amendment of Companies Act.

THOSE WHO VOTED FOR THE RESOLUTION:—

1. Mr. K. C. De.
2. Mr. P. S. Sodhbans.
3. Mr. A. C. Khosla.
4. Mr. S. H. Lulla.
5. Mr. Ram Pershad.
6. Mr. C. S. Rangaswamy.
7. Mr. B. N. Syal.
8. Mr. R. K. Sidhwa.
9. Mr. Hoshang N. E. Dinshaw.
10. Mr. Isserdas Verindmal.
11. Mr. N. M. Shah.
12. Mr. J. P. Jhalla.
13. Mr. Fakirjee Cowasjee.
14. Mr. Rajendra Somnarayan.

THOSE WHO VOTED AGAINST THE RESOLUTION:—

1. Khan Bahadur A. Chandoo.
2. Mr. Gaganvihari L. Mehta.
3. Mr. C. A. Buch.
4. Mr. B. Das.
5. Mr. B. S. Dabke.
6. Mr. S. P. Ogale.
7. Mr. Walchand Hirachand.
8. Mr. Mahomed Ismail.
9. Mr. Balkrishna Das.
10. Mr. Begraj Gupta.

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11. Mr. M. L. Dahanukar.
 12. Mr. Chunilal B. Mehta.
 13. Mr. B. A. Padmanapa Iyer.
 14. Babu Jasoda Lal Ghosal.
 15. Mr. K. L. Gupta.
 16. Mr. Ramanlal Lalubhai.
 17. Mr. Trikamlal Girdherlal.
 18. Mr. Iswarabhai C. Sheth.
 19. Sir Purshotamdas Thakurdas.
 20. Mr. D. P. Khaitan.
 21. Mr. B. N. Karanjia.
 22. Mr. Devidas H. Shah.
 23. Mr. Chandulal Keshavlal.
 24. Mr. Khoobchand Sethia.
 25. Mr. Santosh Chand.
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APPENDIX C

OFFICE-BEARERS FOR THE YEAR 1931.

President.

Mr. M. Jamal Mahomed Saib, M.L.A.

Vice-President.

Mr. Walchand Hirachand.

Members of the Executive Committee.

1. Lala Shri Ram (Delhi Factory Owners' Federation, Delhi).
2. Mr. G. D. Birla (Indian Chamber of Commerce, Calcutta).
3. Sir Purshotamdas Thakurdas, Kt., C.I.E., M.B.E., (Indian Merchants' Chamber, Bombay).
4. Mr. Nalini Ranjan Sarker (Bengal National Chamber of Commerce, Calcutta).
5. Sir Chunilal V. Mehta, K.C.S.I., (Indian Merchants' Chamber, Bombay).
6. Mr. Kasturbhai Lalbhai (Ahmedabad Millowners' Association, Ahmedabad).
7. Mr. Ranchordas H. Gandhi (Burma Indian Chamber of Commerce, Rangoon).
8. Mr. M. A. Master (Indian National Steamship Owners' Association, Bombay).
9. Mr. Fakirjee Cowasjee (Buyers' and Shippers' Chamber, Karachi).
10. Mr. Hooseinbhoj A. Lalljee (Indian Merchants' Chamber, Bombay).
11. Mr. M. L. Dahanukar (Maharashtra Chamber of Commerce, Bombay).

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Honorary Treasurers.

1. Mr. D. P. Khaitan (Indian Chamber of Commerce, Calcutta).
2. Mr. R. L. Nopany (Indian Produce Association, Calcutta).

Co-Opted Members.

1. Mr. B. Das, M.L.A. (Bihar and Orissa Chamber of Commerce, Patna).
2. Raja Sir Daya Kishen Kaul, K.B.E., C.I.E., D.B. (Indian Chamber of Commerce, Lahore)
3. Lala Padampat Singhania (U. P. Chamber of Commerce, Cawnpore).
4. Mr. Ambalal Sarabhai, Ahmedabad.
5. Mr. Mahomed Ismail (Southern India Skin and Hide Merchants' Association, Madras).
6. Mr. Jogesh Chandra Ghose (Indian Tea Planters' Association, Jalpaiguri).

Secretary

Mr. D. G. Mulherkar.

Federation of Indian Chambers of
Commerce and Industry



PROCEEDINGS
OF THE
FIFTH ANNUAL MEETING

HELD AT

DELHI

on the 26th & 27th March, 1932.



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Federation of Indian Chambers of Commerce and Industry

Proceedings of the Fifth Annual Meeting held in Delhi on
Saturday the 26th March, 1932

The Fifth Annual Meeting of the Federation of Indian Chambers of Commerce and Industry was held at Delhi University Convocation Hall, Delhi, on Saturday the 26th March, 1932, at 3 p.m. when the following representatives of the Member-Bodies were present :—

Mr. Walchand Hirachand, Sir Purshotamdas Thakurdas, Kt., C.I.E., M.B.E., Mr. G. D. Birla, Lala Shri Ram, Mr. Nalini Ranjan Sarker, Mr. Fakirjee Cowasjee, Mr. D. P. Khaitea, Mr. Ranchordas H. Gandhi, Mr. M. L. Dahanukar, Mr. B. Das, M.L.A., Mr. R. L. Nopany, Mr. M. A. Master, Sheth Ramanlal Lallubhai, Sheth Himatlal Kalidas, Sheth Shantilal Mangaldas, Mr. Devidas H. Shah, Sheth Hiralal Motilal, Babu Balkrishna Das, Lieut. Nalini Mohan Roy Chowdhury, Mr. P. C. Coomar, Mr. Suresh Chandra Roy, Mr. Devraj Marda, Mr. Lakshinivas Birla, Mr. P. R. Shrinivas, Mr. Chunilal Bhaichand Mehta, Mr. Hoshang N. E. Dinshaw, Mr. C. A. Buch, Mr. Atmaram Raoji Bhat, Mr. Ram Perahad, Mr. A. C. Khoela, Lala Padam Chand, Lala Baijnath Syal, Sardar Bahadur Sardar Sobha Singh, Mr. Hanuman Perahad Bagaria, Mr. C. S. Rangaswami, Mr. S. C. Mazumdar, Hon'ble Mr. B. K. Basu, C.I.E., Mr. J. P. Jhalla, Mr. P. D. Tambat, Mr. Anandji Haridas, Mr. G. L. Mehta, Lala Harkishen Lal, Bar-at-Law, Khan Bahadur Sardar Habib Ullah, M. L. C., Bar-at-Law, Lieut. Sardar Prem Singh Sodhbans, F.L.A.A. (Lond.) Mr. A. R. Siddiqui, Mr. Y. R. Patel, Mr. S. B. Cardmaster, Babu Suresh Chandra Banerjee, Mr. A. D. Shroff, Mr. H. M. Desai, Mr. A. L. Ojha, Mr. S. C. Ghose, Mr. J. N. Mukherji, Babu Lakshmi Narayan Poddar, Babu Indra Narayan Pandey, Mr. Preamsukh Dasji Bhagat, Babu Raj Bahadur Rohtgi, Mr. J. N. Sen Gupta, Mr. Debes Chandra Ghose, Mr. Muri Dhar, Sj. Santosh Chand Bararai, Sj. Govindchand Bora, Sj. Gopichand Dhariwal, Mr. S. L. Lulla, M.A., LL.B., Mr. Balwant Shanker Dabke, Rao Bahadur L. V. Pophale, Mr. Kishan Prasad, Mr. Begraj Gupta, Mr. Gurdassram Agrawala, Mr. Kedarnath Agrawala, Mr. Rameshwardas Dalmia, Mr. Manmathe Nath Bannerji, Mr. Giriya Mohan Sanyal, Mr. Amalendu Sen, Mr. Sidhis Ranjan Biswas, Mr. Suresh Chandra Bhattacharjee. Among the Secretaries deputed by Member-Bodies to attend the Annual Session were Messrs. J. K. Mehta, M.A., K. Shama Iyer, Gobind Chand Bora, D. V. Kelkar, and D. G. Mulherkar.

In the absence of the President, Mr. M. Jamal Mahomed Saib, M.L.A. owing to illness, Mr. Walchand Hirachand, Vice-President of the Federation, presided.

The Chairman : Gentlemen, Our President, Mr. M. Jamal Mahomed Saib, is unfortunately not present here today owing to indifferent health to welcome you all to this Session. He has sent his speech which I will now ask the Secretary, Mr. Mulherkar, to read.

(Mr. Mulherkar then read out the speech of Mr. M. Jamal Mahomed Saib.)

Gentlemen,

I welcome you all to this Fifth Annual Session of the Federation. The year 1931 turned out to be a very eventful one. It was heralded by that famous agreement, the Gandhi-Irwin Pact which was a distinct landmark in the history of our constitution. As a result of that Pact the Indian National Congress participated in the deliberations of the second session of the Round Table Conference and its sole representative, Mahatma Gandhi, attended the session.

Gentlemen, as you all know the Federation nominated as representatives of Indian commerce and industry, Sir Purshotamdas Thakurdas, Mr. G. D. Birla and myself to attend the second session. Your representatives did as best as they could and kept themselves in close touch with Mahatma Gandhi in London particularly regarding matters relating to finance and commerce. Unfortunately for this country, the atmosphere in which the second session met was not very congenial for calm deliberations. On the British horizon were seen signs of a grave financial crisis, an emergency Cabinet was formed and the country soon went to the polls. The anxiety to tide over the crisis was reflected in the thumping majority the Conservatives secured at the polls. Consequently, there came a thorough change in the Government of Great Britain. The Indian problem which once focussed the attention of Great Britain during its first stages seemed now less prominent in the picture when the British nation was faced with serious problems of their own. The Federal Structure Committee and the Minorities Committee of the Round Table Conference took a different turn. Moreover, it is miserably unfortunate that the minority question could not be solved and it hampered frank and free discussion of such important problems as finance and commerce with its safeguards and reservations. These important economic questions on which depended the whole of the economic life of this country, were only hurriedly taken up at the fag end of the session and the British Government did not then appear to be in a mood for an elaborate and thorough discussion of these things. However, taking all matters into consideration, I think that the way in which the Conference terminated, need not inspire pessimism, and it indicated that it was capable of more satisfactory developments.

You know the various Committees appointed to carry on the work of

the Round Table Conference, but I am afraid that the atmosphere that is now prevailing in the country is not conducive to a frank and cool exchange of views and a calm consideration of things so necessary in dealing with the many vitally important subjects concerning the future constitution of this country. The Government's adoption of repressive policy, rapid promulgation of Ordinances one upon another and the rigorous enforcement of same have tended to create an atmosphere of uncertainty and tension in the country. It is not possible for any one to expect trade and commerce to fare normally in such a surcharged atmosphere. I do not understand how the British expect to create a closer bond of friendship between India and Great Britain by following a policy and method which are being condemned by the people including the commercial community and the liberal leaders in the country. Friendship and also trade between the two countries can only prosper if there is sufficient good-will between them and one cannot see how that good-will is being helped by the present method. I fervently hope that the Government will recognise the necessity of adopting a policy of reconciliation and help in the creation of an atmosphere suitable for the concentration on, and calm consideration of, the great questions before the country.

Before I touch upon other events that happened in this country during the year under review, I should like to refer to one or two important points that were raised at the last session of the Round Table Conference relating to administration of finance and commerce in the future Government of the country. With the introduction of responsibility at the centre in the future Federal Government of the country, the question that will affect us most is the administration of finance and commerce. The British Government want certain safeguards to be introduced in the constitution subject to which the administration of finance will be handed over to a popular minister. The object of such a proposal according to their view is to maintain the financial stability and credit of India. But can there be any reasonable apprehension that the future popular minister handling the portfolio of finance would be less zealous of the financial stability and credit of his own country than the alien nominee of the British Government under the present Act? Can it either be said with reason that these safeguards are necessary for creating confidence in the foreign investors, when we find Britain giving substantial loans even to insignificantly small foreign nations without demanding any safeguards in the financial administrations of the borrowing countries? One is rather led to believe that the anxiety is not simply to maintain the financial stability and credit of India abroad, but to adjust the currency and exchange policy of India to suit the financial and industrial requirements of the British nation. Such a belief can only be strengthened by such an act as the most deplorable interference by the Rt. Hon'ble the Secretary of State for India in September last in linking the Rupee to Sterling. When the British nation went off the gold standard, the Government of India acting in the best interests of the country issued an Ordinance suspending

the obligation to sell gold or sterling against Rupee evidently with a mind to let the rupee to find its own level. But within a few hours of this decision and even when the Legislative Assembly was in session, the Secretary of State for India reversed their policy and linked the rupee to the sterling. This I am quoting by way of an illustration to show how the interests of this country are subordinated to those of Great Britain. The history of our currency policy will show how the British nation have been using their power of control and superintendence to the promotion of the interests of the United Kingdom and it is no wonder that with such a history before them, those representing India who were competent to express any opinion on these matters were very nervous from the very beginning about the proposals of the British Government as regards financial safeguards.

Another important subject is in relation to commerce and problems connected therewith such as commercial discrimination and equality of trading rights. At the Federal Structure Committee, Mahatma Gandhi suggested a formula to the effect that "no disqualification not suffered by the Indian-born citizens of the State shall be imposed upon any persons lawfully residing in or entering India merely on the ground of race, colour or religion." The word 'discrimination' which was so much used during the deliberations of the Federal Structure Committee is certainly an unfortunately chosen word. The future Government of India would certainly not discriminate against any particular individual or firm or interest simply because he or it happens to be a non-national. The main idea underlying this demand for the right of discrimination, to my mind, is that the right of the future legislature of this country to enunciate a particular policy in the economic interests of the country should be left intact. I take this opportunity of appealing to the representatives of the British commercial community that if they would trust the future Government of the country and thus create greater good-will between the two communities, they would not have any occasion to repent their action in days to come. As you know, commerce cannot thrive without international co-operation and good-will between the various countries which are in trade relations with one another. India of the future date will certainly not like to remain isolated and it will be very difficult for her to shut out foreign trade and to wish to develop her own export trade with other countries. India in deciding upon a certain policy of protection to her own indigenous industry will, I am sure, take into account the effects of such a policy on her relations with other foreign countries of the world. I would, therefore, urge that though we are quite prepared to have a clause in the statute to the effect that there shall be no discrimination *per se* against any non-national, India should be given the same powers which are at present enjoyed by the other component self-governing parts of the Empire in matters relating to finance and commerce of the country.

I find, besides these two important points, another proposal on the agenda

of the Consultative Committee of the Round Table Conference for constituting the Railway Board into a Statutory body. This is a question which was not fully dealt with at the Federal Structure Committee. The Railways of India, as you know, are one of the best assets of the taxpayer and constitute one of the largest assets in India. It is an important means of transport and a very useful means of bringing the distant parts of India together. In America and certain other countries, railways are used as a useful weapon in the development of industries and the future Government of India will doubtless make use of the transport facilities afforded by the net work of railways to put forth more and more facilities in the way of the growers of India's crops. The anxiety of the present administration in India to turn the present Railway Board into a statutory body on the eve of the inauguration of the new constitution is strange and I must record my voice of protest against any such act at the present stage. When the new Government of India Act comes into force, the legislature of the country will be the best competent authority to lay down the future constitution of the Ministry of Transport which would not only look after the administration of railways but also take care of the construction and maintenance of roads and development of inland and coastal navigation. These three means of transport constitute a very important factor in the economic development of a country and the problem should not be tackled now as it is expected to be done by the Round Table Conference.

Events in India during the year under report were not very assuring and the economic situation in the country worsened though there were occasional fitful flashes of certain brightness as regards commerce. Retrenchment Committees became the order of the day. Your Committee thought it advisable in June last to carry on some correspondence with the Hon'ble the Finance Member suggesting certain remedies to alleviate this tension such as reconsideration of the currency policy and drastic retrenchment to the extent of one-third in the expenditure of the Imperial as well as Provincial Governments. But it was more and more brought home to the Committee that the Government of India as constituted at present were not always able, in these things, to keep the interests of this country alone at the top. I have already referred to how the moment the Government of India adopted a particular course as regards gold-standard in the best interests of the country, the Home Government through the Secretary of State for India reversed the course. Nothing resulted from the correspondence which was carried on by the Committee for nearly four months owing to an entirely different outlook taken by the Government on the question of the currency policy of the country.

The decision of the Secretary of State for India to link the rupee to the sterling brings me to another very disquieting feature of the year, I mean, the enormous export of gold from this country. India exported between September 1931 and February 1932, gold to the value of Rupees 50 crores.

India never exported gold on such a large scale before. The phenomenon is particularly distressing because the movement of gold is more or less promoted not by any offer of speculative profit but by economic pressure of forcing the poverty-stricken people of this country to part with their savings in the form of gold ornaments. One must understand that in India owing to illiteracy prevailing amongst the masses and particularly owing to the absence of adequate banking facilities, people have not cultivated the habit of keeping any bank accounts or holding their savings in gold-edged securities. They generally do not also find any enthusiasm in holding any industrial script which is to be attributed to a large extent also to the apathetic attitude of Government towards indigenous industries. The illiterate masses, therefore, follow a safer course of converting whatever little they could save either into silver or gold ornaments—the poor peasantry holding their savings mostly in silver while the middle classes in gold ornaments. Gold is not hoarded in India in the true sense of the word. These gold ornaments are called 'stridhan' of the family and are always held sacred and are not subjected to speculative transactions. Nothing will prompt an Indian to bring the ornaments of his family into the market merely to make a profit out of the sale but the very fact that the ornaments are coming into the market for sale justifies the conclusion that in a majority of the cases, gold is coming as the result of straightened circumstances of the Indians in various walks of life in the country. With the knowledge of these facts before us, we cannot help viewing with grave concern these enormous quantities of gold coming into the market for sale, which indicate the acuteness of economic distress in the country. How long is the country to pull on the sales of gold is a question worth consideration. That the outflow of gold is not going to last for a long time goes without saying. One is then faced with the question 'What then' when the capacity of the people to stand the economic distress is being undermined by the disappearance of whatever gold that they may possess at present, it does not behove the Government of the country to follow a policy of indifference and allow the yellow metal to leave the shores of the country undisturbed. One is at a loss to understand that when countries like Canada, Australia, Sweden, Norway, Japan, Egypt, Argentine and several others which have abandoned gold standard, have prohibited or restrained to a great extent export of gold from their shores, India is unfortunately an unique instance of a country, which, being off the gold standard, is not placing any embargo or restriction on the export of gold. Does not this unfortunately unique phenomenon make one think that the policy of Government is governed more by considerations of other interests than those of India? His Excellency the Viceroy said in his address to the Legislative Assembly in January last to the effect that there was no public ground on which the prohibition of export of gold could be justified and that the export of gold at this stage was definitely and decisively to India's advantage. But whether the export of gold is not in the interest of the country will be strikingly apparent when one has in mind the appeal made by the Chancellor of the Exchequer in the Parliament on the 9th February last

asking people of the United Kingdom to serve the public interests best by not selling gold coins at a premium of 33 per cent but by paying them into the Government Treasury. The Indian commercial community asked and is still asking with one voice for an immediate embargo on the export of gold and suggested to Government to avail themselves of the opportunity thus offered by adding substantially to their gold reserves by purchasing gold offered for sale at a reasonable price by issuing fresh currency against it, but there has come no response from the Government. If the Government had followed the advice offered by the commercial community, the currency could also have been expanded in a more natural and safer way than the one now adopted, and the gold reserves could have been also used at a future time to form the nucleus of the gold reserves that are required to launch successfully a Reserve Bank for India.

May I take this opportunity to put a word of warning to those responsible for not checking these exports of yellow metal that as India constitutes one-fifth of the population of the globe, recovery of trade all the world over will to a great extent depend upon the recovery of this country from the economic chaos which will ensue after the total pauperisation of the masses of this country and sooner these facts dawn upon the Government of India and sooner they find out ways and means to improve the economic conditions of the masses of the country, the better will it be not only for this country, but for the whole of the civilised world ?

Before I conclude, I wish to draw the serious attention of the Government authorities to the fact that India is mainly an agricultural country. The Indian agriculturist, to say the least, lives in a state of perpetual semi-starvation. The agricultural debt is estimated to be in the neighbourhood of 800 crores. The freight policy of the Railway Board is not conducive to greater movement of agricultural produce from one place of consumption to another and the long distances over which the agricultural produce of one province is to be carried over to another in a country like India makes it well-nigh impossible for the agriculturist to secure adequate return for the produce of his soil. Over and above this, he has to pay land revenue which is not commensurate with the produce that his soil yields having regard to the great fall in the prices of commodities. Unless Government devise means of lessening the interest charges which he has to pay on his debts, the economic condition of the agriculturist can not fully improve. The land revenue policy of the Government has also aggravated to a great extent the present agrarian trouble and distress. Mere grant of remissions during lean years will not help him. The lands should be so assessed as to leave him sufficient margin to enable him to meet the daily requirements of his family. If relief is given in these directions i.e. by way of decreasing these debt liabilities, by offering reduced railway rates to stimulate greater movement of agricultural produce and by adjusting land revenue so as to leave him a fair margin, I am sure the present crisis, which is of course main-

ly due to a substantial fall in prices all the world over, will be to a great extent mitigated. I need not dwell upon the consequent advantages which the betterment of the lot of the agriculturists will bestow on the other spheres of the country in the shape of a greater demand for manufactured articles and of an indirect but sure stimulus to the indigenous industries. I hope this serious problem will be handled by Government at a very early date, as on it will depend the economic recovery of an agricultural country like India.

It is a matter of regret that the Government of India are not still in a position to adjust their financial requirements of the year. With all the new taxations and introduction of surcharges, the year is still expected to close with a deficit of 13 crores. I am afraid if the administration of this country is run on these lines, it will soon be landed in greater financial difficulties. The avenues of securing greater finances by way of taxes direct or indirect, have all now been closed and the country is more heavily burdened than it can afford to bear. The only alternative way, to my mind, out of its very distressing position is a drastic cut or a fair adjustment in the military expenditure of the country and further economy in other directions. The Government of India must either see that the military expenditure is further cut down considerably or a proper and fair adjustment is made with the Home Government owing to the fact that the Army in India is to a large extent maintained for Imperial purposes. Several of the colonies and dominions which depend for their security on the military strength of this country, such as, Australia, New Zealand, Union of South Africa, Kenya and Mandated Territories in East Africa, should also be made to pay a share towards the maintenance of the Army in India. Another direction in which efforts must be made to adjust the expenditure according to the receipts is the costly machinery with which the administration of the country is run. The emoluments of the Imperial Services and those of the Provincial and other Subordinate Services do require a proper adjustment in view of the prevailing conditions in the country. A poverty-stricken country like India cannot afford to pay the Services on such a high scale and sooner these adjustments are made the better will it be for the future of the country. Otherwise, I am afraid the new constitution, even if it is launched with the approval of all the political parties in the country, will not find proper scope for natural and sufficient development and will be seriously handicapped under the heavy burden of taxation. The nation-building departments in the provinces are practically starved down with a view to make available the necessary money for the liabilities incurred by Government. If India is to find her place amongst the civilised nations of the world, she will have to adjust her requirements in a manner as would keep her solvent for generations to come. I sincerely hope the British nation in transferring the powers to the hands of the Indians will not give them a country bereft of economic vitality but will hand it over to the younger generation as a sufficiently solvent country.

I thank you all gentlemen for giving me a patient hearing.

The Chairman: Before we go to item No. 2, 'Resolutions,' I should like to mention that ballot papers will now be distributed for the new committee. As regards the election of the President, there is only one nomination and therefore there will be no election. The same applies to the election of Hon'y. Treasurers. As you are aware, the Vice-President is to be elected by the new Committee. We will try with your cooperation to finish to-day almost all the Resolutions, except No. 10 on page 7, which we shall take up tomorrow. Probably we will have to take up the Exchange resolution also tomorrow. I hope as regards the time limit no more rulings be issued beyond what is contained in the Rules. After the ballot papers have been distributed, we will take up the Resolution on Gold.

(Ballot papers were then distributed to the Representatives.)

GOLD.

Mr. Nalini Ranjan Sarker, (Bengal National Chamber of Commerce, Calcutta): Sir, I beg to move:

- "(a) The Federation views with grave concern the continuous and heavy export of gold from India (amounting to about Rs. 55 crores) and strongly urges upon the Government of India the desirability of placing an immediate embargo on the export of gold from India as such a heavy and continuous drain of the precious metal will seriously endanger India's future monetary reconstruction.
- (b) The Federation further urges on Government the necessity of purchasing gold in the open market at a price fixed on the basis of day-to-day ruling rate (with a view to accumulate gold reserves which will enable the future Government of the country to establish the Reserve Bank with adequate resources at its command.")

In urging this resolution for your acceptance, I do not think there is any need for putting forward any elaborate arguments, having regard to the emphasis and persistence with which the claim has been made by the Indian commercial community, as well as the obvious nature of the duty which the phenomenon of the alarming efflux of gold imposed upon the Government. It is indeed difficult for me, or for any other member of the Indian commercial community to speak with restraint or moderation on the policy of inaction which the Government have been pursuing in regard to the question of gold exports. For the country has felt, as indeed it has every reason to feel, that in the emergence of gold from its age-old retreats, the nation was afforded an opportunity for preparing for its monetary reconstruction,—an opportunity so unexpected that even two years ago, most of us would have dis-

missed all suggestions of its probability as too good to be true. It is such an opportunity that is now being thrown away in spite of public opinion expressing itself in the most unmistakable manner. That Indian business circles are perfectly unanimous on this point—there is not the slightest doubt; and even outside the commercial community, responsible Indian opinion is also unanimous on this point, that gold exports should be prohibited and that the golden opportunity to strengthen the gold reserves from India's own resources should be availed of to its fullest.

All sections of the business community and the general educated public have viewed the questions arising from the persistent outflow of gold from this standpoint of instituting in the future a simple and sound currency system for the lack of which the country has suffered incalculable losses in the past. I am sure that though some members of the Indian commercial community might have taken advantage of the unchecked exports of gold to earn a good profit for themselves they have been moved by the superior consideration of the ordered economic progress of the country which depends upon a sound currency system in the future demanding as it must, that the gold now released from hoards should be acquired for purposes of currency reserve.

The resolution which I have just moved for your acceptance has, as you will see, pressed for the measure only on the ground that otherwise the natural monetary reconstruction will be endangered. I have therefore to emphasise here for the benefit of those ready critics of the popular view whether in politics, currency, trade or industry that nobody will have met our views who does not establish either that monetary reconstruction is not necessary for economic progress or that, squander the gold as we may now, there will always be gold available for the purpose we have in mind.

I make bold to say therefore that all other arguments have little or no validity here. They are not germane to our discussion. Once you grant that we must have monetary reconstruction, that gold is necessary for such monetary reconstruction that it is by no means certain that gold will be available for this purpose in the future our view stands absolutely impregnable. Obvious as these may seem, a few words expressing them may not however be out of place. The only necessity of monetary reconstruction may be passed over as beyond all controversy. And as for the necessity of gold for this purpose, the only circumstance in which the amount of gold may become a matter of indifference is the universal and final dethronement of gold from its place as the international standard and medium of exchange. That, we are entitled to regard as beyond the pale of practical politics for as long as we can foresee. At any rate we can not frame our policy on such a hypothesis. And thirdly, as for the availability of gold in the future, it must be remembered that the main almost the sole contention of the Hilton-Young Commission in dismissing a full-fledged Gold standard as an impossibility

was the utter impossibility of acquiring the gold necessary for reserve purposes from those who hold the monetary stocks of that metal. The representatives of the American Federal Reserve System not only withheld every sympathy from India's desire to acquire stocks of monetary gold proportionate to the place of this country in world trade and world economy, but even hinted active opposition and deliberate frustration of our plans in order that America's silver producers may not be deprived of a useful market. The Hilton-Young Commission were also impressed by the evidence of Prof. Cassell whose premonitions regarding a shortage of monetary gold have proved true though in a slightly different form. And they therefore decided to recommend the puzzling system of a gold bullion standard solely on the ground of the unavailability of gold. Indian leaders have since then turned to the expedient of retaining the country's hoards of the yellow metal to circumvent the apathy and hostility of the outer world to India's aspirations in regard to her currency. Practical schemes designed to that end have been broached and discussed; and one may guess the difficulties of the problem involved from the fact that not one of these schemes could inspire sufficient faith in its ultimate success. What we could not plan for, what we could not even hope for, has now happened. And the Government have now interposed betwixt the proverbial cup and the lip. The gold has moved out of its hoarding; but the Government have allowed it to be taken away to the farthest corners of the world.

I have said enough to show the importance to us of the phenomenon which has happened and the gravity of the injury which the Government have done to this country. But let me make clear at the same time that while I do consider the arguments that have been advanced against the popular standpoint by Sir George Schuster and the apologists are woefully beside the point and therefore do not, strictly speaking, call for a reply, I do not think it wise to leave the impression that these arguments are sound and difficult to answer. I may proceed therefore, without prejudice, as the lawyers would say, to my contention—to examine them for what they are worth. I may reasonably take it that those portions of the speech of Sir George Schuster which are relevant to this question constitute the ablest and most authoritative exposition of the case against the resolution on hand. And on reading them over though I feel it is difficult to synthesise the remarks of Sir George Schuster, I may say that his arguments are somewhat in this line. He apparently regards as the best defence of his policy the circumstance that the gold which has left the country and may leave the country still is but a small fraction of the total hoards with which India is normally credited. On this circumstance are based the main arguments which I shall recapitulate in the following way: The country has reserves of which only a fraction is being used for the purpose which a reservoir or reserve should by its very nature legitimately subserve. As the gold does not come from the currency reserve and as its sale by its individual holders is obviously necessary and advantageous to them, no question of public policy is involved.

In these circumstances gold should be looked upon as a mere commodity and a survey of the international position would also point to the advisability of an unrestricted movement of gold. And if the example of other countries is pointed to, Sir George avers that embargo on gold, wherever it has been laid, has been laid as part of a scheme of exchange control and not because gold by itself has a peculiar sanctity. And if in circumvention of some or all of these contentions the Finance Member is confronted with the scheme of Government purchase of gold, he has four categorical objections. All these together with a few sentimental and parenthetical observations I take one by one in the little time that is still available to me.

May I at the outset point out, though I do not by any means exaggerate its logical value or effect that ours is the only Finance Member in the whole world to-day who has thought it necessary to attempt to defend at length in his Budget speech the unrestricted export of gold from his country? I shall not however grudge Sir George this unenviable distinction. But in this context he can derive little help from the distinction that he has made between monetary gold reserve and private holdings of gold. For nobody accused the Government now of endangering the gold backing of our present currency, though in this respect, too, the Government have had a black enough record in the past. Our present accusation is that Government are not preventing dissipation of what might serve in future as the backing to our currency. If diminution in actual monetary reserve is a matter of serious concern the dissipation of the potential reserves is only one step removed from it. Rather the latter is a far graver wrong as it means the thwarting of the early establishment of a gold standard and Reserve Bank.

The Finance Member has argued that gold must be treated like any other ordinary commodity. But that is a manifest impossibility, for a medium of payment or a store of value is not the same as the commodities we trade in. Gold has a significance far greater than its industrial and commercial use. It is its mal-distribution that is acknowledged to be the most potent factor in the present world depression. It is the lack of this metal which exposed us to the sinister follies of a managed standard. It is easy enough for Sir George to argue that

“ In relation to the vast stores of gold held privately in India the quantities now being exported were of minor importance. The quantities being drawn off are negligible in comparison with the quantities stored.”

But this comparison is misleading and gives a false sense of the relative volume of the gold that has left the country. The actual amount of gold exported may be small in comparison to the amounts imported during the last 30 years; but 55 crores is no mean sum. It is about 45 per cent of the total estimated revenue of Sir George Schuster's Budget for 1932-33; and according to Sir George's own figures India has exported in four months

as much gold as she would normally take over two years to accumulate. The amount so far exported is a third of the annual production. It is in this way that we have to size the amount exported. For there is no practical use in arithmetical calculations of India's total hoard. For there is no guarantee that the rest of the hoard will be available to us when we require it. A turn of the economic tide may find the holders of gold clinging to their possessions with the result that the country will have given away the really accessible part of it. Thus the size of the hoard and the source of the present exports do not affect our argument here. In other words, conditions within the country do not strengthen the Government's position.

Let us now at Sir George's dictation turn our eyes abroad. We are not children in economic affairs nor a collective modern Midas to exaggerate the value of gold. Says Sir George :

" It is impossible to escape the conclusion that the world is faced now with two alternatives, either to find some means-by better international arrangements and the better use of the available monetary stocks of gold-for reducing the real value of gold as expressed in commodities, or to abandon gold altogether as the basis of currency. If those are the two alternatives then surely one is forced inevitable to the conclusion, that in either case—whichever of the two alternatives actually happens, it would, taking a long view, pay to part with gold now."

To this my answer is straight and simple. I refuse, as I mentioned at the outset, to consider the second alternative. No practical financier can take that into account. And as for the first, does Sir George contend that India's exports have reduced or will reduce the overvaluation of gold? Beyond helping Great Britain to tide over the present transition smoothly, it has performed no international function. For the lot of India's gold is only a change of hiding place. It has only joined what Mr. H. G. Wells calls the "solemnly idiotic journey" of the world's gold to the vaults of the Bank of France. If the leading countries of the world are so perverse as to sit tight on their gold nobody in the world can expect India to go out on a search of the world's monetary salvation except of course our Finance Member. It may flatter the vanity of our Government to play the exemplary mentor to an erring world but when they do that at the expense of this country it is time for us to protest.

Perhaps Sir George's insistence on the international outlook gives the real motive for his encouraging the export of gold. He justifies it by saying that it benefits the world, and I will annotate it by adding that to the Britisher in India the world is Britain. The British financial press has frankly admitted the blessing conferred upon Britain by India's export of gold. It has enabled her to effect repayment of credits advanced by the Federal Reserve Bank of New York and the Bank of France without drawing

upon her gold, without direct export of gold even before the due date. "The Indian gold influx probably saved the situation." The financial correspondent of a well-known British weekly adds in happy vein, "If the Indian hoards continue to be released it should be possible for the Bank (of England) to build up fresh resources for further payments." It is significant to remember that there is a large amount of credit still outstanding. Therefore more of Britain's gold is under mortgage. The policy of unrestricted export of gold from India will probably help her to redeem the mortgage. It is no use the Finance Member protesting that his policy is all straight and sound, when there is such overwhelming evidence that it has been far too much influenced by extra-Indian considerations.

The Finance Member asks, "Why, therefore, should the people of India be deprived of the right to exercise their own judgment in this matter of sale of their gold?" Coming as it does from the Government of India I am struck by the irony of it. Their pose of respect for our judgment would be amusing if it were not so hurtful. The question of private inconvenience is, as you will see, answered in effect by the suggestion of the Government purchases. But before we proceed to it which will take us to the second part of the resolution, let me deal in brief with Sir George's argument that embargo on gold is in other countries part of the scheme of exchange control. I venture to suggest that this circumstance tends to strengthen our case. For it shows, if anything, that in these countries the currency system as such is sound, and what is required is the steadying of exchange by regulation of the balance of payments. But here we want the gold to set the monetary system on its legs; and the practice of foreign countries where it is different from what we demand has no application here. The case of Britain is different as in matters of currency and exchange there is little or no recalculance shown to the moral authority of the Bank of England. Besides, Sir George Schuster left out one important particular. He did not tell us whether in the balance England lost or gained gold. England could afford to allow freedom of sale or even export of gold because on the whole she was receiving infinitely more gold than she was shipping out. In such circumstances nobody would want to put an embargo. But in India conditions are just the opposite. We are merely exporting gold. There is no stream of it coming into this country. If Sir George Schuster can bring about the same happy conditions as in England we can assure him that we will not ask him to impose any embargo.

As regards the second part of the resolution, the insistence on the standpoint of the monetary reconstruction of the future makes it necessary that the Government should buy all the gold that is available. As this should not involve any injustice to the individual holder of gold and as he is entitled to get what the foreign importer would offer him, we rightly insist on the rate being fixed on the real gold value of the rupee. This implies that so long as the link to sterling remains, the sterling dollar cross rate is the working

measure of the gold value of the rupee. And if the link is abandoned as the Federation recommends in another resolution, it is not difficult to devise formula for ascertaining the value of the rupee in gold. Against this the official objection is that there is an element of risk of speculation in these purchases of gold. I shall not try to prove that there is no risk; but I will say that if the value of the rupee is not stabilised in the future at a considerably higher level than at the time of the purchase of gold, then there is no risk of any serious loss. This raises again the old familiar question of playing pranks with the purchasing power of the unit of currency. And if we make up our mind against this, much of the speculative element in the purchase of gold will be eliminated. More than all the Federation is entitled to demand that in the interest of the future monetary reconstruction, the risks which are inseparable from transactions of this kind in an abnormal time should be undertaken by the State. The possible losses will be more than outweighed by the certain gains that will flow from the establishment of a sound currency. It is only lack of interest in the permanent welfare of India that induces men to imagine difficulties that are not present and to exaggerate such as do remain. Sir George Schuster referred to the identity of the interest of the Government and the people. But this is a state of affairs which ought to be but assuredly is not and has never been till now. Even if the Government are sincere enough in their pursuit of the well-being of the people, there is, to put it mildly, the unconscious difference to the interest of Great Britain which is now admittedly in a sore plight.

Gentlemen, I think I have said enough to buttress our standpoint with concrete arguments. As I have said at the outset it is difficult for any one who realises the enormity of the damage that is being done, much of it being the more dangerous for its being potential, can speak without emotion. It is of course true that this is not the first time, and I hope, it will be somewhere near the last time,—when the Government have adopted a policy, and undertaken operations, on lines entirely opposed to the Indian view. But in all the history of the sins of commission and omission of which the Government are chargeable in regard to currency, monetary and fiscal matters, and which are as grave in character as they are numerous in number, the policy of *laissez faire* adopted by the Government as regards gold exports has wrought the most grievous wrong in the country and at a critical stage in its chapter of monetary reconstruction; and has at the same time exposed the *mala fides* of the authorities in the clearest fashion. To say that all this export of gold has done India good and will continue to do incalculable good to her is to add insult to injury. Honesty demands and compels the admission that India's loss has been Britain's gain; and that what time India's future hopes and plans have thus been frustrated and jeopardised England's present difficulties have been thereby most smoothly and most unexpectedly tided over. It suits England to have all this gold exported from India; else sterling would have seen lower depths than the low level of \$.25 dollars to the pound. In the eye of our administrators

the permanent interests of their country of adoption counts for nothing, compared to the monetary embarrassments of their country of birth. If the Finance Member had straightaway admitted that Imperial considerations should have precedence over India's interests, I for one would at least have admired his outspokenness. To defend the indefensible and urge in effect that everything that happens happens for India's best is a performance which has no saving grace of any kind in it.

With these words I recommend the Resolution for your acceptance.

Mr. C. S. Rangaswami : Sir, on a point of order, I think the Resolution as it is worded in the book supplied to us is not altogether consistent with the Resolution as moved.

Mr. Nalini Ranjan Sarker : I left out the words "on London-New York cross rate." I did it to make it compatible with the subsequent Resolutions. These words were omitted in the Committee to-day.

Mr. C. S. Rangaswami : May I suggest that it would be better to add "day to day ruling rate calculated on the gold value of the rupee" ?

Mr. Chunilal B. Mehta : Even if the second resolution is passed and adopted by the Government, even then the London-New York cross rate will be one of the important factors. You can say "the rate on the London-New York-Bombay exchange" and that will cover everything.

Mr. G. D. Birla : It was superfluous because it was understood.

Mr. Chunilal B. Mehta (Bombay Bullion Exchange, Bombay) : Mr. President and gentlemen, I beg to support the resolution moved by Mr. Sarker. The resolution is divided into two parts. The first part calls on the Government to put an immediate embargo on the export of gold and the second part requests Government to buy gold at the daily ruling rate in Bombay. Gentlemen, since ages India is always a buyer and importer of gold ; it is very rarely that she exports gold. The export of gold from any country is supposed to indicate the economic distress of that country. Our recent economic distress began from the time when the 18 pence gold ratio was fixed by the Government. From that time in order to maintain that exchange Government systematically contracted the currency, and kept the interest rates higher, and the result was that the commodity prices declined and declined. Consequently distress gold began to come on the market to be sold. It proved that the capacity of India to absorb new gold had come to an end and on the contrary the masses had to fall back on their ultimate reserves of gold.

This phenomenon had begun before the 21st September when India

abandoned the gold standard. Before the 21st September gold worth about 10 crores was tendered to the mint at the statutory rate of Rs. 21-3-10. Up to that time there was no complaint from any one on that score. The fixing of the buying rate for gold has one object, and that is that in times of necessity gold should function that is, Government would buy gold and issue currency against it. The legislature while passing that Act also had the same purpose. There was no idea that the gold should be allowed to leave the country. But since 21st September when India abandoned the gold standard, gold began to leave the country and our complaint began. However Government took no steps to arrest this export and to acquire gold. H. E. the Viceroy in his speech before the legislature in January last and Sir George Schuster in his budget speech, both of them have extolled the advantages of gold exports from India. One of the arguments that was brought forward was that these exports enabled them to meet their sterling liabilities of £15 millions. They had met these liabilities, but from where? Not from any surplus revenue from India, neither did they float any loan to meet this. They met it only out of the expansion of currency and not from any revenues or surplus. To pay off a debt by expansion of currency is nothing much to be proud of as Government does take pride. Had there been a Reserve Bank and had currency not been in the hands of Government, I think this position would not have arisen. But even now, after having paid off £15 millions and after having purchased a further £20 millions to strengthen the home treasury balances, will Government put now an immediate embargo on further exports of gold? That is what we want still. One of the arguments of Sir George Schuster was that in buying gold there is a speculative risk. I would say that as long as sterling is not stabilised and sterling is fluctuating, there is an equal risk in buying sterling as in buying gold. When there is that risk in both, the proper thing to do is to take the lesser risk and that is to buy gold. With gold we can buy anything, any amount of sterling but it is difficult or it may be difficult if we can buy gold with sterling. If Government buy gold it would help the Indian currency and it will bring confidence in the Indian currency and it would also help in the monetary reconstruction of India. That Government who undertook to accept huge actual losses in silver sales are now hesitating to undertake a possible risk of loss in acquiring gold, is a strange phenomenon. It seems that the Government have no desire to buy gold. Of course the question of risk is only a secondary question. Further looking to the present conditions it is easy to buy sterling but it is difficult to get gold for purposes of imports into India even if India so wanted. I would not be surprised if the Government of India would put an embargo on the import of gold in case internal gold prices came to import parity prices and India begins to import gold. One of the arguments brought forward by Sir George Schuster was that the Government of India could not afford to buy and hold all the gold that is offered for sale, because of their external obligations. Gentlemen, Government did not buy one ounce of gold: they did not even begin to buy. Had they begun to buy and had they bought a huge amount,

then if they said that, it would be something. But without buying a single ounce of gold they come and say they cannot buy gold and that is not at all consistent. After all, all this gold has been financed by expansion of currency. If sterling can be bought by expansion of currency, why cannot gold be bought similarly? If sterling can be held by an expansion of currency, why should not gold be bought and held in India?

Another point brought forward by Sir George Schuster was that we have proper proportion of gold in reserve. It was a little strange. The latest statement of the Paper Currency Department says that we have 180 crores in notes, and against that our gold reserves are only 5 crores which gives a percentage of less than 3 per cent of the notes issued. I do not know what is the proper proportion fixed for in the Paper Currency Reserve. If it is less than 3 per cent then I have nothing to say; but if it requires more than that percentage, we can say that the proper proportion is not there.

Sir George Schuster has said further that there are no restrictions on gold exports in other countries and he has specified five countries, South Africa, France, Holland, Belgium and the United States. I want to remind him that those countries are on gold standard. When they are on gold standard it is not necessary to put any restriction on exports of gold. This comparison of India which is off the gold standard with countries which are on gold standard is not fair and cannot stand. There is an erroneous impression in the minds of foreigners that in India there is a huge amount of stocks of gold. Some British papers estimate the stock of gold in India at 700 million pounds or about Rs. 930 crores. I would challenge such a figure. In 1920, Mr. Findlay Shirras had estimated the imports of gold into India up to that time at £372 millions, which comes to about 496 crores. Since then in the subsequent eleven years gold imports into India came to about 195 crores, thus giving a total import figure of about 700 crores; but these are import figures and not stock figures. The invisible exports of gold have not been taken into account at all. Every year and continually a large amount of gold is being taken away by the merchant traders by land frontiers across to Afghanistan, Persia and Arabia and all these adjacent countries. Nobody has taken any note of it and there is no data to find out this amount as to how much gold has gone out of the country by these routes. Further we are employing a large amount of gold in arts and industries. Taking all these into consideration, it must come to a substantial amount, and as such the impression that there is a huge stock of gold in India is highly exaggerated.

The continued exports of gold from India will certainly delay the monetary reconstruction in our country. Although several countries have given up gold standard, still gold continues to be the ultimate measure of value internal and external and everywhere; and all those countries which have abandoned the gold standard will soon revert to it. I will say that even

the Government of India will ultimately have to do so. Whatever technical name may be given to the future monetary standard in different parts of the world, gold will certainly play a very important part in all future reconstruction of the monetary structure wherever it be, in India or any other part of the world. As such a greater proportion of gold reserves is necessary in India for effective functioning of the gold standard. A fully managed currency in India to my mind would be a dangerous thing. We should have in this way a large stock of gold in India for our currency reserve purposes. In April 1927 in our Paper Currency Reserve there was gold in India worth 29 crores and since then gold worth about 10 crores was tendered to the currency authorities by the public as distress gold; and now the latest statement says that the gold is only 5 crores. We have thus lost 34 crores of gold in India, over and above the sterling securities which we had in England. A very good opportunity has been offered now to Government to acquire gold and that also in India at cheaper parity price than the world gold prices. It would be asked that when Government puts an embargo on the export of gold how can the public dispose of their gold? A reply has been given to that in the second part of the resolution: that is, that Government should buy gold on the basis of the daily New York-London-Bombay cross rate or whatever may be the ruling rates. Government buying of gold in India is not a new feature. Government have been buying gold always, and that at varying rates during the past years. We have also changed the ratio so many times and the buying rates have automatically changed. At 16d. the buying rate was different; at 24d. the buying rate was different; and at 18d. the buying rate was different. Now, why should there not be buying by the Government at varying rates? The 18d. ratio has gone and the rupee has been attached to a fluctuating sterling; yet Government do not want to buy gold at fluctuating rates. Government's contention is that it would be difficult to buy gold at varying rates. But Government have sold gold by tenders and also have got gold at varying rates. Even at present the Government is buying sterling exchange at varying rates. In Britain to-day Government or the Bank of England are buying gold exchanges at day to day fluctuating rates. The buying rate of Rs. 21-3-10 in India and £4-4-11½ in England has gone at least for the present, if not for ever. Now, if those rates have gone, why should not the Government stick to this, that they will buy only at a fixed rate and not at fluctuating rates? The so-called losses in buying gold at different rates is after all a paper adjustment. The rate of Rs. 21-3-10 is their own creation. If they change the ratio again, the rate would be changed. Therefore these gold exports should be immediately prohibited and Government should buy gold.

With these few words I support the resolution moved by Mr. Sarker.

Mr. Hoshang N. E. Dinshaw (Buyers and Shippers Chamber, Karachi) in supporting the Resolution said:—

Gentlemen,—I rise to support the Resolution that has been so ably moved and seconded by my worthy friends here who have spoken previous to me, and they have spoken so well that they have left very few words for me to say. But I shall dwell upon only one or two points of the speech made by the Finance Member in the Legislative Assembly during his budget speech. One of the points he enunciated was that the policy of gold hoarding was a folly—I do not know if he added the word 'criminal'—but I distinctly remember he added the word folly. He condemns as a piece of criminal folly to hoard gold or permit it to remain dormant. I agree provided such gold is immobilised and remains sterilised in private possession and individual ownership, but in the hands of a State or a Government it is the security on which depends the credit structure of the country. That is why you witness the extreme reluctance of any of the great central or national banks of various countries to part with the possession of this precious metal. France has been constantly carrying on her policy of accumulation of gold till to-day, the Bank of France has got over 600 million worth of gold. It is a well-known fact that there rests in the vaults of the Federal Bank of the United States of America huge stocks of this precious metal variously estimated at 2,000 million sterling. If we add the gold stocks of all the National Banks of these 3 great powers together we find they hold something like 60 per cent of the available gold supply of the world, and these are the people who range themselves opposite to the views denounced by the Finance Member. Surely there is something wrong somewhere, and I leave you to decide for yourselves as to who is right. But apart from this the peculiar character of hoarding would have been fundamentally changed if the Finance Member had bought this gold for the Government of India and retained it for the Treasury in consolidation as well as further integrity of the metallic portion of the Paper Currency Reserve. Let us see what is the actual state of affairs. I will analyse the assets of the Paper Currency Reserve before the Controller started his ruthless policy of deflation through the series of years upto this month :—

	In March.	1926	1929	1930	1931	1932
Silver coin	77.25	94.27	105.44	115.00	102.00
Silver Bullion	7.00	4.74	2.16	6.00	8.00
Gold	22.00	32.00	32.00	23.00	5.00
Note Circulation	..	193.24	191.54	181.71	158.30	180.71

You will observe that against the palmy days of 1929-30 when Paper Currency boasted of gold of 32 crores in its vaults she can only show 5 crores to-day. You naturally will ask what has happened to the balance ; it has been exported from time to time to bolstering up to 1-6 exchange the legacy of his predecessor Basil Blackett. I have shown earlier how India has lost over 150 crores of gold in the hopeless exchange muddles and the loss of 28 crores formed the part of it. The Finance Member therefore must have at least 30 crores gold to bring up the gold portion of the Paper Currency,

though I must sound a note of warning that the gold backing of our currency to-day is weaker than 1914 and taking the note circulation it is weaker than as far back as 1901 when silver enjoyed a place next to gold and its price as compared to that of gold was not so disproportionately out as it is to-day, despite this we find it holding a very high place in the constitution of P. C. Reserve and I leave you gentlemen to ponder over its implication. We have always been incessantly clamouring for a Reserve Bank. When are we going to have it, so that we may know exactly how the credit arrangements of this country are being managed. For that you must have a nucleus of 30 crores worth of gold. Mr. Brayne indicated in the Council of State it would require a minimum stock of about 30 crores compared with a 150 million which the Bank of England has been sedulously maintaining, this 30 crores looks grossly under-estimated but granting this figure the Government of India to-day are 60 crores worth of gold short in their reserves, and here we find a heaven-sent opportunity not only neglected but actually thrown away for recruiting the depleted yellow metal portion of the Government Treasury. You want at least 65 crores worth of gold to be in the country. Here is an opportunity full of potentialities. The rupee having performed the potential function of saving British credit which was at one time in great peril, the rupee having helped the economic reconstruction and convalescence of the world at large, I say now is the time for the Finance Member to revise his policy and recast it on a new orientation. He has the good of India at his heart as witnessed by his generous impulse when he delinked the rupee from the sterling last year when England went off the gold standard, but was promptly held up by high authorities and re-echoed the policy of the Secretary of State for India relinking rupee to sterling. It is not yet too late to repair the damage done, and I would suggest the Federation to pass this Resolution urging upon the Governor-General in Council and the Members of the Legislature to control if not entirely to prohibit the export of gold and to take immediate steps for acquiring the 60 crores of rupees worth of gold which is lacking in the Indian Treasury. With these words, I commend this Resolution for your acceptance.

Mr. B. S. Dabke (Maharashtra Chamber of Commerce Bombay),
in supporting the Resolution said:—

Mr. President and Gentlemen,—I rise to support the resolution and while doing so, I propose mainly to confine myself to some aspects of this question and to try to reply to the points raised by the Hon'ble the Finance Member in his speech while introducing, in the Legislative Assembly, the Budget proposals for 1933-33.

In para. 68 of his Budget speech the Hon'ble Sir George Schuster admitted that India is not entirely on a par with a modern Western country. Except in a few large towns there is no fully developed money market or credit machinery. In the vast areas of the country-side the organization is still

on ancient lines and the possibilities of variation in the absorption of currency are comparatively large. In other words, the people in India, unlike those in the advanced Western countries, have perforce to use metallic currency and also gold and gold ornaments and jewellery as a store of value. There are, therefore, it will be seen, really no gold hoards which can be sold away for profits.

From what I will add you will find that it is not easy to follow the Hon'ble the Finance Member, when he says that our gold holding has largely increased in the current year. In the Paper currency reserve gold held against Note circulation was on 31st March 1929, 1930 and 1931 and on 29th February 1932 as under:—

GOLD.

31st March 1929	..	..	..	32,22,00,000
31st March 1930	..	..	..	32,27,00,000
31st March 1931	..	..	..	25,84,00,000
29th February 1932	..	..	..	4,91,84,063

The Gold Standard Reserve on 31st January 1932 contains £40 millions, out of which over £20 millions are in gold (over 27 millions in India and 2 millions in England) and about £11 millions are in Sterling Securities in London. But as sterling is divorced from gold, the Securities held in the Gold Standard Reserve are not equivalent to gold and they are depreciated considerably. Thus it will be seen that our gold holding is materially reduced more than what it was on the 31st March 1931.

India has neither to pay war debts like the Allied and Associated powers nor Reparations like Germany. India usually not only pays interest and debts by means of her exports but she is always in a position to draw gold from foreign countries by the surplus of her exports. The present gold exports are not going for settling her foreign obligations except for a small amount and hence they are not justified. These gold exports are a dead loss to the country when the need of their retention in the country is clear as she has to start a Reserve Bank. There is the least possibility of her getting a gold loan or gold credit, if she wants to raise one from any foreign nation on a Gold standard, much less from England, which has now gone off the Gold standard.

It is never said that a country ought never to part with its gold. There is a clear fallacy in saying this, and a reference to a gold producing country like South Africa, is not quite suitable in the circumstances. The case of that country is not identical with that of India. South Africa produces gold as a commodity and that too beyond all her conceivable requirements, and as such she has to sell it. After satisfying the needs of the Government as well as of the people, as a store of value, the extra and superfluous quantity

of gold produced from the mines is exported as a commodity whereas in case of India it is going out as distress gold.

As long as the world has not found some means by better international arrangement for the better use of the available monetary stocks of gold for reducing the real value of gold as expressed in terms of commodities, or has not abandoned gold altogether as the basis of international payment, why a poor country like India that has gradually earned and accumulated her gold stocks during the last thirty years, should be made willy-nilly to part with her gold stock alone among all the rich and advanced nations of the world, at a time when, (as Sir George Schuster has said, we have hardly emerged from) what Mr. McKenna in a recent speech has called a state of "cataclysmic instability." In other words we are still in midstream and the old adage says "do not change horses in the mid-stream."

It has been urged that Government should buy gold from the people at the market rate, whatever it is, and use this opportunity to build up sufficient reserve for early starting the Reserve Bank. To this the Hon'ble the Finance Member replies that it would be a pure speculation to buy gold now for the Government, as the currency is divorced from gold. To this it may be replied that it was the Government who divorced currency from gold on their own initiative. They did not even care to consult the Legislative Assembly although it was then in session. Therefore, they cannot now use this as an argument. Even now it is considered problematical by some that whether there was any necessity for this country to go off the gold standard. But supposing that the step was a desirable one then the Government ought not to have repealed the Gold Ordinance No. 6 of 1931 and forced on the country at the dictation of the Secretary of State for India the sale of Sterling Ordinance No. 7 of 1931.

The Government could not, we are told, afford to buy and hold all the gold which is now being offered, for it has its own external obligations. But India's external obligations, it may be said, are restricted to England alone. The promise of financial help made by the premier last July, through the British Parliament and paraded every now and then in the Legislative Assembly should have been utilised for the purchase of the gold offered for sale. Of what use is a promise, if it can never be fulfilled ?

We are told that we are indirectly acquiring Sterling Securities against the gold exports so far as the proceeds are not required to meet the balance of payments due on private account, and that as far as our financial position permits of it we shall use these securities to increase our currency reserves. But the Sterling Securities that are acquired against the gold exports are utilised for remittances to the Secretary of State, and for repaying loans, and are not ear-marked for increasing our currency reserves that would have at least served as a silver lining to the black cloud of the exports of gold.

During the last year alone, no less than £ 23 millions were withdrawn from the Paper Currency Reserve—partly for the Secretary of State and partly for maintaining 18d. ratio. It is, therefore, necessary that the surplus remittance,—which stands now at about £ 15 million—should be devoted to replenishing the Paper Currency Reserve.

The Finance Member observed that “Fortunately we have no need to impose any control over exchange operations in India to-day. I say, fortunately because nothing is more damaging to commerce than that.” The least said of this is better. The spokesman of the Government of India that have promulgated the sale of Sterling Ordinance No. 7 of 1931 and thereby put restrictions on the free-play of the course of exchange and have allowed free export of gold against the unanimous opinion of the mercantile community of India, but have forbidden import of gold and silver and have linked Rupee to Sterling for reasons best known to themselves, should have hesitated to give vent to such expressions.

The Finance Member, has ridiculed what some critics of the Government of India often speak that the interests of Government are somehow different to the interests of the country in matters financial. But the unconscious admissions by important Cabinet members such as Mr. Runciman and Mr. Chamberlain that India has saved England in her hour of need, and the repeal of the Gold Ordinance No. 6 of 1931 in a summary manner at the dictation of the Secretary of State for India give ample food for thought that the authorities concerned have subordinated the interests of Delhi to those of White Hall.

With these remarks, I commend the Resolution for the acceptance of the House and I hope that it will be carried unanimously.

Mr. A. R. Bhat, M. Com., (Deccan Merchants' Association, Bombay) in supporting the resolution said :—

Mr. President, already four speakers have spoken on this resolution and there is very little left for me to say by way of any arguments. The mover of the Resolution as also those that followed him have shown that, although there is some technical difference between monetary gold and commodity gold, yet ultimately in national finances there cannot be any difference between hoarded gold and the gold in the reserve, because when a truly national Reserve Bank is established in this country and when the investment habit among the people is developed a good deal of the gold that is at present in the hoard is likely to move to the vaults of the Reserve Bank. They have, also, shown how exports of gold from this country have been a source of strength to the depreciated sterling and how the interests of this country have been subordinated to those of Great Britain. I do not propose to say anything on these points.

There is one point however to which I should like to refer first and that is about the charge of playing a double game and inconsistency made by the Finance Member and repeated by some Anglo-Indian journals against the Indian Mercantile Associations because they made a demand for an embargo on gold exports while some Indian merchants exported gold. Sir, I must first say that all honour to Indian Merchants because although they could have made tons of profits by exporting gold, they, generally, have scrupulously avoided dealing in the same. (A Member: Question?). In spite of this, because a microscopically small section of the Indian Mercantile Community engaged in the export of gold the Finance Member has tried to ridicule the demand for an embargo on the exports of gold. He has come forward and said that some Indian Merchants' Chambers were making a demand that an embargo should be placed on the export of gold while some Indian merchants though members of these chambers were themselves exporting gold. Sir, there is nothing amazing in the demand of Indian Merchants Chambers and the action of some of the Indian Merchants. Here is, Sir, a case which every-body knows, comes within the purview of administrative action. Those conversant with politics and economics understand that whenever there is a conflict between the private interests of individual and social interests there is a clear case for legislation. Let us for instance take the question of forests. When there is no conservation of forests some members of society are sure to cut them down in spite of their utility because it pays them to do so. In order to preserve the forests the Government have made legislation. The case of gold exports is similar. In spite of the desirability of not exporting gold some merchants might have exported it because it must have suited their own individual interests. The Finance Member cannot therefore logically say that the action of some of the Indian Merchants who exported gold justified his policy of "Laissez Faire" in the matter of gold exports. By not placing an embargo on gold exports he is showing his ignorance about the principles of politics. Perhaps such ignorance suits the convenience of many a British administrator in this country.

So far as the Indian Merchants that exported gold are concerned I may say that they do not deserve to be blamed or ridiculed because while the British Exchange Banks which are at present exporting gold are taking away all the profits to their own country the profits which a few Indian merchants might have made on the export of gold have remained in the country.

Then, Sir, I should like to refer to the remarks which were made by Mr. Brayne, the Finance Secretary of the Government of India, in the Council of State. Only the other day, when a similar resolution was moved in the Council of State urging the Government to put restrictions on the exports of gold and to purchase gold in the open market with a view to conserve the gold resources of the country, Mr. Brayne, while opposing it, is reported to have said that as and when the Reserve Bank would come into existence it

would be on the model which was proposed by Sir Basil Blackett, that India had sufficient gold bullion reserve as required under the scheme, and that what was wanted was more sterling. Sir, Mr. Brayne has made rather a misleading statement. As is wellknown Sir Basil Blackett's scheme of Reserve Bank was based on the proposals contained in the Young Commission's Report. That Commission laid down that as a security against the liabilities of the Issue Department of the Bank there should be at least 40 per cent reserve in gold and gold securities. Mr. Brayne says that India has got sufficient gold reserve. There is at present gold worth 39 crores of rupees in the Gold Standard Reserve and worth Rs. 5 crores in the Paper Currency Reserve. Is this Gold Reserve sufficient? If Mr. Brayne had read correctly the definition of "gold securities" laid down by the Young Commission he would not have made the bold statement that the Government had sufficient gold. It seems he has not followed the definition of "gold securities" laid down by the Young Commission. The Commission has laid down that for the purpose of the Reserve Bank gold securities are those securities the capital and interest of which shall be payable in a Currency which will be changeable into gold on demand and exportable in that form. I think Mr. Brayne should not require any further elucidation of that definition. Since there has been a divorce of sterling from Gold, sterling securities cannot form part of the gold reserve to be maintained against the liabilities of the Issue Department of the Bank. If the Reserve Bank is to be formed today the liabilities of the Issue Department would be about Rs. 180 crores being the amount of notes in circulation plus Rs. 50 crores to be provided for against the outstanding rupees as per recommendations of the Young Commission and 40 per cent of these liabilities comes to Rs. 92 crores and that is the very minimum gold reserve that would have to be maintained. For the Bank to function, however, a larger reserve will have to be kept. The Reserve Bank therefore must have a gold reserve to the extent of at least about 100 crores. As the Government to-day have only Rs. 44 crores they must come into the open market and purchase more gold bullion worth at least about Rs. 56 crores and not sterling securities as Mr. Brayne has said. I am sure so long as the distress gold is coming to the market—thanks to the present system of administration—the Government will be in a position to strengthen the gold reserves of the country so much so that they will not only have sufficient gold to start the Reserve Bank but also to meet their external liabilities if need be. Sir, they ought to have begun purchasing gold in the open market long long ago. Although it is late enough it is not yet too late to right the past wrong. Let them come forward, put an embargo on gold exports and purchase gold as demanded both by the Indian Mercantile Community and the public. Sir, if they do not do it they will have only furnished one more substantial proof of the charge levelled against them that they are callous to the economic interests of India. Sir, with these words, I support the resolution. (Applause.)

The Resolution was unanimously adopted.

The Chairman : We will come to Resolution No. 2 on exchange policy later on, probably to-morrow.

PUBLIC DEBT OF INDIA.

The Chairman : I beg to move —

“The Federation strongly recommends to the Government of India the appointment of a Tribunal for an impartial and thorough investigation into the financial obligations between Great Britain and India.”

Mr. A. D. Shroff : I beg to move a slight amendment, namely, to substitute the words “His Majesty’s Government” for the words “Government of India,” because it is a question between India and Great Britain and naturally we must recommend to His Majesty’s Government and not to the Government of India.

Mr. B. Das : I do not agree with my friend Mr. Shroff. This is a new innovation. We have never recommended to His Majesty’s Government; we have always asked the Government of India to carry out the intentions of this Federation. It is a new change in our outlook. I do not want that a resolution which has been sent by member bodies and approved by the Committee should be tampered with.

Mr. A. D. Shroff : Then may I suggest the words—Sir Purshotamdas Thakurdas has as a matter of fact suggested them to me—“to press for” to be inserted before the word “appointment” ? That will meet Mr. Das’s objection.

The House agreed to the amendment.

The following resolution, as amended by inserting the words “to press for” before the word “appointment,” was unanimously adopted.

“The Federation strongly recommends to the Government of India to press for the appointment of a Tribunal for an impartial and thorough investigation into the financial obligations between Great Britain and India.”

AVIATION.

Mr. Gaganvihari L. Mehta (Indian Chamber of Commerce, Calcutta) :
I beg to move :

“That this Federation is of opinion that in any scheme for the development of civil aviation in this country, the Government will strictly adhere to the conditions laid down by them about reserving a substantial majority—75

per cent—of share capital and directorate for Indians and of affording training and employment to Indians in all branches of its works and will not relax these conditions on any account."

The resolution is self-explanatory, and I do not think it needs many words from me for your acceptance.

So far as aviation for internal communications is concerned, the Central Legislature have approved and the Government of India have adopted the principle of reserving the majority of share capital and directorate for Indians and of affording training facilities and employment to Indians in all branches of its works. These conditions are not only in accordance with the aim underlying the general policy of discriminating protection laid down by the Government of India as an outcome of the Fiscal Commission, but have the sanction of the External Capital Committee which definitely recommended the imposition of specific stipulations for safeguarding Indian interests whenever pecuniary assistance in the shape of bounties or subsidies is granted by the Government.

Trade conditions and the financial position of the Government have compelled the Government of India to slacken the pace of the programme of civil aviation. The Associated Chambers of Commerce have become critical towards this delay and at their last annual session in Calcutta in December, they passed a resolution deploring the slow progress made in the development of civil aviation particularly on the trans-Atlantic route and urging immediate steps towards the inauguration of an air mail service between Karachi and Bombay. With a view to hasten this progress, the resolution further suggested that pending any other air facilities, arrangements should be made by Government with any available service for the conveyance of air mails between India and Burma so as to ensure service. The Associated Chambers, it appears, are in favour of political separation between Burma and India, but closer aerial and commercial contact and relationship. (Laughter.)

It is well known that civil aviation is no mere commercial proposition. There is in this question a preponderant element of imperial politics. Air transport constitutes an invaluable link in empire communications, and it is for this reason that it is being subsidised and encouraged by the various Governments in the Empire, and its rapid development is being demanded by our friends who think imperially. Fortunately, they have at the head of the Government a Secretary of State for India who is an expert in airways and one of whose claims to the India Office rested on the fact that he flew to India in an aeroplane. (Laughter). He has always had ambitious schemes for covering the Empire with air service. It is possible therefore that he might be sympathetic to the proposals for a speedy development of civil aviation propounded and urged by our friends. And we have no doubt

that he would soon make caravans fly while the dogs are locked up.
(Laughter.)

It might be argued that the scheme suggested by the Associated Chambers is only a temporary expedient pending the emergence of permanent facilities. But temporary devices have a knack of becoming permanent in this country. We are still in the period of transition in which we were placed by Mr. Montagu. Moreover, let us not forget that if ever there was a key industry civil aviation is one. Commercial air fleets are an auxiliary to military aircraft, and would serve as reserve in periods of emergency. That is the principal reason why Governments all over the world are subsidising civil aviation. Secondly, let us remember, once a non-Indian enterprise of this kind is established, it will be very difficult to regulate its conduct subsequently for the safeguarding of national interests. The case of paper mill industry is apposite in this connection. Sir George Rainy, it will be remembered, refused to impose any stipulations about Indianisation on the existing paper mills on the ground that they had already enjoyed protection and conditions may only be laid down in the case of new industries to which protection is given.

Before I conclude, I would draw your attention to two points on this question. The main purpose of the resolution is that the controlling interest should be in the hands of Indians. It lays down conditions about share capital and directorate. If there is any managing agency, the controlling interest should be in the hands of Indians and if there is a managing director he should be an Indian. Secondly, regarding the training and employment of Indians, it implies that training facilities should be provided to Indians, and there should be immediate employment of trained Indians. Lastly, I would say that the General Purposes Sub-Committee of the Retrenchment Advisory Committee was also of this opinion. The conditions upon which the Sub-Committee has unanimously agreed to propose that the contemplated State Air Service should be held in abeyance are that no non-Indian commercial concern should be allowed to be started as the Indian link in an east and west through air run. The Sub-Committee is generally of the view that it is unlikely that the Government of India in the present financial circumstances throughout the world, will be faced at any early date with the alternative of either instituting or having to accept the establishment of a non-Indian controlled service.

But this is the most important part of their recommendation : "Should however such an issue arise at any stage, the Sub-Committee recommends that the Government of India should unhesitatingly adopt the former course and proceed with the institution of a State Air Service." Not merely satisfied with that, they even laid down certain retaliatory measures which the Government could and should adopt. They said ;

"But against pressure and threats from any powerful non-Indian commercial interest, the Sub-Committee considers that the Government of India, at the limit of withdrawing all their ground organisation and meteorological facilities (the latter up to the borders of Persia) are not without effective weapons."

With these words I commend this Resolution to the acceptance of the House.

Lt. Sardar P. S. Sodhbans (Indian Chamber of Commerce, Lahore):

I have been asked to second the Resolution. Had I known that I was to second this Resolution I would have collected the necessary material. I am therefore handicapped but still I have to say something on this Resolution. I have got some recent experience of how civil aviation is encouraged by the Government of India. The Government of India is granting subsidies to the various aero clubs in India, so that airmindedness may be created amongst the people of India. No doubt this has helped our young men to learn aviation in different parts of the country but the difficulty has recently arisen with regard to those young men who considered that civil aviation is going to be an important vocation of life and therefore they went to foreign countries to learn ground engineering and pilot and instructor course. In the Punjab I had a chance of acting as a Secretary of the Aero Club and there we employed an European pilot instructor and an European ground engineer and by chance they resigned. We employed Indians and they were not recognised by the Director of Civil Aviation, not on account of the fact that they were Indians but on account of the fact that they did not possess sufficient knowledge and experience as required by the Government. These young men went to England. They got their qualification as pilots and instructors and they got certificates from the air ministry but as soon as they landed in India, they were not considered qualified to train young men in India. It was in reality a great trouble for them because they incurred heavy expense. They went to foreign countries and when they came back they did not get employment. This happened in many cases where Indians after receiving training have not been able to get any appointment and even when they got appointments, it was only as subordinates. No doubt in civil aviation we have got to employ very efficient men because the lives of those who fly are entrusted to them but the difficulty is how to train these young men who are considered to have insufficient training. At the recent conference of the aero clubs of India, I pointed out to the Director of Civil Aviation and others that it would be a great hardship to these young men who had been to England, got their training and came back and then to go to England for further training. They did not agree to their being trained in any of the clubs in India, because I was in a hopeless minority. This is the trouble of our young men. They are unable to get employment. All the same that is a handicap on one side. On the other hand I

find that those young men who were considered to have received good training were being offered employment. Recently a young man named Mr. Gurdial Singh has been employed as an Inspector of Civil Aerodromes and there are two or three other young men who are receiving training in England. I do not know what is going to be their fate. Unless our young men, who receive training in all branches and get certificates from the Air Ministry, are appointed, there will naturally be discontent not only among these young men but among their parents also who spent thousands and thousands of rupees on their education. As regards 75 per cent of the share capital, I have nothing to say because Mr. Mehta has already dealt with that subject sufficiently well. I have therefore much pleasure in supporting this Resolution.

The Resolution was then put to the vote and declared carried.

ROADS.

Mr. M. L. Dahanukar (Maharashtra Chamber of Commerce, Bombay) :

• I rise to move the Resolution on Roads. It reads as follows :—

“The Federation is of opinion that the Government of India in allotting funds out of the receipts of petrol tax for construction of roads to Provincial Road Boards should issue definite instructions to the Boards for constructing only cement concrete roads wherever needed in the country in preference to asphalt road even at some higher cost as construction of cement roads would give an impetus to indigenous industries, stimulate transport and increase employment in the country.”

You will find slight verbal changes in the wording of the Resolution. I have changed ‘slightly’ into ‘some’ and for ‘an indigenous industry’ I have substituted ‘indigenous industries’. Although little research work is so far done in this country with regard to road, ‘road surfaces’ experience of other countries will be useful to this country in coming to a decision on such a vital aspect of the problem of road construction. This question has to-day assumed an importance which it did not possess before due to the heavy increase in vehicular, especially, the automobile traffic and also due to the great impetus the same has given to the movement of men and goods all over the country, opening up in some cases tracts which were hitherto far removed from populated areas. It can be said that the automobile has produced a veritable revolution in transport and its effects have already begun to be apparent. It looks as if it has thrown a challenge to the Railways the world over. Anyway it has brought to the forefront the question of road surface, the problem of a smooth, strong, durable and economic road surface. It may be said that this problem was only recently solved after the development of cement concrete as a road surfacing material.

* Not corrected.

I need not emphasise the very great necessity of the authorities concerned taking the right decision in the matter when the road system of this country is about to enter upon a new phase of development. It is therefore but right that an important body like this Federation should express its views on this question by means of a Resolution.

The Bates Road tests carried out in the State of Illinois in the United States of America, where the Director of the Department of Public Works and Building, the Superintendent of Highways, and the Chief Highway Engineer were in charge of the test has conclusively proved that the concrete road is one of the best fitted to meet the requirements of the modern traffic. The Bates tests have proved the strength of the concrete roads. That these have been in continuous service for over 20 years proves their durability and the small cost of maintenance makes them economical. Other things being equal the strength of a road and its resistance to impact are the principal factors in its durability.

I am aware that it is said in certain quarters that the cost of cement concrete roads is a bit higher than that of the asphalted roads. I would only say in this connection that this view is controverted and that engineering opinion on this is divided. There is, however, one point which I would like to specially mention and it is this. We must look to what is the ultimate and not the initial or immediate cost. This apart I may go even a step further and say that there is an additional reason why we should have cement concrete roads in preference to asphalt roads so long as the asphalt is not an indigenous product in this country, in that we can thereby keep almost all the money spent on roads in the country itself, a thing which is from every point of view desirable. What is observed with regard to cement roads by so eminent an authority as Nawab Karmat Jung Bahadur, Chief Engineer, H. E. H. the Nizam's dominions with regard to Hyderabad State is to my mind equally true of the rest of India. It will mean encouragement not only to the Indian cement industry but it will mean more traffic for our railways, a consideration by no means to be ignored and it means also an employment for engineers and others at a time when Government, their Public Works Department and the Railways have all cut down the constructional programme on account of financial stringency. I may mention that every ton of cement used means a demand for half a ton of coal for its manufacture and a demand of 20 bags to pack it and this is bound to have some healthy effect on the coal and jute industries. It may be also pointed out that cement concrete roads can be designed to meet the exigencies of almost any climatic conditions and they have withstood a large range of temperature in the United States of America and Canada. Rain and frost have no injurious effect and unlike the asphalt roads they do not become slippery in the rains or hot in the summer. It will also be interesting to know that cement concrete construction of roads is gradually increasing in America, England and Germany and it is attracting attention elsewhere. The United

States and Britain respectively have approximately 112,000 miles and 3,000 miles of cement concrete roads out of the total mileage of 140,000 and 120,000 of metalled roads. Germany has planned some 1,000 kilometres in the year 1930 and as time passes on there is reason to believe that these will increase.

It is I should think only fair, in view of what I have said so far, that the authorities concerned should see that only cement concrete roads are made wherever even better roads or better road-surfaces are needed and the money which has been contributed by the petrol consumers should be spent on the produce of an indigenous industry.

With these words, gentlemen, I commend my proposition for your unanimous acceptance.

Mr. Anandji Haridas (Indian Chamber of Commerce, Calcutta) :

* Mr. Chairman and gentlemen, the need for the development of road transport and the important part that road transport is going to play in the future economic development of the country is apparent to every student of economics. But if we are going to have a great development of roads in the country, we must certainly also see that the money spent on road development remains as far as possible in the country to confer further benefits on the people. The proposition placed before this house by my friend, Mr. Dahanukar, is really one which will meet with the acceptance of all sections of the community. As in other matters so in the matter of the development of roads, we have been blindly following the practice of other countries. We import heavy quantities of asphalt without considering the requirements of the country and the capacity of the country to spend so much money. I am not, Sir, opposed to imports *qua* imports, but when imports mean substituting something which could be had in the country, it is certainly a wrong done to the country, and steps must be taken to put it right as quickly as possible. I should have liked to have this resolution amplified a bit so that the Federation could draw the attention of municipalities and local bodies in India also to the need of giving preference to cement concrete or other indigenous articles in place of asphalt. Asphalt is not suitable to the requirements of the country, as many of us must have noticed, in the hot weather. Sometimes, when the heat is very great, as we all know, asphalt gets very sticky and animals find it very hard to draw heavy loads on asphalt surfaces. Therefore, if the use of asphalt is diminished and asphalt is replaced by cement concrete or stone sets, it will certainly mean a benefit to the country; and at the same time it will be advantageous to the public using the roads. With these words, Sir, I commend the resolution to the acceptance of the House.

Mr. P. C. Coomar (Bengal National Chamber of Commerce, Calcutta) :

* Not corrected.

Sir, while cordially supporting the resolution moved, I may also point out that the percentage of cost of asphalt is very little in comparison with cement concrete, and that the life of a cement-concrete road is much longer. Also a cement concrete road will give much better facilities to motor services. By reducing expenses, that will also help the motor industry as well as give a chance to the public for pressing for the reduction of the railway rates. The money coming out of the motor men, that is the petrol tax, should of course be utilised to the advantage of the motor industry. Such advantage will be very little if we take to the asphalt road in comparison with the cement-concrete road ; also, I may point out, motor traffic on the asphalt road is impeded as compared with the cement road and the asphalt road soon becomes much worse than the cement road. With these words, I support the resolution.

Lieutenant Sardar Prem Singh Sodhbans (Indian Chamber of Commerce, Lahore) :

Mr. President, By way of an amendment, I want "cement concrete as well as coal tar produced in India" to be inserted, because in the Punjab we are not having asphalt but coal tar for all the roads. Therefore I would recommend that the words "coal tar" may be used in addition to "cement concrete". If the addition of "coal tar" does not commend itself to the House, then I oppose the resolution.

The Chairman : As regards the inclusion of coal tar, Sardar Sodhbans can send in a resolution suggesting to the Executive Committee the adoption of his proposal and the Executive Committee will then go into it and do the needful on the merits of the case. But to include this as an amendment at this stage would be difficult. Our convention has been, particularly in the case of those resolutions that have been suggested by various Chambers, not to make any amendments therein, except verbal changes that might improve the wording as we have had some amendments of this nature to deal with to-day. The whole idea here has been not to exclude any indigenous material. The underlying principle is that the proceeds of the petrol tax should be spent on making roads of macadam or of cement or of some other material of local produce. If Sardar Sodhbans wants to make a special mention of coal tar, he might make that suggestion to the Executive Committee and the latter, after going into the merits of the question, will do all that they can to help him.

The resolution was put to vote and carried unanimously.

Mr. Fakirjee Cowasjee : May I suggest that this resolution with the contents of the speeches made may be sent to all the municipalities in India and also to district boards, as it is a vital question.

PORT TRUST BOARDS.

The Chairman: We come now to resolution No. 6 relating to Port Trust Boards.

"In view of the constitutional handicap of the Indian members of the various Port Trusts who are helpless against the overwhelming number of their European colleagues in any important decision regarding the control of affairs of these quasi-public institutions, such as may be considered imperative by them in the interest of sound and efficient management and on which public opinion especially of the Indian sections of the commercial community is insistent, the Federation desires to impress upon Government the imperative necessity of immediately revising the constitutions of Port Trusts of the various major ports of India, their powers and functions with a view to secure predominant representation and control to Indian interests in all such bodies. The Federation further strongly urges upon Government to appoint only Indians in the posts of Chairman and Vice-Chairman of the various Port Trusts whenever vacancies occur in the future."

MEASUREMENT OF CARGO AT PORTS.

Mr. S. H. Lulla (Karachi Indian Merchants' Association):

Mr. President and gentlemen, the resolution which I have the privilege to commend to the acceptance of this meeting runs as follows:—

The Federation strongly protests against the attitude of certain Steamship Companies which grant monopoly to single institution at every port in the matter of control of measurement of consignments, resulting in the realization of large income from the general traders and urges upon Government to appoint at all major ports a Board comprising representatives of local commercial and shipping interests for the purpose of carrying on measurement work at the minimum charges.

Since this resolution has come up for the first time before this Federation, it is perhaps necessary that I should give you a little of the genesis of the question to show why this question has become one of importance. You know that several contracts of affreightment provide that the freight shall be charged according to the space the cargo occupies. The monopoly for the measurement of the cargo is enjoyed, as a matter of fact, at all major ports by the Chambers of Commerce. In 1929 a member of the Karachi Indian Merchants Association approached the constituency I here represent for a certificate as to the measurements. The Karachi Indian Merchants Association replied that it had no arrangements for certifying these measurements. The member wished that the Association should make the necessary arrangements for the purpose. The Karachi Indian Merchants Association made

inquiries into the practice that prevailed at Bombay and Calcutta and they were informed that at each of the ports a monopoly of this was enjoyed by the respective Chambers of Commerce. Having found this, it was necessary to find some remedy for this state of things, which was obviously an evil. They therefore approached the Chamber of Commerce first. The Chamber of Commerce were told that the charges were heavy in the first instance. The Chamber, after some consideration, reduced the charge from one anna to three pice per each bale. This was not found satisfactory. The Indian Merchants Association and the Buyers and Shippers Chamber, Karachi, then combined and told the Karachi Chamber of Commerce jointly that they must have a share in the control of this business, and further that the charge, which was half an anna before the war, was more than reasonable. But the Chamber of Commerce declined to do anything in the matter. A joint committee of the two Indian Chambers at Karachi was thereupon appointed to look into the matter and that committee communicated first with various shipping companies. Amongst the shipping companies that were addressed were the Italian line, the Hansa line and Grahams. They declined to do anything in the matter, and they said that the arrangements had worked so long and were not at all unsatisfactory from their point of view and needed no alteration. The Karachi Indian Merchants Association and the Buyers and Shippers Chamber at Karachi thought however that the system certainly had worked prejudicially to the Indian trade and needed alteration. No alteration might be called for strictly from the point of view of the shipping companies who combined to maintain a monopoly of a certain thing in the Chamber of Commerce but certainly it was not acceptable to the Indian trade, and the charge levied was certainly high having regard to the narrow margin of profit that the merchants could make. When we found that they could not do anything in the matter, we felt that this was an instance where it was necessary for the Federation to intervene and bring about some redress of the grievance. It is not at all a difficult question, but the Chamber of Commerce is averse to any alteration. I shall give you certain figures as to their income at the port of Karachi from this.

In 1927 the total income of the Chamber of Commerce, Karachi, was Rs. 60,632-12-11, out of which the measurements contributed Rs. 34,772-10-0,—that is, out of Rs. 60,000, Rs. 34,000. In 1928 the total income of the Chamber of Commerce was Rs. 68,385-1-9, and the measurements contributed Rs. 41,267-4-0.

In 1929 the total income was Rs. 70,199-10-2 and the measurement work contributed Rs. 41,341-14-0. In 1930, the total income was Rs. 67,397-13-5, out of which the measurement contributed Rs. 39,632-2-0. When you have these figures before you, you can easily understand and see why the Chamber of Commerce are so averse to alteration in the monopoly which they have so long enjoyed and which they are naturally so unwilling to let go and which the Indian merchants do not see why it should continue any longer. What

is the remedy that the Federation asks you to accept? This is certainly an evil which needs some remedy. The remedy we suggest is that the Government must intervene and maintain at each port a body to do this work. Now, it might be said, and I must deal with that argument, that there are not qualified persons to do this work amongst Indians here. I say, no. This is not true. We are prepared to make as satisfactory an arrangement as the shipping companies may require, in fact as satisfactory an arrangement as exists in Karachi and I am sure similar arrangements can be made at the ports of Bombay, Calcutta, Madras and elsewhere. There will be no difficulty on that score. We undertake to make the necessary arrangements. We do not suggest that we should have a monopoly of it. We first of all suggested to the Chambers of Commerce and we are certainly willing to accept if it comes, that it should be a joint venture or combine. Now, it is not that there are no institutions where the Indian mercantile bodies and the Chambers of Commerce work together in Karachi. We have the joint cotton committee which we got after a long agitation and a great deal of struggle and that has been working quite satisfactorily and there is absolutely no reason why this institution should not work equally satisfactorily, so that it is quite possible to do it. If it is not, then we say that the Government must intervene to maintain a Board composed of Members from the commercial bodies, as well as from the steamship companies. This will work well. It would solve every difficulty. The European Chambers of Commerce who watch mainly the foreign interests will no longer have a monopoly in future. I say this is a fit case in which this Federation should ask for assistance from Government. Now, it might be said that it would be necessary to have qualified surveyors. Certainly with the advent of the Dufferin cadets, there will be no difficulty on that score. Even apart from that, we have a sufficient number of them in our country at present to supply the demand that we feel for them. There is absolutely no reason except the attitude of the shipping companies and the Chambers of Commerce who do not wish to forego or let go a large income which they enjoyed and the shipping companies do not want to allow the monopoly to go out of the hands of the Chambers of Commerce. This is an illustration of discrimination which needs intervention of the Government at an early date. With these words, I commend the Resolution for the acceptance of the House.

Mr. S. C. Mazumdar, (East India Jute Association, Calcutta): Sir, my friend's Resolution is a fit one for the Federation to adopt and act upon it. It has all along been a sort of monopoly for the European Chambers of Commerce throughout, to enjoy the privilege and benefit out of it. In fact this question of measurement should be a sort of Government control and not under the control of any particular Chamber of Commerce. Of course it had been their monopoly throughout but we do not want the present stage of things to continue any longer, particularly when their attitude is to discriminate between Indian shippers and European shippers. Most of the merchants either exporters or importers are Indian, and as such there

is no reason why they should submit to the European Chamber of Commerce for this kind of work,—I think it is a fit case that the Government of India should appoint a Board, and even in England it is the Board of Trade that regulates measurements of cargo at the ports and derive a large income. I therefore think that there should be a Board constituted by the Government of India to regulate measurements in ports. Then again as my friend already suggested, there is a lot of discrimination made by the European Chambers of Commerce, who are in League with the European Shipping Companies not to accept measurement certificate granted by Indian Chamber of Commerce. You might also remember, gentlemen, that in the case of exchange banks also, the same difficulty was experienced. Some exchange banks have been refusing to accept Indian insurance companies' policies. These Indian insurance companies are fighting out the matter and I hope they will succeed later on. In this case also, it should not be left to the particular Chamber of Commerce but it should be left to the Board constituted by the Government of India. Apart from that question, the huge income thus derived from these measurements should be enjoyed either by the Government of India or by the Board, whatever body might control this work and not by a particular chamber. With these words, gentlemen, I beg to second the Resolution.

The Chairman : The question is that the Resolution No. 7 be adopted.

The Resolution was adopted by the House.

The Chairman : Resolution No. 8, re : Aden : It is understood that this is already an accomplished fact. Mr. Husseinbhoj Lalji said that when he would come here again, he would say whether it was necessary to move the Resolution. Unfortunately he has not been able to come here. As the transfer of Aden has already been effected, there is nothing more to be done at this stage on this Resolution. That brings us to Resolution No. 9, re : Constitution for India. The report of our delegates to Round Table Conference was expected, while this agenda was being circulated, by now and the Federation had hoped to be able to formulate some Resolution on this subject. As however, owing to unforeseen difficulties, this report has not been received, no Resolution has been drafted at this time. As soon as the report of our Delegation is received, which we hope shortly, the Committee will go into the report and probably circulate the report to the Member-bodies and then this question be discussed.

As regards Resolution No.10, this will come up for discussion tomorrow along with the Resolution on exchange policy. That brings us to item No. 3 on the Agenda for the present, leaving these two Resolutions to be dealt with tomorrow.

**ADOPTION OF THE ANNUAL REPORT AND STATEMENT OF
ACCOUNTS FOR THE YEAR 1930-31.**

Chairman : Item 3 relates to the adoption of the Fifth Annual Report and the Statement of Accounts for the year ending 30th November, 1931. These have been circulated and have been in the hands of the representatives for some time now. I beg to move that these be adopted.

“The fifth annual report and the Statement of Accounts were adopted.”

REPRESENTATIVE OF THE FEDERATION IN GERMANY.

The Chairman : Item 4 in the Agenda relates to the question of extending the period of office of Dr. Chempakaraman Pillai, representative of the Federation in Berlin. Last year, at the annual meeting we agreed to appoint Dr. Pillai as our representative in Berlin for one year. The question now arises for extending his period. I would ask Sir Purshotamdas Thakurdas who happened to pass through Berlin recently and come in contact with Dr. Pillai to give us some idea of his work.

Sir Purshotamdas Thakurdas (Indian Merchants' Chamber, Bombay) : Last year it was decided upon by this Federation that Dr. Pillai should be appointed as our representative in Germany. When I was in England last October, I happened to pass through Germany on my way back to India. The two days which I spent in Berlin, I spent with Dr. Pillai. I had heard a good deal about the way in which Dr. Pillai had been working. I looked at the files and his correspondence with our various commercial bodies here and I felt that in Dr. Pillai we have a person who is very keen on being of service to our Member firms here and who really takes a correct Indian point of view as far as his limited scope is concerned. Incidentally I may also mention that he appeared to me to be well connected with the various commercial houses and big organisations in Germany and I feel that after having seen myself both of his influence there and of the work which he has done for Indian Commercial organisations, we would be doing a good thing, if we renew the arrangements for, say, another two years or so. Dr. Pillai is being paid by us about Rs. 1,500 a year and from the enquiries which he gets from this end, it struck me that most of the remuneration is taken up either in postage, which is generally not cheap now-a-days, and other expenses which must be inherent in an office of the nature of Dr. Pillai's. I feel that in Dr. Pillai we have a person who really is able to compare very favourably with the work which is being done by the Trade Commissioners in the various ports. There is one Trade Commissioner stationed at Hamburg and in some cases, I found that even this Trade Commissioner in Hamburg refers enquiries to Dr. Pillai. Dr. Pillai is very conversant with the German language and to that extent he has a great pull over the Government of India official there. I therefore feel that we would do well in retaining Dr. Pillai's

services for a couple of years more at least. Although our finances may not be very easy, yet I feel it may be worth the while of the Federation to pay a little more in order to see that Dr. Pillai is not actually out of pocket, which he claims he almost is at the present time. I would just say, if I may, one word to my friends who send enquiries from here to Dr. Pillai. If they really want to make the best use of Dr. Pillai and at the same time not be a burden on the Federation generally, definite enquiries only should be made of Dr. Pillai who should be told that the enquiring firms here would pay Dr. Pillai his out of pocket expenses, such as postage, telegraphic charges and when he has to go and see people, even his travelling expenses.

I make this suggestion on my own. I have not consulted either the President or the Committee but I do feel that a person who makes an inquiry for the purpose of advancing his business ought to pay the out of pocket expenses involved in it. And if a person or a firm who may send out inquiries like this says that he will be quite prepared to meet his bill for his out of pocket expenses, I am sure that it will be a great encouragement to Dr. Pillay and will greatly lighten his work. There are at least one or two instances which were brought to my notice and which I may usefully mention here not for the purpose of criticising any particular inquiries which were made but simply for the purpose of showing that if persons who send inquiries to Dr. Pillay really wish him to act as their agent they must resort to what is called the method of trusting him. One particular instance I know of and I saw the correspondence about it. A certain individual sent an inquiry for a certain machine to be bought from Germany. Dr. Pillay went round and got quotations for the machine and said that he was getting a discount of about 25 per cent. Having got this information the firm thought fit to place the order direct thinking that they would either get the commission direct or that they would perhaps get more. When the order was so placed naturally the bill went for the whole amount. The custom of the trade union organisation or of that guild was that a rebate or discount was to be paid only to a recognised association and when the bill was sent the buyer found to their horror that the discount did not appear there at all. They corresponded and were told that the rebate could not be given to them. Dr. Pillay was written to but he could not do anything. Another instance of a similar nature was brought to my notice. I do not want to give details as the party concerned may think that he is being accused. But I do feel that if people want to use Dr. Pillay's services fully they have to deal with him in a manner which will show that they trust him. With these words I have pleasure in strongly recommending the House to authorise the Committee to renew at their discretion the connection with Dr. Pillay either at the same remuneration or at such higher remuneration as may be thought feasible by the Committee.

Mr. Fakirjee Cowasjee, (Buyers & Shippers Chamber, Karachi):
Sir, may I inquire from Sir Purshotandas Thakurdas as to what the business

of Dr. Pillay is in Berlin ? I make this inquiry for one reason namely that if he can possibly shift his domicile from Berlin to an industrial centre like Hamburg he will certainly be assisting us greatly. It is not with a view to oppose what Sir Purshotamdas Thakurdas has said but with a view to further the cause of Indian trade in Germany which it is necessary should be extended, that I am saying this. I have had certain communications with Hamburg people and unfortunately I am not satisfied with the results I got; and I feel that if Dr. Pillay can possibly shift his domicile there it would be advantageous to the traders here. I certainly commend to all those who may enlist the services of Dr. Pillay that he should be paid his full out of pocket expenses which at times run into pounds instead of rupees. The service between India and Germany is an expensive one much more than even between England and India. This fact should not be forgotten and I personally feel that if we can possibly induce Dr. Pillay to shift his domicile from Berlin to an industrial city, we shall be much more benefited.

Mr. A. R. Siddiqi (Indian Chamber of Commerce in Great Britain, London): Sir, I want to ask if this Federation appoints non-official Trade Commissioners in any other country besides Germany and if Dr. Pillay renders these services to the Federation as a matter of charity or as a matter of generosity so that this Federation is called upon to pay only his out of pocket expenses. I want to know something more about this because I happen to know almost two dozen Indian gentlemen in Germany who claim to be commercial experts on all earthly and unearthly questions and simply because they can talk the German language they claim to be experts on all conceivable matters. I also happen to know Dr. Pillay personally. I should not like to contradict an experienced gentleman like Sir Purshotamdas Thakurdas but our association with the gentleman in the past may not lead to the happy results which Sir Purshotamdas Thakurdas may expect. Therefore before the Federation decides upon the policy of appointing non-official Trade Commissioners in foreign countries we should appoint people who have at least a commercial standing of some sort or kind. I do not call upon him to be a millionaire or any great commercial magnate. But so far as I know Dr. Pillay was appointed there as a hack orator to visit German centres and to talk on politics, and I very seriously question Dr. Pillay's capacity to express an opinion on anything commercial of any sort or kind. I would very humbly suggest,—I am not conversant with the methods of the Federation as this is my first year,—but I would very humbly suggest that our Executive Committee should go into this matter with much greater care, and then if Dr. Pillay has really rendered us valuable services, it is only our duty to reappoint him and then to pay him for the services rendered. I certainly do not like the idea of paying only his out of pocket expenses and ask him to run this charitable organisation.

Mr. S. C. Masumdar: Cannot the same service be rendered by the Trade Commissioner now stationed at Hamburg ?

Mr. A. C. Khosla : May I ask whether he is doing his own business? If he is doing his own business, are the Federation going to support him?

Mr. Devidas H. Shah (Baroda Mill-owners Association) : Sir, it is high time the Federation decides the question that was raised at the last session. The point was raised whether in appointing Dr. Pillay we were starting the custom of appointing our own Commissioners in various centres. It was not answered last time. It was asked whether we were making an experiment with Dr. Pillay in Germany and whether it was thought to continue the practice elsewhere. Most probably it was Sir Purshotamdas Thakurdas who drew attention to the fact that our finances were not so good as to enable this House to appoint Commissioners elsewhere even if we wanted to. Sir Purshotamdas alluded to the same condition of our finances at present. From this point of view I should ask this House to decide once for all whether they are going to make an experiment for two years as was suggested by Sir Purshotamdas, an experiment which if successful cannot be extended to other lands or to other persons in the same country. It is high time now for Dr. Pillay to have reported to this House after 12 months as regards the amount of work that he has done there because this House was not in a position to decide what a single individual in Germany can do. It was left to the Executive Committee to decide whether even as an experiment Dr. Pillay should be appointed. I think the Executive Committee ought to be in a position definitely to say that the experiment has succeeded. If it cannot and if Sir Purshotamdas's visit is the only exponent of his work there, I think this House will have to think twice before continuing the experiment which has not been definitely proved successful or that cannot be extended to other countries in the interest of the Indian mercantile community.

Sir Purshotamdas Thakurdas : Sir, before I say anything I hope you will request the press here to treat this discussion as purely confidential and not to report it. It is only fair to Dr. Pillay that nothing should appear in the press.

I will deal with the point raised by the last speaker first. I think there is a little misapprehension about the whole thing. It is not a question of our appointing Trade Commissioners at the various ports. It was a question of our appointing somebody who will keep us in touch with things happening there, and one who is prepared to disseminate such news regarding India as we think should be known in other countries. It is quite true that there are many countries in the world where Indian news can be usefully spread but we have not the necessary funds and it was resolved last time that an experiment should be made in Berlin. The last speaker also asked whether we have had any report from Dr. Pillay. He will perhaps remember that last year this meeting was held somewhere in the first week of April and the communication to Dr. Pillay appointing him went out from here

after that, and Dr. Pillay took charge at the earliest on the 1st May. Therefore there has not been a period of 12 months when you can expect Dr. Pillay to send his report. The Committee have called for a report of that nature and as we are to-day meeting at the end of 11 months and not 12 months after the last meeting, obviously there has not been enough time to get a report. I do not know whether the last speaker meant that I asked the House to pass this because I have been to Germany. He almost said so. Far from it. What I say I say more with the view to help the Federation to come to a decision than with a view to make you attach undue importance to what I may say. You can turn down the whole proposal if it does not meet with your approval. I am trying to do something for you and it is possible my judgment may be wrong, but I am not asking you to confirm you because I am the only exponent.

Now, as regards the point raised by my friend over there, I fully agree that in Dr. Pillay you have not got a rich man with resources or with much money. Dr. Pillay is a man who earns his daily livelihood practically by working from day to day and we did not appoint him for the purpose of helping people to get their things at a discount or for any commercial purpose. He does that only because he gets inquiries. The Federation did not send out circulars and ask the people to send out their things through Dr. Pillay. His main job there is to watch if things in India are being represented in the proper manner. Many inquiries come to him from local organisations there regarding some sort of information or other about India. He contributes to at least half a dozen newspapers and he gives replies to inquiries which he gets from the Federation. Dr. Pillay does not do this work as a charity. Much less would this Federation ask him to do it as charity. But he does claim to do the work for payment which almost pays his out of pocket expenses and may leave him a small balance. In my opinion Rs. 1,500 a year in Germany cannot mean much; and as my friend over there has been in Germany he knows that after all this sum cannot mean much there. It is not charity, but as I said that it may be necessary to pay him more if you want him to work without suffering loss.

Mr. Fakirjee Cowasjee's suggestion that they might ask Dr. Pillay if he could shift to Hamburg might be considered if they could pay Mr. Pillay more adequately and fully: the suggestion could in any case be communicated to Dr. Pillay to see if it was worth his while. The main point was that Dr. Pillay was not their commercial agent or commission agent. He merely kept them in touch with what was happening therein the political, commercial, industrial and financial world. Dr. Pillay was not anxious to do anything more than that. While in Germany he, the speaker, perceived a spirit in Dr. Pillay to be of service to members here. Hence his suggestion to send him inquiries for which they might be willing to pay. The only point they had to decide was whether they wanted this sort of link between Germany and India to exist or whether it should be stopped. If they felt that it was

not necessary to spend the money, they could stop it. But he was convinced that it was necessary to have that sort of link.

Mr. Fakirjee Cowasjee : Would you mind clearing the minds of members on one point : that it was not Dr. Pillay who approached us for this appointment, but it was suggested to us by Mr. J. K. Mehta, who had been there and in the interests of trade and commerce he suggested to us and the executive committee considered the offer for a year before recommending it to this House last year ?

The Chairman : What Mr. Cowasjee says is correct. In view of the reply given by Sir Purshotamdas Thakurdas and in view of the impression left on our mind that Dr. Pillay's services have been useful for the purposes for which they were intended, I move :

"That the Executive Committee should be authorised to renew, at their discretion, the services of Dr. C. Pillay for two years on a remuneration not exceeding Rs. 1,500 a year."

The proposal was carried by a majority, four members dissenting.

COMMERCIAL DOCUMENTS

The Chairman : Regarding Item No. 5 on the agenda, the Committee have recommended the following resolution to the Annual Meeting for adoption :

"That the Federation approves of the recommendations made by the Commercial Documents Sub-Committee and authorises the Committee to forward a copy of the said Report along with the note submitted by Mr. M. A. Master to the Government of India with a request to undertake the necessary legislation as recommended in the Report."

The resolution was carried unanimously.

APPOINTMENT OF HONORARY AUDITORS

The Chairman : I move that Messrs K. S. Iyer and Co. be appointed honorary auditors for the ensuing year.

Carried.

The Session then adjourned till 10-30 a.m. on the following day, Sunday 27th March, 1932.

SECOND DAY'S PROCEEDINGS

SUNDAY, 27TH MARCH, 1932

The Session commenced at 10-30 a.m. The Vice-President, Mr. Walchand Hirachand occupied the Chair.

The Chairman: Before beginning our regular business, gentlemen, I will announce to the House the result of the election held yesterday.

President

* Mr. Walchand Hirachand

Twelve Members of the Executive Committee

1. Mr. G. D. Birla (Indian Chamber of Commerce, Calcutta). (76) †
2. Sir Purshotamdas Thakurdas, Kt., C.I.E., M.B.E., (Indian Merchants' Chamber, Bombay). (74)
3. Lala Shri Ram (Delhi Factory Owners' Federation, Delhi). (73)
4. Mr. Nalini Ranjan Sarker (Bengal National Chamber of Commerce, Calcutta). (71)
5. Mr. B. Das, M.L.A., (Bihar and Orissa Chamber of Commerce, Patna). (65)
6. Mr. Kasturbhai Lalbhai (Ahmedabad Millowners' Association, Ahmedabad). (64)
7. Mr. M. L. Dahanukar (Maharashtra Chamber of Commerce, Bombay). (62)
8. Mr. Fakirjee Cowasjee (Buyers & Shippers Chamber, Karachi). (57)
9. Mr. R. K. Shanmukham Chetty, M.L.A. (Indian Chamber of Commerce, Coimbatore). (54)
10. Mr. Hoosainbhoj A. Lalljee (The Indian Salt Association, Bombay). (49)
11. Mr. M. Mohamed Ismail Saib (Southern India Skin and Hide Merchants' Association, Madras). (48)
12. Mr. J. C. Ghose (Indian Tea Planters' Association, Jalpaiguri). (44)

Honorary Treasurers

1. * Mr. D. P. Khaitan (Indian Chamber of Commerce, Calcutta).
2. * Mr. R. L. Nopany (Jute Balers' Association, Calcutta).

* Elected unopposed. † The figures in brackets indicate the number of votes secured.

Mr. G. L. Mehta : May I request you, Sir, to read out the report of the scrutinisers ?

The Chairman : There is nothing like a Report ; there is a result, I understand. Usually we merely announce the final result.

Mr. H. P. Bagaria : He perhaps wants to know how many votes have been cast in favour of each member.

The Chairman : Is that the desire of the House that I should read out the number of votes given to each member ?

Mr. C. A. Buch : Will you kindly read out all the numbers ?

Mr. D. P. Khaitan : Sir, I doubt very much if it would be desirable that the votes received by members should be read out. Let the whole House consider it. Personally I have no objection.

Mr. H. P. Bagaria : What is the convention ?

Mr. D. P. Khaitan : There is no convention. You can adopt any convention.

Mr. A. D. Shroff : I should like a settlement of the question raised by the other side, Sir, and if you are not going to give the number of votes cast for each member, I should like to know the number of votes cast for the first failure ?

The Chairman : Do you mean the name of the member who stands 13th in the List ?

Mr. A. D. Shroff : I can't see any objection at all in giving out the names of the members with the number of votes they have received.

Lala Sri Ram : I think that either you should give out the names of everybody or of none at all. I would like to know what is the object in ascertaining the names and the number of votes cast in favour of each. Personally, I have not got any strong objection, but I would like to know what useful purpose would be served by this.

Mr. A. D. Shroff : I would like to know why this claim is so strenuously resisted by the other side ?

Lala Sri Ram : Is there any 'other side' here ? (Laughter).

Mr. H. P. Bagaria: We would then know how much confidence is enjoyed by each candidate at the hands of this House, and I think the candidates are entitled to know it.

Mr. S. C. Bhattacharjee: You must have full confidence in the Chair and its declaration must be accepted without any challenge, and I do not think that any Member's request should be complied with.

Mr. Ghanshamdas Birla: I think it is absolutely absurd that such a demand should be made. The House is not entitled to know how many votes each member has secured.

Mr. Anandji Haridas: Is the House entitled to vote or not?

Mr. S. C. Bhattacharjee: I rise to a point of order, Sir. The practice in every constitutional House is for the Chairman to declare the result of successful candidates always, and so far as my knowledge of constitutional history goes, there is no precedent for giving out the names of the unsuccessful candidates.

The Chairman: The Secretary points out to me that this has not been the practice in the past. I do not see any utility in giving out the number of votes which the other candidates have secured. Therefore, I am afraid, gentlemen, you will have to rest satisfied with what we have done. I will now proceed to the business of the day.

Mr. Anandji Haridas: Though the names may not be announced to-day, will they be published in the Report at least?

Mr. B. Das: Last year the names were published of only those who were elected.

The Chairman: We will try to follow the practice in the past. I understand the names of the successful candidates will be published.

SILVER

The Chairman: Then as regards the Resolution on Silver, it was suggested or rather pressed that as we have lost and are still losing heavily on gold, we should try to keep silver at least which after all is better than the paper printed in Nasik, and therefore I move the Resolution on Silver from the Chair. The Resolution has been submitted, as you know, from the Bullion Exchange, Bombay, and from the Deccan Merchants' Association of Bombay. The Resolution reads:—

“The Federation regrets that the Government of India should continue their policy of silver sales in spite of continued protests from the public. The

Federation is of opinion that since the recommendations of the Hilton-Young Report are not now operative, Government should stop further sales of Silver."

The Resolution was carried unanimously.

I will now come to the next Resolution, after which the so-called political resolution No. 10 will be taken up, and if, gentlemen, we try to follow the procedure that we adopted yesterday, I should like to finish the business, with your good-will and co-operation, before the usual lunch time.

Mr. H. P. Bagaria : Does that mean that there should be a time limit for speeches ?

The Chairman : Necessarily ; there is a time limit in the rules, and particularly to-day, I think, we are more or less agreed that there should be no controversy as regards the exchange resolution, and the rules provide, if I remember aright, 15 minutes for the proposer, and I think about 10 minutes for the seconders, but with your permission I would like to make it 5 minutes for the seconders and supporters.

Mr. H. P. Bagaria : Is that also provided in the rules, Sir, that only 5 minutes should be given to the seconders and supporters ?

The Chairman : The rules don't say so, and that is why I qualified by saying 'with your permission.' In that case the House will have to decide how much time each member should have.

Mr. C. S. Rangaswami : As this is a Resolution on which there cannot be much disagreement, I propose that the resolution be simply moved from the Chair so that we may save a few minutes.

The Chairman : I will now call upon Sir Purshotamdas Thakurdas to move the resolution as re-drafted.

Sir Purshotamdas Thakurdas (Indian Merchants' Chamber, Bombay) : Sir, I rise to move the Resolution as finally redrafted by the Committee, a copy of which, I presume, is in the hands of every member, but in order to be quite clear, I will just read the resolution :—

EXCHANGE POLICY

“(A) The Federation records its emphatic protest against the linking of the rupee to sterling in spite of the demand of the commercial community to leave the rupee free to find its own level at which eventually it may be stabilised ; such action would have enabled Government to undo the wrong perpetrated on India by overvaluing the rupee, an action unparalleled in any

major country of the world since the Great War. The linking of the rupee to sterling is objectionable particularly for the following reasons :—

- (i) The future management and fate of sterling are and must remain outside the control of the Government of India.
- (ii) The new valuation of sterling in terms of gold will be determined in accordance with considerations affecting the economic and financial conditions of the United Kingdom, and, may possibly prove detrimental to the economic and financial interests of India.
- (iii) Any claim of any measure of stability being secured by link to sterling is neither material nor real as sterling itself is, under present conditions, not only fluctuating but most uncertain.

(B) The Federation also protests against the arbitrary manner in which the Secretary of State for India acted completely ignoring not only the wishes of the Legislative Assembly and the Round Table Conference but also the declared intention of the Government of India.

The resolution, Sir, is more or less self-explanatory, and before I say anything further, I would very much like the House to decide whether in compliance with the suggestion thrown out by Mr. Rangaswami, I should simply move the resolution and resume my seat so that the House may proceed with the other question which appears to require greater discussion on the floor of the House.

Mr. C. S. Rangaswami : My suggestion was not that the resolution should not be moved by Sir Purshotamdas Thakurdas, but that it should be simply moved from the Chair.

Sir Purshotamdas Thakurdas : The question is whether the House would like me now to resume my seat.

Mr. C. S. Rangaswami : That question does not arise.

The Chairman : I think I had decided and said that it should not be moved from the Chair, that it would be moved by Sir Purshotamdas Thakurdas, and he will take his 15 minutes, or if he thinks it necessary a few more minutes.

Mr. H. P. Bagaria : If, Sir, owing to the speeches of Sir Purshotamdas Thakurdas and other speakers we are to be pressed for time, I would rather like the Resolution to be moved from the Chair and put before the House without any speeches.

Sir Purshotamdas Thakurdas : I am afraid I did not make myself clear. I wanted the House to decide whether they would like the resolution to be passed without any further comments. That is what I understood from Mr. Rangaswami, and what I said was in the best of spirit. I consider the resolution to be so comprehensive in itself that even without any further remarks it ought to be self-explanatory and will meet with your approval. I still want to know exactly what the House would like to do, namely to concentrate more on the other resolution. If the House wishes me to make a few remarks, I shall proceed to do so with your permission.

The Chairman : I thought when Mr. Rangaswami asked the question I clearly said that Sir Purshotamdas will move the resolution and take his usual time allowed by the rules. Therefore, I am afraid the question now raised need not have been raised at all.

Sir Purshotamdas Thakurdas : I bow to your ruling, Sir.

The various parts into which the resolution is divided hardly need any further words from me, especially the part beginning with (b) in the draft resolution before you. Regarding (i), (ii) and (iii) of part (a) of the resolution, they contain the principal reasons why the Indian commercial community have from the beginning objected to the rupee being linked to sterling. I do not think that I need comment or say any words explaining these three grounds on which the objection of the Indian commercial community is based to the rupee being linked to sterling. The most interesting subject which I think should require our attention at this juncture is the latest speech by the Finance Member when he presented the budget on the 7th of this month. At page 184, paragraph 75 of his speech, the Finance Member has this :

“There is much popular misapprehension of the significance of what is happening, which may perhaps be corrected by putting it in the following way.”

And this is the way in which he put it.

“The phenomena of the last few months should not be viewed by themselves, but as one phase in a process of many years. India requires a certain flow of exports to balance her imports of merchandise and external payments. In the past years the volume of this flow has been more than is required, and has been stored up, as in a reservoir, by being put into gold. Now that the volume has shrunk owing to the immense fall in the prices of India's exports (a fall which has been far greater proportionately than for India's imports) the flow is being supplemented by drawing to a moderate extent on the reservoir of gold.”

It is owing to this phenomena namely, that India's exports have suffered owing to the immense fall in the prices of India's raw materials, that the various commercial bodies in India felt on and after the 21st September

last that the Government of India were doing or were rather continuing the injustice which they had done to India since 1924 by still keeping India's currency on to the level of 1-6d. sterling and not allowing it to fall as England itself had done. In the case of England a fall from the pre-war gold point was considered necessary in the interests of the agriculturist and the other considerations, namely financial considerations of England. In the case of India, the main and the only consideration which should always guide the fixation of India's parity with gold must be how it affects the largest industry of India, namely, the agricultural industry, and there is no doubt about it that, whilst the Finance Member admits an immense fall in the prices, rather the gold prices in the world, and also admits a fall in our exports, he still persists in maintaining that the linking of India's currency to sterling at the point of 1-6d. sterling is justified. It is here that the commercial community in India emphatically differ from the Government of India and have a very strong grievance that the Government of India continue their unfair and unjust policy towards India, irrespective of what suits India, and perhaps guided by what suits England. He then goes on to say that the gold which has been taken from the reservoir of India has been taken to a moderate extent. In less than six months' time India has given out Rs. 55 crores worth of gold, and whilst all sorts of figures are being put forward that this works out to only 5, 7 or 10 per cent of the total quantity of gold taken by India during the last 30 years, if this is considered in the light of how long it will take India to accumulate that quantity of gold again, perhaps the seriousness of the position created by this export of gold, which is admitted to be all distress gold, not gold which is being sent out for the purpose of making money, but mostly gold which is being sent out simply because the people have no other resource on which to fall back, the seriousness of the situation created by this export of gold will be fully realised.

Then, Sir, he goes on to say:

" Thus, the 'reservoir' is performing exactly its proper function of equalising the flow, while the quantities being drawn off are negligible in comparison with the quantities stored."

The Indian public, and particularly the commercial community not only feel that the quantities are not negligible, but the quantity of gold which has gone out is most unexpected, and I think it would be safe to say that even the Finance Member, if he was told before the 21st September last that he would get anything like Rs. 55 crores worth of gold as distress gold it might have staggered him and he would have refused to believe any prediction of that sort. The Finance Member has been exceptionally lucky, the Government of India have been exceptionally lucky in getting this wind-fall from those in distress in India owing to the economic policy followed by the Government of India, and also owing to the world factors affecting the economic conditions of the whole world including India. I myself maintain that the power, the bearing power of the masses of India has been steadily

undermined since the Government of India played with the currency of India, since 1924, and that undermining did more harm when the world-wide economic blizzard, as it is called, also blew over India. The one aggravated the other. The world factors could not have been avoided, but the ground prepared by the policy of the Government of India aggravated their effect in a manner which very few could overlook if they took an impartial survey of the situation.

The Finance Member goes further and says :

" Our critics often speak as though the interests of Government were somehow different to the interests of the country in this matter. There could be no more absurd idea."

We also say that they should not differ, and what we protest against is that the two are being looked at in a manner as if what was good for England was not good for India. It was good for England on the 21st September to go past the gold standard and depreciate her currency ; the same was still not good for India on that day. We are told that sterling having gone off gold we have now got something well under 1-4d. gold. I would like to ask those who put that forward with a view to mislead those who are not conversant with the subject, what has been the depreciation on sterling vis-a-vis gold, and why should India not have the fullest benefit of that depreciation which England has brought about voluntarily and which England maintains was the right thing for her to do.

Then the Finance Member says :

" The difficulties of Government, either as the authority for revenue and expenditure, or as currency authority, react on the public and vice versa."

He then asked what are the signs of the present ? And he puts forward certain signs.

" We are free from hampering measures of exchange control ; exchange is strong ; our credit improved ; we have reduced our external obligations and strengthened our reserves, thereby saving the taxpayer interest charges, and improving the chances for raising fresh capital when this is needed for the development of the country."

I should like to put before the House the signs of the times as we in the commercial circle see them, and as every Indian sees them from day to day. A deficit of 25 crores during the current and previous year in the budget of the Central Government ; corresponding deficits in practically all the provincial Governments' budgets ; taxation increased during the last two years to the extent of Rs. 14 crores, and Rs. 7 crores emergency taxation brought on in the Central Government ; taxation for which there is no other word which one could use except crushing taxation, a taxation which has brought

On smaller receipts, taxation which is being borne by the people only because they have no other option and must carry on, taxation to which even the present Assembly with all their desire to co-operate with the Government and assist them, definitely refused to be a party and compelled His Excellency the Viceroy to certify if he must put it through. This taxation is only in keeping with the political policy of the Government since the first week of January last. They carry on the Government by ordinances, and they have imposed taxation last October by certification. It is ordinances both ways—regarding the finances of the country, and also regarding the normal Government of the country. But the most depressing part of the high taxation is the diminishing returns that the country is now faced with,—a condition which the Finance Member cannot and will not be able to overlook for long. I will not give the House my description of the diminishing returns ; I will quote the Finance Member himself.

In paragraph 8 of his speech the Finance Member refers to the import duty on sugar which has been increased. I will read one paragraph from his speech because I think his words will be more convincing than anything I can say.

"As it may be argued that the increased duties have themselves been responsible for reduced consumption, I give the following figures which are interesting. In the first place, the actual cost to the consumer, in spite of the recent increases in import duty, has on the whole declined over the last few years. The wholesale prices including duty averaged about Rs. 312 per ton for 1926-27, Rs. 289 per ton for 1927-28, Rs. 273 per ton for 1928-29, Rs. 258 per ton for 1929-30, Rs. 237 per ton for 1930-31, and Rs. 265 per ton for the first six months of 1931-32."

A drop of very nearly Rs. 57 per ton.

"For the five years from 1926-27 to 1930-31 the average amount of cash spent on the imports of sugar including the duty averaged about Rs. 23 crores, and this average kept up even till 1930-31 when the present crisis had begun. Now, however, for 1931-32 and 1932-33 on the quantities and prices which we have allowed for in our estimates the total amount of cash spent on imported sugar plus duty will only be about Rs. 12½ crores and 14½ crores respectively."

This is the Honourable Member's inference.

"These figures indicate that it is a falling off in purchasing power and not any rise in the price of sugar brought about by our increased duties which has mainly affected consumption."

In spite of this, which the Finance Member has laboured so much to bring out, namely, the lower prices, the purchasing power of the masses of India has decreased so much that they take smaller quantities of sugar.

I am afraid the Honourable Member when he summarised the signs of the times in para. 75 overlooked the most important sign of the times and I am afraid he has drawn a most incomplete picture of these signs of the times. He ends that paragraph with this significant sentence: "If any one fails to see benefit to the public in all these signs he must be blind indeed." I dare say, Sir, that a few individuals may be blind. The whole of the commercial community in India have been crying out with one voice since the 21st September last and I would suggest to the Honourable the Finance Member that while some may be blind it is equally possible that the Finance Member is suffering from the most dangerous of all ailments, the ailment of self-deception. Deception is bad by itself. It means dishonourableness of the person who practises it but self-deception is one which does more harm to the man who prevents it on himself and I suggest to the Honourable the Finance Member of India that he may see, if he is not suffering from that very great handicap, namely, the handicap of self-deception. What he has himself admitted in his speech shows that he has not read the signs of the times completely. Anyway he has not summarised them in a manner which gives a complete picture of the situation and I suggest to him that he may help himself by trying to see that he is not deceiving himself by overlooking these signs which we the Indian commercial community have been trying to press on the Government of India in season and out of season, so that this country may be saved from a greater crisis than the one through which we are passing now.

Under the head General Conclusions, the Honourable Member chooses to make out how even if the sale of gold may to some extent represent the forced realisation of savings, yet as against this, there are indications that the masses of India have still a considerable amount of money. He says that in the Post Office cash certificates he has got a crore and a half more than the past year, that in the post office savings bank there is a crore and a quarter more. I wish I could read out the whole figures but I want to be as brief as possible. I have worked out the figures with some care. He says that by means of the Treasury bonds through the post office he has got 6½ crores. The total therefore according to him is an improvement during the current year of the holding by 9½ crores, as against an export of gold which may be taken at say 50 crores. Regarding the export of gold, I have felt for some months now that the Government of India instead of speculating as to where the gold comes from, whether it comes from people who want to make money by selling gold, could usefully hold inquiries in some areas tracing the gold to the source from which it comes out and tracing back to see where the money goes to, either in the hoarding of silver or currency notes or something else. It is quite possible that part of what has been realised from gold may have been put in those investments but what I wish very much to challenge is that these three sources, namely, the postal cash certificates, the postal savings banks and the treasury bonds should be looked upon *completely*; I wish to emphasize the word *completely*, as the forms in which the masses

of India alone put their savings. I know, Sir, that people belonging to the middle classes, the upper middle classes and the lower middle classes in cities and urban towns put their money in these for various reasons. They do so either because they can get at the money easily or they bring higher rates of interest than they can get in other investments which are available to them. I therefore feel that it is misleading to say that these increases to the extent of 8½ crores represent an improvement in the economic condition of the masses of India. I positively think that if the Finance Member makes inquiries he will perhaps find that it is wrong to have dealt with this aspect of it as showing that the masses of India still are in a position to have surpluses. I would ask him to make inquiries in the rural areas in any part of India. I would not particularly ask him to go to Berar where it is admitted even land cannot be sold to-day owing to the acute economic distress. If he makes inquiries in the rural areas, he will find that not only the cultivator but even the sahukar, the much abused banker of the cultivator, is practically at the end of his wits, unless he can get back a portion of his money by selling the distress gold about which both the Government of India and the Government in England have gone into ecstasy. The concluding portion of the Finance Member's speech indicates that although these preceding paragraphs make him out as looking at only one side he is oppressed very much by the other side of the picture. In paragraph 82 of his speech the Finance Member says :

"In the circumstances which I have described we have taken such financial measures as we think that we can fairly ask the country to support at the moment but the situation still needs careful watching. And this brings me to the last subject which I wish to mention. In times like the present, when every country is struggling for its financial and economic existence, the best chance for any nation is that all its available forces for national effort should be marshalled together. That is what has happened in England and as a result England has once again resumed her front place and may help to give a lead to the countries of the world in finding a way out of this disastrous economic crisis. Is it vain even now to ask for such co-operation in India when we are trying to establish sound conditions for the new constitution? I have just said that the whole financial situation still wants careful watching. Let me mention the following practical points."

And these are his practical points :

"First the general question of a permanent reduction in the scale of Government expenditure is by no means yet finally disposed of. Secondly, if the economic condition of the world should worsen during the coming year, it may react upon us and we may require further measures to protect our position. Thirdly we shall need to consider most carefully before the next budget the working of the new taxes which we imposed as emergency measures and the shaping of our financial policy in a more permanent form to meet the needs of the future. Lastly, I must make a short reference to one feature on which I have not dwelt fully in my general review, namely, the finances of the Provincial Governments."

Which he goes on to say are very precarious. He then says :

"If in the handling of these problems representatives of the unofficial communities in India were ready to give their advice and support to Government, I feel confident that the national interests would benefit from such co-operation."

This is a general appeal to everybody in India to give his advice and support to Government. We in this Federation have had the courage, some call it by a worse name, to give our advice during the last five years incessantly from our point of view. The advice has mostly been rejected. In other cases, for offering that advice, we have been given all sorts of qualifications and adjectives. We still persist in giving our advice because we feel that our cause is just and is based on truth and justice but if the Finance Member expects that in spite of our advice being rejected, he should have the support of the people or of this body, I cannot help feeling that he really cannot mean all that he says here. Support can be given, only where one approves of a policy. This Federation has felt for some years that the policy followed by the Government of India in this question of currency and finance is palpably wrong, misleading and against the interests of India. I am afraid, to that extent, the Federation will have to content itself by being more a critic of the Government policy than a supporter of Government policy. We feel very strongly that as long as the policy of the Government in the domain of finance and currency is in the least degree influenced by Whitehall there is no chance of the Government of India, whoever may be the member in charge, taking or adopting that policy as one which can satisfy the aspirations and the wishes of the people of India. The correct solution therefore of the problem is that we must be allowed to manage our own affairs in a manner which we consider to be suitable to our interests and any policy which is dictated either from Whitehall or which is laid down for us by the Executive Council here, unless it is laid down after consultation with the persons affected by it must always continue to be looked at with great suspicion. I am convinced that in asking for our support the Finance Member has overlooked the most important aspect which at the moment prevails throughout the length and breadth of India and that, Sir, is that the Indian public in general including the Indian commercial community feel that it is very difficult for them to trust any policy which may be laid down unless that policy is demonstrably in the best interests of India, first, second and last. Sir, I move my Resolution.

Mr. Begraj Gupta (Marwari Chamber of Commerce, Bombay), spoke in Hindi in seconding the Resolution.

Gentlemen, when the Government of India fixed the Exchange ratio to 1sh. 6d. the Indian commercial community unanimously put forth all their energies in persuading the Government to fix it to 1-4, but to no purpose. All their entreaties were thrown to the ground. Had the Government then listened to the requests of the commercial community, the condition of the

Indian trade would not have degenerated to the present extent, nor the Indian gold been deflated to the present condition. I am of further opinion that even the Sterling too would have been saved from the present crisis. Till recently the exchange ratio was on the basis of the price of gold, but now the Government have taken a step further and have linked this artificial ratio (1-6) with the Sterling.

Whereas the conditions prevailing prior to this linking of rupee with the Sterling were such that the maintenance of ratio even to 1-4 had become a thing of impossibility, beyond the expectations of anybody and like a thunderbolt, the British Government announced on 21st September 1931, the cessation of Gold Standard. In other words the British Government deemed it to their advantage to depreciate the value of their pound by their action and consequently the price of a pound fell down to its $\frac{1}{3}$ th of the previous value.

To-day we are going to request the Government to abandon the 1-6 ratio and let the rupee find its normal level. We are doubtful about the attitude of the Government and we fear the Government shall show obstinacy. I am sure that if the Government were to accept our suggestion, and let the rupee have its natural level, the cash wealth of India may be saved at least six annas in a rupee. As a matter of fact the losses resulting from this would fall on the heads of the capitalists and here is a meeting of the capitalists requesting the Government to take steps which though directly harmful to them, are much beneficial to the interest of the agriculturists and the industrialists of India. Indian industry and agriculture will be benefited to an unlimited extent.

Gentlemen, since the announcement by the British Government about the cessation of gold, and the subsequent policy of the Government of India, a section of the Indian commercial community have begun to believe that if the Indian Government at this juncture fail to meet the reasonable demand of the people by abandoning their artificial ratio, the time would come when the Government would be compelled by circumstances to abandon ratio and their action then would not benefit neither the agriculturist nor the industrialists. Who knows that the circumstances may change and just as the maintenance of even 1-4 ratio is at present impossible in the same way time may come when the advantages we are talking about resulting from the abandonment of ratio may totally disappear.

Gentlemen, an idea is gaining ground in the minds of some of our people that just as the British Government went off gold standard all of a sudden similarly people in India one night will sleep as profusely rich and the very next morning when they get up, they would find themselves no better than beggars simply by one action of the Government. Of course this sort of notion exists only among men having timid nature and as such not much

importance should be placed on the idea. But it is the duty of the practical economists and the politicians of the Government to convince and remove the doubts existing in the minds of the men of ordinary calibre like myself, that when all the financially bigger nations of the world have depreciated their currencies with a view to find it in the best interest of their countries, why then should the Government of India try to artificially appreciate the price of the rupee to $2\frac{1}{2}$ times its real value. How is this appreciation useful to the best interest of our country ?

Then there is further curious fact which also requires to be explained by the practical economist of the Government, that is on the one hand we find that all the biggest countries of the world have hugged gold and are trying by all possible means to check the flow of gold from their countries ; but our Government strange to say, on the other hand is allowing free flow of gold, like the flow of a river ; not only that but contrary to the practice followed in other countries of the world, it is helping the flight of gold by issuing notes. But now it seems rather difficult in view of the fact that the balance of India's trade being against her, this flight of gold would materially help Britain towards the repayment of their debts.

I am inclined to feel that there is only way of solving this problem, and that is that the Government should at once accept this resolution and should immediately give statutory effect to it. That is the only way of removing the doubts and fears existing among the commercial community of India. With these words I beg to second the resolution.

Mr. A. D. Shroff (Indian Merchants' Chamber, Bombay) : Mr. President, I do not propose to detain the House after the House has been treated to the very vigorous presentation of the case from the Indian commercial standpoint by my friend, Sir Purshotamdas Thakurdas. There are only one or two aspects however to which I should like to refer. I should like to refer first to that part of the resolution which protests against the arbitrary manner in which the decision to link the rupee was taken by the Secretary of State at a meeting of the Federal Structure Sub-Committee in London. Our Anglo-Indian friends have been criticizing us for the line of action adopted by the Government in reaching this decision. We are reminded of the fact that the British Cabinet met on Sunday night the 20th September and reached the momentous decision of Britain going off the gold standard, and the decision was taken without any previous reference to the British Parliament. The same analogy has been thrown in our face now. Our Anglo-Indian friends, who have always suffered from that not very serious disease of myopia, fail to realize the vital difference in circumstances between Indian Government—an irresponsible bureaucracy which has always to balance the conflicting interests between India and England—and a full-fledged responsible Government in one's own home, I mean Great Britain. And not only that. Even after the British Cabinet took this momentous decision,

they submitted it to the House of Commons and the House of Commons approved of the policy and that became the policy of the country. Here, when the opportunity was taken by the Legislative Assembly—however weak that body may be in the opinion of some of us present—to express its view, and when even that weak Assembly declared itself in terms quite unambiguous as to what were the wishes of this country in regard to this decision, that decision was flouted. I do not know if Government have realized the true implication of flouting the decision of the Legislative Assembly in this matter. Sir, appeals are being made for co-operation with the Government in these matters, and merchants have been asked to pull their weight and influence in bringing about what they call sanity in the country; now may I remind the Government of a very ordinary experience in political life that constitutionalism can only prevail in an atmosphere of constitutionalism. If you are going to flout the wishes of the Legislative Assembly—and you proclaim to the world that in other respects this Assembly has, as I would say, been weak enough to subscribe to your opinions, when this very weak Assembly throws the whole thing back in your face and when you flout the wishes of the Assembly; and when you do that, Sir, you have no business to ask for co-operation from the other side. There is one other aspect to which I should like to refer. As Sir Purshotamdas Thakurdas has referred to the speech of the Hon'ble the Finance Member, I also would invite a reference to para. 75 of that speech. The Finance Member tries to justify his policy. We were given an early forecast of what was coming in the Budget, in the address of H. E. the Viceroy to the Assembly in January last. Between the two, they have been pulling at a popinjay. The pulling has been so vigorous between the Viceroy on the one hand and the Finance Member on the other hand that the analysis of the result is sawdust, and I will show you how that sawdust results. It has been claimed, as a justification of this policy that conditions have vitally improved in India. I shall not tread the same ground which has already been covered, but I should like to put in a challenge to the Finance Member to stop gold exports for about two months and then to have the courage to stand up before the country and say that he is in a position to obtain remittances and that his remittance programme is fulfilled beyond his expectations. Gentlemen, look at the trade figures of the past six months. What do you find? Without the cover of gold exports, you have not got sufficient cover even to pay for your imports. That is the true state of affairs in the country. Now if in face of this true state of affairs the Finance Member has the temerity to ask us to believe that conditions have so vitally improved that he has been getting all the sterling he wants and more though of course incidentally he acknowledges that the strength of the exchange position is due to gold exports—what shall we say? I put this as an open challenge to him and ask him to come back to the country and say that his position is tenable. A claim has also been made, Sir, that they have been able to repay £15 million of our sterling obligations in London. Yes, you have, but at what cost? On the other hand you see Rs. 50 crores of *ad hoc* securities shoved into the

Paper Currency Reserve where they were nil six months ago. I say the claim of saving interest charges is absolutely fallacious. According to the system adopted by the Government of India, the bills placed in the Paper Currency Reserve also earn interest. I do admit this is a book entry; but so far as strict accounting is concerned, it is an interest charge and there is an interest charge on Rs. 50 crores of the *ad hoc* securities newly placed in the Paper Currency Reserve against a saving of interest of £15 million repaid in London. There is only one point more to which I should like to refer before I sit down. The first part of the Resolution refers to a very important point which I fear has not been fully appreciated in this country. Somehow or other the plausible argument that has been advanced by the Finance Member has made an appeal to the lay public that the linking of the rupee to sterling has after all given you some stability. Well, this part of the resolution is a clear-cut reply to this contention. How can you have stability in terms of a currency which is fluctuating from day to day? How can you have stability in terms of a currency the fate of which is still undecided and the fate of which will be determined by conditions exclusively affecting the economic and financial conditions in England and not conditions affecting in any shape or form our own country? Gentlemen, look at the movement in the dollar-sterling cross rate and its rise. It rose recently from 350 to 374. Now look at the contemporary financial literature in financial journals in England. What do you find? You find that this has been deprecated. These, Sir, are all very significant indications as to what is coming in the future. The rupee is linked to sterling. The fate of sterling however is still unknown. In the first place it is a very simple logical conclusion that the fate of the rupee will not hang in the balance on its own merits but the fate of the rupee will be determined by the unknown factors which control and determine the fate of sterling. Before I sit down, Sir, I should like to make one appeal to the Indian public through this Federation. Gentlemen, I wish the Indian public would now start realizing the importance of giving a little more attention to the subject of currency and exchange. Somehow or other I have never been able to find out why this subject has been looked upon as one which can be handled only by so-called experts. However, I do not claim to be one. But that is the feeling in the minds of the public. In this connection, I think Mr. Reginald McKenna of the Midland Bank has really done a service to the world in calling attention of the lay public all round as to the numerous directions in which currency and exchange matters affect the economic and social life of the people everywhere. I wish this had been better appreciated in the country. For instance, just read the speech of the Honourable the Finance Member and see the various points of contact between the boundaries of currency exchange and between the boundaries of social and economic life of the people here. At so many points, we are touched and vitally touched by the currency and exchange policy of the Government. I wish the executive committee would exert itself and see if it can do a little more propaganda work as was done some years ago by the Currency League of Bombay with a

view to educate public opinion in the matter in the sense of rousing greater interest in the study of this question.

The Chairman : We have now discussed this Resolution very fully and I will therefore put it to the House.

The Resolution was put to the House and declared adopted.

The Chairman : That brings us to Resolution No. 10, on page 7 of the agenda. There are slight verbal alterations. In the second line of the preamble the words "on several questions dealing with the situation in the country" should be deleted. The Resolution would read :

"Resolved that the Federation confirms the decisions taken by its Committee as incorporated in their following Resolutions :

- (1) that the Federation is strongly of opinion that the present repressive policy of Government will be no solution of the existing unhappy state of the country and urges upon Government that it should be substituted by a policy of reconciliation so that an atmosphere suitable for framing a constitution acceptable to the people and for its smooth working thereafter may be created.
- (2) that the Federation regrets the interpretation put upon the Committee's resolution dated the 22nd January 1932, in view of the express statement with which it opens that the Committee of the Federation recognise it to be their duty to take part in the framing of a suitable constitution for India.
- (3) that the Committee heard their delegates to the Round Table Conference and learnt with regret that no adequate opportunity was made available for the examination and full discussion of the questions of reservations, financial safeguards and trading rights and resolved that in their opinion the question of financial safeguards and trading rights should be examined by a committee of businessmen with not less than one half of Indian personnel commanding the confidence of the Federation with a view to explore the possibility of an agreed solution of these questions."

I have been asked by the Executive Committee to move this Resolution from the Chair. I will then invite a discussion on the Resolution.

Mr. A. D. Shroff : Before you move the Resolution from the Chair and before a discussion ensues, I am sure the present conditions in the country demand and I feel sure it is also the wish of the executive committee

that there should be a heart to heart and frank discussion on the subject. So I suggest that the Press reporters should be asked to withdraw. I am sure you are aware that various members of the Federation who are attending as well as many more who have been precluded from attending this have been served with orders which make it impossible for them to take any part in the discussion.

The Press Reporters then withdrew from the Chamber at the request of the Chairman.

* Some of the representatives asked for certain information regarding the replies sent by the various Member-Bodies to the circular letter addressed by the Federation in connection with the proposal to reconsider the resolution of the Committee relating to the participation by the representative of the Federation on the Consultative Committee. It was finally decided to read to the House all the letters from eleven Member-Bodies which have expressed that the said resolution should be reconsidered either unconditionally or under certain conditions.

At the request of some representatives the Chairman also agreed to the desire of the House to have the reply sent to Sir George Rainy read before the House.

The resolution which was submitted to the House by the Chairman or behalf of the Committee for consideration was seconded by Mr. G. D. Birla.

Mr. G. D. Birla did not finish his speech when the House adjourned for lunch at 1 p. m.

* Full Proceedings relating this resolution are published separately as a confidential document.

AFTERNOON PROCEEDINGS

SUNDAY, 27TH MARCH, 1932

2-30 P. M.

The Annual Session re-assembled after lunch at 2-30 P. M., the Vice-President, Mr. Walchand Hirachand, occupying the chair.

Mr. G. D. Birla (Indian Chamber of Commerce, Calcutta) duly seconded the resolution.

Mr. A. D. Shroff (Indian Merchants' Chamber, Bombay), moved an amendment to the resolution to the following effect :—

“ That the Clause 3 of the Resolution be Deleted.”

Mr. B. S. Dabke (Maharashtra Chamber of Commerce, Bombay) seconded the amendment.

Lala Shri Ram (Delhi Factory Owners' Federation, Delhi) and Mr. Fakirjee Cowasjee (Buyers & Shippers Chamber, Karachi) addressed the House in support of the resolution.

Mr. H. P. Bagaria (East India Jute Association, Ltd., Calcutta) opposed the resolution.

Mr. Ranchordas H. Gandhi, a Member of the Committee, explained how the resolution was agreed upon by the Committee unanimously and then forwarded to the Annual Session for confirmation.

Lt. P. S. Sodhbans (Indian Chamber of Commerce, Lahore) spoke in support of the resolution.

Mr. G. L. Mehta (Indian Chamber of Commerce, Calcutta) addressed the House in support of the amendment moved by Mr. A. D. Shroff.

Mr. Anandji Haridas (Indian Chamber of Commerce, Calcutta) proposed another amendment to clause 3 of the resolution to the following effect :—

“ The Federation feels that having regard to the repressive policy of the Government and having regard to the experience of its delegation in London at the last session of the Round Table Conference, participation of its representative in the work of the Consultative Committee can be productive of no good to national interests unless—

- (i) there is a genuine desire on the part of Government to discuss and come to an agreement with the progressive opinion of India on the question of financial autonomy, safeguards, reservations and trading rights, and
- (ii) towards that end the Consultative Committee is at liberty to have a free and full discussion on the various questions connected with finance and that the questions connected with trading rights, past and future liabilities, military finance are referred to a Committee composed of an equal number of British and Indian experts, the latter to be such as command the confidence of the Indian commercial community."

Mr. Anandji Haridas said that he hoped his amendment would meet with the approval of both sets of opinion in the House.

Mr. Kishan Prasad (Marwari Chamber of Commerce, Bombay) moved a third amendment to the effect that in the first clause of the Resolution the words :

"The Federation records its emphatic protest against"

be substituted for the words

"The Federation is strongly of opinion that".

Mr. Bagraj Gupta (Marwari Chamber of Commerce, Bombay) seconded the amendment moved by Mr. Kishan Prasad.

Mr. S. C. Bhattacharji (Indian Insurance Institute, Calcutta) and Mr. B. Das (Bihar & Orissa Chamber, Patna), spoke in support of the resolution while Mr. Devidas H. Shah (Baroda Millowners' Association, Baroda), opposed the resolution.

The Chairman announced that the amendment moved by Mr. Anandji Haridas with a slight change in wording would meet with the approval of both sets of opinion. The amended clause 3 of the resolution is as under :—

- (3) "The Federation feels that having regard to the repressive policy and having regard to the experience of its delegation in London at the last session of the Round Table Conference, participation by its representative in the work of the Consultative Committee can be productive of no good to national interests unless—

- (a) There is a genuine desire on the part of the Government to change that policy and to discuss and come to an agreement with the progressive opinion of India on the questions of financial autonomy, safeguards, reservations and trading rights ;
- (b) towards this end, the Consultative Committee is at liberty to have a free and full discussion on the various questions connected with finance and the questions connected with trading rights, financial safeguards, etc., are referred to a Committee composed of an equal number of British and Indian experts, the latter to be such men as command the confidence of this Federation."

The Chairman directed that typed copies of the new amended clause be circulated to the representatives in the House and called upon Sir Purshotamdas Thakurdas to give the House the benefit of his views.

Sir Purshotamdas Thakurdas addressed the house as desired by the Chairman.

Mr. A. D. Shroff agreed with the terms of the amended resolution and withdrew his amendment.

The amendment of Mr. A. D. Shroff was with the permission of the House withdrawn.

Mr. Kishan Prasad agreed to withdraw his amendment also.

The amendment of Mr. Kishan Prasad with the leave of the House was withdrawn.

The resolution as amended having been accepted by the proposer and seconder of the resolution, was put to the house as a substantive resolution.

The House unanimously agreed to the amended resolution as under:-

- "(1) That the Federation is strongly of opinion that the present repressive policy of Government will be no solution of the existing unhappy state of the country and urges upon Government that it should be substituted by a policy of reconciliation so that an atmosphere suitable for framing a constitution acceptable to the people and for its smooth working thereafter may be created.
- (2) That the Federation regrets the interpretation put upon the Committee's resolution dated the 22nd January 1932, in view of the

express statement with which it opens that the Committee of the Federation recognise it to be their duty to take part in the framing of a suitable constitution for India.

- (3) The Federation feels that having regard to the repressive policy and having regard to the experience of its delegation in London at the last session of the Round Table Conference, participation by its representative in the work of the Consultative Committee can be productive of no good to national interests unless—
- (a) there is a genuine desire on the part of the Government to change that policy and to discuss and come to an agreement with the progressive opinion of India on the questions of financial autonomy, safeguards, reservations and trading rights ;
 - (b) towards this end, the Consultative Committee is at liberty to have a free and full discussion on the various questions connected with finance and the questions connected with trading rights, financial safeguards, etc., are referred to a Committee composed of an equal number of British and Indian experts, the latter to be such men as command the confidence of this Federation."

Chairman : The last item on the agenda is—

" Any other matter that may be placed before the Annual Meeting by the Chairman."

There being nothing more for consideration, we have finished generally with the work of the Session.

Sir Purshotamdas Thakurdas (Indian Merchants' Chamber, Bombay) :

Sir, I beg to move :

"That this annual meeting of the Federation records its warm appreciation of the services rendered to the Federation by its retiring President, Mr. Jamal Mahomed Saib and for his able administration of the affairs during this period of office.

Sir, I need not take more than two minutes in moving this resolution. All that I wish to say is how we all wish it were possible for our esteemed President to be present here, because it would have gladdened his heart to see the last resolution carried unanimously. He is not well, and I propose

that with this resolution we send to the President our best wishes for his prompt recovery from his illness which unfortunately has developed since he arrived here.

Mr. M. L. Dahanukar (Maharashtra Chamber of Commerce, Bombay) :
Sir, I heartily support the motion.

Mr. Nalini Ranjan Sarker (Bengal National Chamber of Commerce, Calcutta), further supported the resolution.

The motion was carried unanimously.

Lala Shri Ram (Delhi Factory Owners' Federation, Delhi) :

Sir, I beg to move :

“ That this annual meeting of the Federation thanks its Vice-President Mr. Walchand Hirachand, who conducted the proceedings of this Federation with marked ability, tact, courtesy and impartiality (Hear, hear).

Gentlemen, in proposing this resolution I honestly feel that Mr. Walchand Hirachand, who has been our Vice-President for one year and who is passing through this ordeal—of which I have had no experience—and through which Mr. Birla also passed last year when I was ill—really deserves our vote of thanks, and a hearty vote of thanks (Loud Applause).

Mr. Birla whispers “a vote of censure”, perhaps because Mr. Birla was pulled up a few times, but I thought that was made up at the Maiden's Hotel. It looks, Sir, as if Mr. Birla will not be satisfied unless Mr. Walchand gives a dinner,—because these bigger men are not satisfied with small things. (Laughter). I hope Mr. Walchand Hirachand will next year not follow this wrong example which I started when Mr. Birla had to take my place just as this year Mr. Walchand Hirachand has had to take the place of Mr. Jamal Mahomed Saib. I hope he will keep quite fit and carry on his business and not shirk his responsibility. (Loud Applause.)

Mr. D. P. Khaitan (Indian Chamber of Commerce, Calcutta) :

Sir, I have great pleasure in seconding the resolution moved with so much humour by my friend, Lala Shri Ram. I am quite sure that having regard to the great ability, tact, courtesy and impartiality with which Mr. Walchand Hirachand has conducted the proceedings of the Annual Meeting and carried on the administration of the Federation during the absence of Mr. Jamal Mahomed Saib outside India, you will all record your grateful thanks to Mr. Walchand for the great trouble he has taken. In regard to

his great ability, I need hardly say anything, as he is known to us all for his marked ability. As regards his tact and courtesy, we have all seen an example of that to-day because in the midst of all the tempest and storm that was going on this afternoon, we have come to an agreement over the most controversial resolution that has ever come before the Federation. And as regards his impartiality, he has already given evidence of it because although as we have repeatedly heard that he was a strong believer in the one theory in the matter of co-operation, he has for the sake of unity joined others in accepting the amendment to the resolution which has just been passed. I hope you will all carry this resolution with acclamation. (Loud Applause).

Mr. Walchand Hirachand (The Chairman):

Gentlemen, I have to thank you very much for the vote of thanks proposed by Lala Shri Ram and seconded by Mr. Khaitan. Before we conclude, I would like you to pass a vote of thanks to the Delhi University for the use of this Hall (Loud Applause).

The proceedings of the Annual Session of the Federation then came to a close,

Appendix A

List of Member-Bodies of the Federation of Indian Chambers of Commerce and Industry with their Representatives.

Names of Members.	Names of Representatives.
1. The Ahmedabad Millowners' Association, Ahmedabad.	1. Sheth Kasturbhai Lalbhai. 2. Sheth Ramanlal Lallubhai. 3. Sheth Himatlal Kalidas. 4. Sheth Shantilal Mangaldas.
2. Millowners' Association, Baroda.	1. Raja Ratna Sheth Bhailal Bhai D. Amin. 2. Mr. Devidas H. Shah. 3. Sheth Hiralal Motilal. 4. Sheth Chandulal Keshavlal.
3. Bihar & Orissa Chamber of Commerce, Patna.	1. The Hon'ble Rai Bahadur Radha Krishna Jalan. 2. Mr. B. Das, M.L.A. 3. Mr. K. C. De. 4. Babu Balkrishna Das.
4. Bengal National Chamber of Commerce, Calcutta.	1. Mr. Nalini Ranjan Sarker. 2. Lieut. Nalini Mohan Roy Chowdhury. 3. Mr. P. C. Coomar. 4. Mr. Suresh Chandra Roy.
5. Bengal Jute Dealers' Association, Calcutta.	1. Mr. Subhakaran Jalan. 2. Mr. Devraj Marda. 3. Mr. Lakshmi Nivas Birla. 4. Mr. P. S. Shrinivas.
6. Bombay Bullion Exchange, Ltd., Bombay.	1. Mr. Chunilal Bhaichand Mehta. 2. Mr. Lachhmandas Harakchand Dagha. 3. Mr. Gordhandas Parsotamdas Sonawala. 4. Mr. Sakarlal Damodardas Parikh, B.A., LL.B.

Names of Members.	Names of Representatives.
7. Bombay Shroff Association, Bombay.	1. 2. 3. 4.
8. Burma Indian Chamber of Commerce, Rangoon.	1. 2. 3. 4.
9. Buyers & Shippers Chamber, Karachi.	1. Mr. Jamshed N. R. Mehta. 2. Mr. Hoshang N. E. Dinshaw. 3. Mr. Fakirjee Cowasjee. 4. Mr. C. A. Buch.
10. Deccan Merchants' Associa- tion, Bombay.	1. Mr. Atmaram Raoji Bhat. 2. Mr. Kashinath Trimbak Dalvi. 3. Mr. Pandurang Mahadeo Bhag- wat. 4. Mr. Ganesh Balavant Joshi.
11. Delhi Hindustani Mercantile Association, Delhi.	1. Mr. Ram Parshad. 2. Mr. C. A. Khosla. 3. Lala Padam Chand. 4. Sheth Murli Dhar.
12. Delhi Factory Owners' Federa- tion, Delhi.	1. Lala Shri Ram. 2. Lala Baijnath Syal. 3. Sardar Bahadur Sardar Sobha Singh. 4. Mr. M. G. Bhagat.
13. East India Jute Association Ltd., Calcutta.	1. Mr. Hanuman Pershad Baga- ria. 2. Mr. C. S. Rangaswami. 3. Mr. S. C. Mazumdar. 4. Hon'ble Mr. B. K. Basu, C.I.E., Member, Council of State.
14. Grain Merchants' Association, Bombay.	1. Seth Velji Lukhamsi Napoo, B.A., LL.B. 2. Mr. Ratilal Mulji Gandhi. 3. Mr. Devji Ratansay. 4. Mr. Lukhansay Ghellabhai.

Names of Members.	Names of Representatives.
15. Gwalior Chamber of Commerce, Lashkar, (Gwalior).	1. Lala Ramji Das Vaishya. 2. Mr. B. R. D. Kotawalla. 3. Mr. J. P. Jhalla. 4. Mr. P. D. Tambat.
16. Indian Chamber of Commerce, Calcutta.	1. Mr. G. D. Birla. 2. Mr. D. P. Khaitan. 3. Mr. Anandji Haridas. 4. Mr. G. L. Mehta.
17. Indian Chamber of Commerce, Coimbatore.	1. Mr. R. K. Shanmukam Chettiar, M.L.A. 2. Mr. V. Arunachalam Chettiar. 3. Mr. B. A. Padmanabha Iyer. 4. Mr. V. S. Senkottiah.
18. Indian Chamber of Commerce, Lahore.	1. Lala Harkishen Lal, Bar-at-Law. 2. K. B. Sardar Habib Ullah, M.L.C., Bar-at-Law. 3. Lieut. Sardar Prem Singh Sodhbans, F.L.A.A. (Lond), 4. Sardar Gurdial Singh Salariya, Bar-at-Law.
19. Indian Chamber of Commerce in Great Britain, London.	1. Sir Shapurji B. Billimoria. 2. Mr. N. M. Muzumdar. 3. Mr. M. A. Master. 4. Mr. A. R. Siddiqui.
20. Indian Insurance Companies' Association, Bombay.	1. Mr. K. S. Ramchandra Iyer. 2. Mr. J. C. Setalvad. 3. Mr. Y. R. Patel. 4. Mr. B. K. Setalvad.
21. Indian Life Assurance Offices' Association, Bombay.	1. Mr. K. S. Ramchandra Iyer. 2. Mr. Byramjee Hormusjee. 3. Mr. K. C. Desai. 4. Mr. S. B. Cardmaster.
22. Indian Match Manufacturers' Association, Bombay.	1. 2. 3. 4.

Names of Members.	Names of Representatives.
23. Indian Merchants' Association, Chittagong.	1. Rai Upendra Lal Roy Bahadur. 2. Babu Suresh Chandra Banerjee. 3. Babu Jatindra Nath Roy Choudhury. 4. Babu Banka Behari Roy.
24. Indian Merchants' Chamber, Bombay.	1. Mr. Manu Subedar. 2. Sir Purshotamdas Thakurdas. 3. Mr. A. D. Shroff. 4. Mr. Gordhandas G. Morarjee.
25. Indian Mercantile Chamber, of Ceylon, Colombo.	1. Mr. H. M. Desai. 2. Mr. I. X. Pereira. 3. Mr. E. G. Adamally. 4. Mr. K. S. Chokasy.
26. Indian Mining Federation, Calcutta.	1. Mr. A. L. Ojha. 2. E. B. D. D. Thacker. 3. Mr. S. C. Ghose. 4. Mr. J. N. Mukerjee.
27. Indian National Steamship Owners' Association, Bom- bay.	1. Mr. Walchand Hirachand. 2. Mr. Kaikobad Cowasji Dinshaw. 3. Mr. M. A. Master. 4.
28. Indian Produce Association, Calcutta.	1. Babu Lakshmi Narayan Poddar. 2. Babu Indra Narayan Pandey. 3. Mr. Preamsukhdasji Bhagat. 4. Mr. Raj Bahadur Ralitgi.
29. Indian Tea Planters' Associa- tion, Jalpaiguri.	1. Mr. Joges Chandra Ghose. 2. Mr. J. N. Sen Gupta. 3. Mr. Debes Chandra Ghose. 4. Mr. Muri Dhar Ghose, M.A., B.L.
30. Jute Balers' Association, Calcutta.	1. Sj. Santosh Chand Barakai. 2. Sj. Govinchand Bora. 3. Sj. Gopichand Dhariwal. 4. Sj. Rameswarlal Nopany.

Names of Members.	Names of Representatives.
31. Karachi Indian Merchants' Association, Karachi.	1. Lala Jaswantrai Churamani, M.A. 2. Mr. Girdharilal B. Kotak. 3. Mr. S. H. Lulla, M.A., J.L.B. 4. Seth Manubhai Doongersi.
32. Maharashtra Chamber of Commerce, Bombay.	1. Mr. Walchand Hirschand. 2. Mr. Mahadeo Luxman Dahanukar. 3. Mr. Balwant Shanker Dabke. 4. Rao Bahadur L. V. Pophale.
33. Marwari Association, Calcutta.	1. 2. 3. 4.
34. Marwari Chamber of Commerce, Bombay.	1. Mr. Kishan Prasad, B.A. 2. Mr. Begraj Gupta. 3. Mr. Gurdassram Agrawala. 4. Mr. Kedarnath Agrawala.
35. Mysore Chamber of Commerce, Bangalore.	1. Mr. R. Sundram Iyer. 2. Mr. P. Subharama Chetty, M.L.C. 3. Mr. Devarao Shivaram. 4. Mr. S. L. Mannoji Rao.
36. Native Share & Stock Brokers' Association, Bombay.	1. Mr. Amratlal Kalidas. 2. Mr. Jagmohandas J. Kapadia. 3. 4.
37. Nattukottai Chettyars' Association, Rangoon.	1. Mr. A. L. A. R. Somanadhan Chettyar. 2. 3. 4.
38. Seeds Traders' Association, Bombay.	1. Mr. Chotalal Kilachand. 2. Mr. Ratilal Mulji Gandhi. 3. Mr. Gordhandas Jannadas. 4. Mr. Nandlal M. Bhuts.
39. Sholapur Merchants' Chamber, Sholapur.	1. 2. 3. 4.

Co-Opted Members.

1. Mr. M. A. Master, Bombay.
2. Sir Chunilal V. Mehta, K.C.S.I., Bombay.
3. Mr. A. L. Ojha, Calcutta.
4. Mr. H. P. Bagaria, Calcutta.
5. Lala Padampat Singhania, Cawnpore.
6. Lt. P. S. Sodhbans, Lahore.

Secretary.**Mr. D. G. Mulherkar.**

With compliments of the Secretary.

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FEDERATION OF INDIAN CHAMBERS OF
COMMERCE AND INDUSTRY.

PROCEEDINGS OF THE SIXTH ANNUAL MEETING HELD IN DELHI
ON 15TH APRIL, 1933.

The Sixth Annual Meeting of the Federation was held in Delhi at the Delhi University Convocation Hall on Saturday the 15th April, 1933, at 11 A.M., when the following representatives of the Member-Bodies were present :—

Seth Walchand Hirachand, Mr. Nalini Ranjan Sarkar, Seth Kasturbhai Lalbhai, Sir Purshotamdas Thakurdas, K.T., C.I.E., M.B.E., Mr. G. D. Birla, Lala Shri Ram, Raj Ratna Sheth Chimanlal Girdherlal, Mr. B. Das, M.L.A., Mr. D. P. Khaitan, Mr. M. L. Dabanukar, Mr. Chunilal B. Mehta, Sardar Bahadur Sirdar Sobha Singh, Lala Ram Pershad, Mr. A. D. Shroff, Mr. A. L. Ojha, Mr. G. L. Mehta, Lala Ramji Das Vaishya, Lala Harkishan Lal, Mr. A. R. Siddiqi, Mr. Ebrahim G. Currimbhoy, Lala Padampat Singhania, Mr. Begraj Gupta, Mr. Ratilal Mulji Gandhi, Mr. V. K. Chetty, Mr. S. M. Chowdhry, Lala Rameshwar Prasad Bagla, Mr. I. D. Varshanie, Mr. H. P. Bagaria, Mr. P. S. Sodhbans, Mr. S. S. Gangla, Seth Manecklal Mansukhbhai, Sheth Thakorlal C. Munshaw, Sheth Nanddas Haridas, Seth Trikamlal Girdherlal, Sheth Santilal G. Parikh, Sheth Anandlal Hiralal, Babu Balkrishna Das, Mr. S. C. Majumdar, Mr. P. C. Coomar, Mr. Mohanlal Ambalal Parikh, Mr. B. L. Thakore, Mr. Manobhai Doongersey, Mr. S. V. Lalit, Mr. P. M. Bhagwat, Mr. S. R. Sardesai, Seth Lachhmi Narain Gadodia, Seth Ghansham Das, Mr. A. C. Khosla, Mr. Raj Bans Bahadur, Mr. M. G. Bhagat, Messrs. C. S. Rangaswami, Nandlal Kilachand, Haridas Velji, Lakhmsey Ghellabhai, J. P. Jhala, Sukhdev Lal Tuli, Sardar Gurdial Singh Salariya, Bar-at-Law, Messrs. B. K. Setalvad, J. C. Setalvad, K. C. Desai, Pandit K. Santanam, Messrs. S. C. Roy, Amalendu Sen, Sheth Mathuradas Kanji Mattani Srijut S. G. Baroria, Messrs. Soonderdas Dharamsey, R. K. Sidhwa, Sardar Pratapsingh J. Sethi, Mr. G. S. Marathey, Mr. G. S. Mhaskar, Srijut Sagarmal Loyalka, Mr. Jagmohan J. Kapadia, Messrs. Chhotalal Kilachand, Gordhandas Jamnadas, Nandlal M. Bhuta, Mr. Girdherlal, Mr. H. G. Misra, Messrs. Gur Prasad Kapoor, Ram Ratan Gupta.

Amongst the Secretaries of the Member-Bodies were Messrs. J. N. Sen Gupta, T. K. Santanam, M. P. Gandhi, A. H. Maru, Govindchand Bora, D. V. Kelkar, K. Shama Iyer, P. Raghavan Nair, T. M. Gurbaxani, Uttamram Ambaram, Chunilal Vrajlal Mody, A. C. Ramlingam and Mr. D. G. Mulherkar.

The Hon'ble Mr. Peri Sundaram, Commerce Minister to the Government of Ceylon was present by invitation.

The President, Seth Walchand Hirachand, in opening the proceedings of the Sixth Annual Meeting, said :--

GENTLEMEN,

I extend to you all a cordial welcome to this the Sixth Annual General Meeting of the Federation.

REPRESSION

I am sorry the review of the past year's work has to begin with the mention of the policy of repression followed by Government during that year. As you all know the year 1932 opened with the incarceration of Gandhiji as a state prisoner which was followed by a general policy of raids, arrests and imprisonments. The inauguration of such a policy was bound to adversely affect the economic fabric of the country. This is but in consonance with the well recognised law that the commerce and industry of a country are appreciably affected by the slightest tremor caused in the political strata. This is neither the time nor the place to chronicle the subsequent events in the political history of our country. I might, however, quote the opinion of an impartial Englishman who was a member of the deputation sent out to this country by the India League to study the Indian situation on the spot and whose opinion will, I am confident, be considered fair and unprejudiced. That gentleman referring to one aspect of the policy of repression has said :--

"When I know that the Commissioner of Police in Bombay can send merchants to jail because their refusal to trade with the other merchants constitutes an offence and can release those whom he terms as "law-breakers" when he is informed that trading has started in a certain market--this is something new in law and commerce".

Whilst we in this country were realizing to our cost how by the promulgation of the Ordinances, the administration of justice was

made subservient to the exigencies of executive administration, on the other side of the world Lord Reading tried to hold this state of rule by Ordinances, to the admiration of the "Civilised World", by asserting in a broadcast speech on India to the American public that

"We have promised to insist on the maintenance of order in India, and we wish to make secure liberty and justice there *in accordance with the aims and ideals of English-speaking people,** both American and British".

We have had sufficient experience of the ideals of liberty and justice for which the British nation stands in their administration of this country for over a 100 years, to know the meaning of these terms as applied to India. It is not easy to see why Lord Reading coupled the name of the Americans with the British by suggesting that the aims and ideals of both Americans and British were the same. Probably he has a greater insight in the administration of the Philippine Islands by the Americans than ourselves as he felt justified in roping in the Americans as he did. Those who have watched the working of the Ordinances during the year 1932 do not believe that such an action, even if now legalised by Government, will create a calm atmosphere for the working of the reforms. For the purpose of creating such an atmosphere, Government have been trying to crush the biggest and most powerful political Organisation—the Indian National Congress. That Organisation with its 47 year-old traditions and its clearly expressed policy of non-violence and representing as it does not only the intelligentsia but the vast masses of the country, can and will never be crushed permanently. At the most, it might be driven underground for a time, but the present impasse will continue and the bitterness will go on increasing both against Government and Britain until those who were responsible for forcing the Congress to resort to civil disobedience movement by advising the Viceroy to decline an interview to Mahatma Gandhi, realise the harm that they are doing not only to India but to Great Britain and be morally courageous enough to cast aside all notions of prestige and find out ways and means to create goodwill among the people of this country. This and this alone will be a guarantee against any future political and economic eruptions in the country. In my opinion and that opinion is sure to have the backing of the Federation, the release of Mahatma Gandhi and the release of all

* Italics are mine.

political prisoners is absolutely essential to create real goodwill between the two nations. Let us hope that better counsels will prevail in London and at Simla in the near future to bring about such a change.

DECLINING TRADE

During the period of uncertainty in the past year, India's normal trade naturally suffered a heavy set back in addition to the set back caused by the world-wide depression that has existed for the last four years. India's balance of trade which was always in her favour and which was helpful in discharging her obligations outside India diminished to a very alarming extent. In any other self-governing country such a fall in the balance of trade would have created a stir in the Government circles, and would have spurred them to adopt emergency measures to adjust the import and export trade of their country. In India, however, as it did not adversely affect the British commercial and industrial interests, the usual policy of *Laissez Faire* continued to prevail. Whilst in other countries either the currency policy is adjusted to suit the exigences of the situation or tariff-walls are erected to check the imports from foreign countries, in India, unfortunately, the administration not being in national hands, there have been no re-adjustments in either the currency or the tariff policy of the Government of India whose currency policy has always been subordinated to the interests of Great Britain. The haphazard manner in which the policy of discriminating protection is applied by Government, combined with the newly adopted policy of Imperial Preference, has not resulted in any appreciable progress in the establishment of new industries in the country. This apathetic attitude of the Government of India towards the increasing unfavourable balance of trade against India makes us feel despondent about the future of the economic condition of our country. The appeal made by promoters of several Swadeshi and "Buy Indian" Leagues to check foreign imports to the greater use of indigenous goods has had some effect in the beginning, but as these movements had not only not had the support of Government as in Great Britain but were looked upon with suspicion, the efforts and the effects thereof began to dwindle. As you all know, Great Britain witnesses the unique phenomenon of the "Buy British" campaign supported by everybody, from the Prince to the porter and receiving whole-hearted support at the hands of the administrators of the country

and a result of this propaganda, the inrush of foreign exports to that country was very soon checked. In contrast with this attitude we have in India responsible ministers in the provinces, carrying on a campaign for giving preference to goods manufactured in other parts of the Empire even at the cost of Indian-manufactured goods. Such an interpretation of the cult of swadeshim from men in authority will not help the industries of this country. The time has come, or rather is past, when it is necessary for each and every Indian to observe a vow to buy and use only pure Indian goods to the exclusion of all others. If once a genuine and lasting demand for Indian goods is created, there is every reason to hope that we shall see springing up in our country a large number of industries financed, managed and controlled predominantly by Indians which would be able to supply the requirements of our countrymen. It would not be out of place for me to refer with appreciation to the work that is being carried on by a number of "Buy Indian" Leagues or Swadeshi Leagues organised in various provinces in the country to propagate the cult of swadeshim and to appeal to you all and to my countrymen at large to give them all encouragement and support that it is possible for you and them to give.

EXPORT OF GOLD

My predecessor last year dealt in detail with the very distressing phenomenon which, I may say, is unique in the economic history of the whole world, I mean the enormous drain of the yellow metal from this country. The callous indifference with which the people's gold reserve is allowed to be drained away in spite of the unanimous condemnation by the representatives of the Indian commercial community is a vivid example of how the interests of a nation ruled by another are disregarded by the latter for its own advantage. That the exports of gold from India were required by Great Britain to give strength to the pound sterling does not now require to be proved. If still there is any doubt lingering in the minds of any of my countrymen, they have merely to look at the policy pursued by such might nations as the United Kingdom and the United States of America with their gold hoarded in their vaults and then to compare the same with the opposite policy in this country adopted by the administrators belonging to one of these nations. Whilst the United States of America with more than 7,000 million dollars worth of gold in her vaults think it wise to put an embargo on the export of gold,

India's non-Indian Finance Minister characterises this distressing feature of gold exported from India as a "pleasing phenomenon". It is not difficult for us to understand why this phenomenon of the export appeared pleasant to Sir George Schuster and his countrymen. It is, however, necessary to examine the ingenious argument used by the Finance Member in defence of his inaction. The Finance Minister puts forth a very amusing theory that the proceeds of gold realised by Indian sellers had been transferred to interest-bearing investments. It seems that he has ignored the fundamental fact that the average Indian is not likely to bring into market his gold ornaments unless he is compelled by circumstances to meet daily wants. Thus, a portion of the sum realised by the sale of gold must have gone to the money lenders from the pockets of the agriculturists and small holders of gold articles, while the greater part of the remaining sum had to be exchanged for commodities. This process of forced sales of gold led to the increase of British imports in this country, which was wished for both by the Finance Member and the manufacturers in his country. Some of the balance may at first sight be supposed to have been used for the purpose of assisting industries, but so far as I know, no industry except the sugar industry is in a sufficiently flourishing state in the country and therefore is capable of absorbing any new capital. Even the capital for the sugar industry has not come from those who had sold their gold but mostly from substantial business men. In support of my statement, I would request you to go to the villages in the country and there you will see for yourselves the cry of distress emerging from the huts of these villages and you will be satisfied that the story about the re-investment of gold is much less than a half truth and consequently much worse than untruth. I feel it my duty at the time of laying down the reins of my office to voice from this platform the feelings of those who know their country well and to warn the administrators against the continuance of the policy of economic exploitation of my country any longer and would advise them even now to put a stop to the export of gold.

BRITISH INDUSTRIAL POLICY

Outside India we have been witnessing a very interesting change in old things giving place to new. The United Kingdom's plan of keeping a hold on the European group of nations under the obligation of war debts has failed completely. Activity in the industrial

world outside the United Kingdom has placed British Industries face to face with severe competition from its rivals on the continent. British industries for the last 15 years have not been able to face world competition in the Eastern markets of the globe and the very policy of free trade of which Britain boasted for more than 80 years had to be changed to one of protection. The McKenna duties, the Safeguarding of Industries Act, the Dye Stuff Importation Act and the recent Import Duties Act are a sufficient indication that the existing plight of British Industries forced the hands of the British Parliament and Ministers to give up the economic policy founded by Richard Cobden and John Bright familiarly known as the Manchester School. After the great war no efforts were spared by British administrators abroad in the dependencies and in the colonial empire to give by administrative acts whatever relief they could give to British Industries. Discrimination in favour of their industries at the cost of indigenous ones was the principle on which the British Administrators governed the country under their control during the last 15 years. We have an illustration of this policy in the passing of the Indian Currency Act of 1927 when the rupee was appreciated by Statute to s.1-6d. to give advantage to British industries to the extent of about 12½ per cent.

IMPERIAL PREFERENCE

The passing of the Currency Act has not the desired effect of increasing British imports of the country. The purchasing power of the people was going down on account of the slump in the prices of agricultural produce. This added to the advent of the cult of Swadeshism led to the reduction in the volume and value of British imports into India. The depression that set in since 1929 made the position of British industries still worse and in 1931, Britain had to go off the gold standard to correct an adverse balance of trade. Britain went off the gold standard just to suit its purpose of giving artificial encouragement to its export trade without in the least calculating the effects of its policy upon the currencies of the world. The attitude of the United States of America towards Great Britain and the competition created by the industrialised Nations in Europe forced Great Britain to create a sterling area for tariff purposes among countries constituting the British Empire. Thus it was sought to secure some relief at Ottawa at the hands of the Dominions by securing an extra advantage of 10% by way of Tariff Preference over

the manufactures of non-empire countries. India being still a dependency, her interests were naturally subordinated to those of Great Britain ; the Government of India, controlled as it is from London, had no choice but to acquiesce in the policy enunciated by the British Government. The country had the misfortune to witness the tragic farce of the Legislative Assembly ratifying the Ottawa pact in spite of the unanimous verdict against it from all economists and representatives of Indian commercial interests in the country. With a solid Government block in the Assembly and with immeasurable amount of patronage, at their disposal, the administrators of the country are able to get the Assembly to ratify or legalise any action of theirs in spite of country-wide opposition. We have another instance of this power of the present administration in the legalisation of the Ordinances that were temporarily issued last year by the Viceroy for the suppression of the serging tide of nationalism created by the Congress in the country.

WAR DEBTS & THE WORLD ECONOMIC CONFERENCE

In spite of all these efforts, the United Kingdom has not been able to find a correct solution for the state of helplessness in which it is finding itself as a result of the unprecedented economic depression that has set in for the last four years all the world over. To an impartial student of world conditions, the attitude of the United States on the question of war debts is understandable in as much as they do not want Great Britain or the European Group of Nations to utilise their resources made available to them by the liquidation of war debts to carry on a ruthless competition against American industries in the world markets, nor do the United States want these resources to be made use of by the debtor nations to add to their armaments and thus be a menace to the very peace of the world. If satisfactory guarantees are forthcoming on these questions, I do not think the United States of America will stand in the way of an amicable adjustment of war liabilities between the nations. This may be said to have aggravated the distressed condition of the world and the forthcoming session of the World Economic Conference is an indication of the anxiety of all the nations to find out a remedy to cure the world of the existing depression. India as one of the eight industrially great nations of the world is naturally interested in the forthcoming Conference. As you know, the position of our country is entirely different from that of the other industrial

countries. She has yet to develop her industries on right lines, and in these days of severe competition, they cannot be developed without the active help of the State. She has very little to gain from the policy of discriminating protection and Imperial Preference as means to build up her industries. A self-governed country, with immeasurable raw materials available everywhere, with an enormous home market, with hydraulic power available at almost every industrial centre and with abundance of cheap labour, would have developed her industries in a manner that would have won the admiration of the whole world, but India, with all these advantages, presents a different and a sad picture under British administration. It is some satisfaction to note that inspite of the existing handicaps, with a tenacity characteristic of India, and owing to her own peculiar advantages, her industries may be considered to have fared less worse than those of other countries in the present world conditions. She will have to make her position very clear at the World Economic Conference. She will have to revise her tariff policy in a manner suitable to the requirements of her industries. Her outlook, therefore, towards any of the questions on the agenda of the Conference must be entirely different from that of other countries owing to an honest clash of interests between the western nations and herself. The United Kingdom and the United States of America attained the position which they occupy today by a policy of actively promoting and safeguarding their own industries as against the foreign ones. The United Kingdom particularly used even the weapons of administration and legislation including the weapon of discrimination in favour of their interests to encourage its industries at the cost of the development of Indian industries. I need not refer here in detail to their deliberate policy followed in this country of not only stultifying all efforts towards the development of Indian industries but even of going to the extent of destroying by unfair competition the industries that had survived the havoc of the East India Company's commercial policy in India. All this is a matter of history known to you all and which makes a very painful reading. We must at this stage make it clear to the Government again that India's economic and financial needs are distinctly different from those of the other industrially advanced countries of the world, including the United Kingdom, and India will have to strike out an altogether different path of her own at the World Economic Conference to suit her own requirements. India does not want to be dragged into a policy not suitable to her own needs and it is,

therefore, all the more necessary that the Government of India should give every possible opportunity for the nation's rightful representatives to attend the Conference and to express candidly the nation's point of view before it.

CONSTITUTIONAL PROPOSALS

Coming nearer to the realities of the situation in the political world in India, all I can say is that the expectations raised in the minds of several of our countrymen for the last four years are set at rest by the publication of the White Paper in March last. The verdict of the nation as voiced by the various organisations and their representatives of whatever political thought and creed is unanimous in this that it is not capable of satisfying even the most moderate demands of the progressive political intelligentsia in the country. The constitution of the Central Government, the reservation of Federal Finances to the extent of nearly 80 per cent. for reserved subjects, the sweeping, extraordinary and uncontrolled powers proposed to be vested in the Governor-General and the Provincial Governors, all these and other limitations, reservations, restrictions and safeguards lead one to question the very bonafides of the intentions of Great Britain towards India. The very inauguration of the Federation is subject to three principal conditions. The one particularly relating to the establishment of the Reserve Bank, seems to me to be incapable of being brought into practice for yet a long time to come. This view is strengthened by the deliberate line of action which the Government of the country is following in respect of its currency and exchange policy, and also that relating to gold exports. Even assuming that the Federation is brought into existence, I am very much doubtful if its working will tend to make the nation solvent for the years to come, when 80 per cent. of her revenue would be ear-marked by Statute towards the maintenance of an army kept chiefly for Imperial purposes, Debt services, the pensions and Civil Service charges. Thus scarcely 20 per cent. of the revenues are left for the nation-building departments of the country.

ADJUSTMENT OF MILITARY BURDEN

I understand that the report of the Indian Defence Expenditure Tribunal has been submitted to the Prime Minister. One of the issues dealt with by the Tribunal relates to India's claim to a con-

tribution from the Imperial revenues towards military expenditure in India on the now admitted ground that the army in India is maintained to a certain extent for Imperial purposes. Millions and millions of rupees were debited in the past to India's account towards such expenditure and India rightly claims substantial relief in this matter. Another item which requires a very careful examination is the past obligations thrust on India by the British administrators of the country. I would particularly refer in this connection to the various wars waged by the British outside the limits of India and in which India had no real interest. Huge amounts were paid from the Indian treasury towards these wars, and if Britain wishes to be free from all charge of misappropriation and maladministration during her regime of trusteeship of this country, an honest and true account of all these expenses incurred on these wars waged for imperial purposes must be rendered to the newly-installed Government of this country.

THE DOMINATION OF THE SERVICES

I would lastly refer to a grievance and a very serious and genuine grievance entertained by the country regarding the recruitment of the all-India Services. The emoluments of the Services and the privileges enjoyed by them are far higher than those of similar officers employed by Great Britain, Dominions or any other country in the world and are quite out of proportion to the financial resources and taxable capacity of the country. India cannot afford to maintain such a costly Civil Service, and the British Parliamentary Joint Committee should, in fairness to this country, revise the clauses making them a permanent costly fixture in the future administration of the country. The way in which the powers of the members of the Services are not only maintained but actually increased by several clauses and appendices in the White Paper, leads one to believe that the British administrators are not in the least inclined to transfer the governance of the country to Indian hands. Unless the conditions and terms of pay of all these all-India Services are adjusted in accordance with the ability of the country to pay and unless the services are really made subordinate to the Ministers, I am afraid India will in perpetuity be a debtor nation ruled, as a matter of fact, by Members of the all-India Services appointed by the Secretary of State.

COMMERCIAL DISCRIMINATION

I do not want to examine all the proposals of the White Paper, but would like to refer to two particular proposals, one relating to the special responsibility of the Governor-General in respect of several of the questions in the administration of the Federation, and the other relating to the Statutory Railway Board. One of the subjects under the former refers to the "prevention of commercial discrimination." During the last four years of Commissions and Conferences, discussions and reports, this question of commercial discrimination has stood prominently before both the countries. It is not necessary for me to repeat any argument in support of the right of this country to use all means including discrimination against all non-nationals for the purpose of building up her own indigenous industries. By indigenous industries I mean industries or services owned and managed predominantly by Indians. It is an inherent right of all self-governing countries to develop their agriculture and industries in the best interests of their inhabitants and India cannot be barred by any one from exercising this inherent right. I would like to put a straight question to those who have agreed to the discriminatory clauses as a price of peace or as a matter of expediency, whether they had the right to sacrifice a nation's birthright even if the attainment of the full scope of this right might have appeared very difficult or even impossible to them. Once this principle is given up and the discriminatory clauses are accepted, our countrymen will have to remain satisfied by being mere workers in factories with no hopes of being the leaders thereof. Some of us may even be taken on the Board of Directorate. Are we going to remain satisfied with this state of things? My answer and I am sure, yours also will be a distinct and definite "No" to such a query. Moreover the creation of such vested non-national interests will always come, as it has done till now, in the way of the political progress of this country. I would also like to ask those who are arguing from the British side whether their own industries, either the textile industry of Lancashire or the British shipping industry, are not built up to the present high position by an unambiguously deliberate policy of discrimination against every other nation and by following a policy of ruthless exploitation of countries, that were either dependencies or colonies, under their control and management. They now want to prevent India from using the very weapon which they themselves used in the past not only in their own country but in India during

the period of their administration to build up their own industries. Now that they have secured a certain privileged position in the commercial and industrial life of this country, they want to retain that position even at the cost of the interests of the children of the soil. I would like to ask what earthly chance can Indian enterprise have against the already established large-scale industries and giant vested interests possessing huge reserves, accumulated experience and resources enough to wipe out all Indian newcomers, unless these newcomers are protected by the Government through discriminatory powers, both legislative and administrative, against non-nationals. I personally hold the firm conviction that no country at the present day can develop her industries without following a deliberate policy of discrimination, without excluding the non-nationals in the country, without giving substantial help either in the form of subsidies or bounties to those nascent industries that require careful bringing up, and I personally see no relief in any formula, howsoever worded, unless the clear right of discrimination against any non-nationals is vested in the country. It is no use mincing matters on this most important question, and the longer the right of economic self-government is delayed, the more embittered will be the feelings of the nation towards those who withhold it. I am sure that if this unrestricted right of discrimination is given to this country, she may not have many occasions to use it at least not as ruthlessly as Britain used it against other nations, but that she must have that right goes without saying.

THE PROPOSED RAILWAY BOARD

The question of the establishment of a Railway Board to administer the affairs of the Indian railways really came as a surprise to those who were all along told at the second and third Round Table Conference that this Body will be constituted by the newly-formed Federal Legislature. The railways in India with more than 800 crores invested therein constitute the biggest asset of the country. They have been so far managed by a Railway Board with the commerce Member as the Chairman. No necessity has been felt for constituting a Statutory Board for the administration of these railways. I do not know whether the proposal as incorporated in the White Paper is the result of any apprehensions entertained in British circles owing to the fact that the future Commerce Member of the Federal Government will be an Indian Minister and therefore he may not

be relied upon to follow the same policy that his predecessors had been following in the pre-federal period. The Railway Board wields an enormous power to make and unmake any industry in the country and if this power is wielded in the national interests of the country, I am sure many an industry will be encouraged in the land and will add to its prosperity. Looking back to the history of the administration in the past, I can well understand the object of the British administrators to constitute the Railway Board as a close preserve for British interests and as the administration will be run by non-Indian persons at the helm, there will be very little chance of the future Railway Statutory Board with immense assets worth nearly 800 crores under their control following a policy that would relieve unemployment in the country, increase the country's productivity and add to the national wealth. I am voicing the unanimous opinion of the entire commercial community when I say that the mercantile community views with grave concern the proposal in the White Paper relating to the establishment of a Railway Board.

I do not wish to express my opinion on the other proposals in the White Paper as they will be discussed by the whole House either today or tomorrow. But let me warn the British people in the country and outside that their interests will be safer in the hands of Indians vested with full power rather than if real power is denied and nominal control given. In such a case people will be tempted to find out ways and means of circumventing all safeguards to damage those vested interests. May I repeat the warning given by the Poet Tagore in his letter to the Indian Conciliation Group, London,

“Genuine peace in India can only result from fearless recognition by the Government of the fundamental claims of humanity”.

To this I may add that given a status equal to that of Canada, Australia or South Africa as defined by the Statute of Westminster, India, with a population of 350 millions of souls, will always be helpful in maintaining peace in the world. (applause).

President: Before I sit down I should like to extend a cordial welcome to the Honourable Mr. Peri Sundaram, Commerce Minister to the Government of Ceylon.

Two Resolutions are to be moved from the Chair: The first relates to the death of Sir Dinshaw M. Petit.

I move :

DEATH OF SIR DINSHAW M. PETIT., BART.

"The Federation puts on record its sense of great loss to the Indian commercial community sustained by the death of its first President, Sir Dinshaw M. Petit., Bart, and expresses its deep sympathy and condolences with the members of the family of the deceased."

The resolution was carried by the House, all the Members standing.

The Second Resolution relates to the release of Mahatma Gandhi. It is also to be moved from the Chair.

I move :

RELEASE OF GANDHIJL

"The Federation of Indian Chambers of Commerce and Industry places on record that in its opinion the dual policy of the Government has failed and that in the interest of peace, goodwill and prosperity, it is essential that Mahatma Gandhi and other political prisoners should be released forthwith."

Mr. R. K. Sidhwa (Karachi Indian Merchants' Association) : I propose an amendment to this Resolution.

President : Resolutions from the Chair are conventionally passed without any comments and certainly without any amendments. The Committee spent a good deal of time on this and they unanimously agreed that this would serve the purpose. As there cannot be any controversy about this, I would appeal to you to pass this without any amendment.

Mr. R. K. Sidhwa : What will be the remedy for a member to express his opinion on the matter ?

President : Resolutions from the Chair, I might repeat, are supposed to be agreeable to all and this is the unanimous view of the Executive Committee.

Mr. R. K. Sidhwa : Provided it is acceptable to the whole body.

President: Let this Resolution be passed and if there are any other points that you wish to bring forward you might bring them to my notice and I will place them before the Committee and we can have another Resolution later on. I think that will meet your point.

Mr. R. K. Sidhwa: In that case would it not be desirable to hold over this proposition until you consider my points?

Pandit Santanam (Indian Life Assurance Offices' Association): The Resolution that you have moved has come as a surprise to us. Considering that this Resolution has been materially altered in the Executive Committee, would it not be fair for the President to declare that this Resolution might be moved by some member on behalf of the Committee and opportunities might be given to the members, if they wish to make changes. Resolutions moved from the Chair are generally non-contentious. In this matter there is no doubt that the principle underlying it is non-contentious but the wording is certainly a matter of very great contention. So I would request you to allow this to be moved by a member on behalf of the Committee.

Mr. Begraj Gupta (Marwari Chamber of Commerce, Bombay) addressed the House in Hindi: He explained that it was his Chamber which sent in the resolution which was incorporated in the Agenda. Since then the White Paper was published. Considering the reception which the White Paper received at the hands of various political bodies, his Chamber wrote to the Committee of the Federation expressing its desire to alter the text of the resolution. The resolution moved from the Chair now was thus altered in view of the universal condemnation which the White Paper received since its publication from all quarters in India.

Mr. A. D. Shroff (Indian Merchants' Chamber, Bombay): Mr. President: I am sure that everyone present here will unanimously agree to the substance of the Resolution that you have moved. But I think it is but fair that I should take exception to the procedure adopted by you. After all, we must remember that there is a lot of feeling on the question which forms the subject-matter of the resolution and it is really a matter of surprise to us the way things are run in this Federation; for instance, many of us who are present here to-day have not yet been supplied with copies of the resolutions

that are to be discussed this session, and that resolutions are moved of which we had no notice at all. I do ask whether it is considered fair by the Executive Committee of the Federation to treat the delegates in this fashion.

Mr. J. J. Kapadia (Native Share & Stock Brokers' Association) : May I in this connection draw your attention to bye-law 4 which prescribes that previous notice of a resolution must be given. I should like to know why that bye-law has been violated in this particular case.

President : In reply to Mr. Shroff, I must confess he is right as regards his not having the agenda with him. Although the Committee worked for several hours yesterday and the staff worked till 2 o'clock at night, unfortunately we have not yet got the final copies from the press. We expect them every minute. I plead guilty to the unavoidable omission, but it is an irregularity brought about by mechanical or physical causes beyond our control.

As regards Mr. Kapadia's point, this resolution was circulated. The very Chamber that sent in the resolution not only desired it to be amended but its representative came and saw me in Bombay and Mr. Begraj Gupta has expressed his opinion and the reasons for the alteration. The only revision that we took steps to bring about in the Committee concerned a few suggestions emanating from those who suggested any alterations, changes or remarks in resolutions after they have been with the member-bodies and delegates for some time. That procedure has been followed. This resolution was unanimously approved by the Committee, and I think is an improvement from every point of view. If however it is intended to have it placed through a member and have it discussed, personally I have no objection if that is the sense of the House.

A delegate : I think it would be better, Sir, if you hold over this resolution until the Executive Committee have reconsidered the matter.

President : My difficulty is that the agenda papers have not arrived and therefore I was trying to finish these two resolutions and then take the gold resolution. Every minute we are expecting the final print of the resolutions. That is the difficulty. Now if we can take up any other resolution on which there would be no difference of opinion, we can carry on till 1 o'clock by which time I hope the agenda papers will be available.

Mr. Debi Prasad Khaitan (Indian Chamber of Commerce, Calcutta): Sir, as a member who was present at the committee meeting which discussed this resolution as regards the form in which it ought to be placed before the annual session, I think it is due to the President of the Executive Committee that the reasons for the alteration should be fully explained. You will find, Sir, from the draft resolution which had been submitted by the Marwari Chamber of Commerce before the White Paper was published, that the latter portion of the Resolution stated that the "Federation believed that if the majority of the political prisoners now in jail,

Mr. Shroff: On a point of order, Sir, I think last year it was ruled that no mention was to be made of what had happened in the committee?

President: I think the reasons should certainly be explained to the House as to why a certain resolution which was put on the agenda was at the last moment altered by the Executive Committee.

A Delegate: You can do that in your personal capacity.

Mr. Kapadia: I rise to a point of order. I want to know whether the resolution which you have moved from the Chair does not violate the express wording of bye-law 4.

Mr. A. D. Shroff: If the Chairman is the authority who decides a point of order and not any other member, I cannot understand any other member assuming the authority of the Chair to give us a ruling on a point of order. It is you who have been asked to give a ruling.

President: Mr. Shroff, I do not think Mr. Khaitan was trying to give a ruling. He was trying to explain bye-law 4. The ruling will be given in due course by the Chair if and when necessary. Mr. Khaitan is one of the very few expert legal members present here and what he is trying to do is to explain the precise position, and we have to thank him for that and because he has been trying to help the Federation as regards rules, regulations and the constitution, and he is now trying to explain the position. The ruling of course will naturally lie with the Chair.

Mr. Debi Prasad Khaitan: Sir, some objection is taken on the point of bye-law 4. I will first read bye-law 4.

"The Executive Committee are empowered to give notice of any subject or resolution for consideration at any of the annual general or special meetings of the Federation,

This is a power given to the Executive Committee and it is within the power of the Executive Committee to give notice of any subject or resolution for consideration at any annual general meeting and I cannot understand how bye-law 4 can possibly be construed as a restriction on the members of the Executive Committee. Then, Sir, I will refer to the reasons which I was giving as to why the draft Resolution as submitted by the Marwari Chamber of Commerce was altered. The latter part in the original draft which has been dropped by the Executive Committee ran like this :

"The Federation believe that if the majority of the political prisoners now in jail after a careful consideration of the recommendations in a free atmosphere are convinced that the proposed constitution will indeed give to the country the substance of its demands as is claimed by Government and that political peace and trade revival will soon be ushered in."

As Mr. Begraj Gupta representing the Marwari Chamber of Commerce has already explained, this draft was prepared and submitted to the Executive Committee of the Federation before the White Paper was published. Now that the White Paper has seen the light of the day and opinions have been expressed on the White Paper all throughout the country, we know what the feeling of the country is on the White Paper and certainly know what attitude the Congressmen, who are called political prisoners in this draft, would express on the substance or the wording or the implications of the White Paper, and the Committee certainly thought that it would be an improvement upon the draft to drop the second part of this Resolution and to place before the House only the first part. I hope, Sir, that, with this explanation there will be no dissentient voice about the Resolution in the form in which you have placed it before the House.

Mr. A. D. Shroff : May I point out that the bye-law has to be read in conjunction with rule 11 ?

Mr. Debi Prasad Khaitan : I will also read rule 11 :

"No subject which is not specified in the final notice of the programme of business to be transacted shall be permitted to be discussed at any annual, semi-annual or special meeting unless the subjects specified in such programme have been disposed of. No formal resolution shall be adopted at a meeting nor any public action taken in the name of the Federation at such meeting on any subject unless it shall have been included in such programme duly issued by the

authority of the Executive Committee. If, however, the President or the Chairman suggests any subject for consideration and at least three-fourths of the members present agree to the same being considered, such question may be treated as part of the agenda and proceeded with. No action shall be taken by the Federation in its collective capacity except on the resolutions carried by a majority of two-thirds of the votes given thereon."

So far as this rule is concerned, there has been no violation of it because the subject is on the agenda as circulated. No new subject has been introduced by the Executive Committee at all. In view of the developments that have taken place since the draft resolution was prepared and submitted to the Executive Committee, the latter has full power not only under the rules and bye-laws but also by its inherent powers to make such alterations and amendments as they think fit as regards the wording of the resolution on any subject as it may be placed before the House, and as regards the second part of it the Executive Committee is preparing the Resolution on the White Paper, it will duly be submitted to the House and the House will have the fullest opportunity of expressing its opinion on the White Paper itself.

President: In view of this, I would like to have this Resolution passed unanimously as moved from the Chair.

Mr. R. K. Sidhwa: Is it you desire persistently not to hear our views at least in this matter?

President: If that is the sense of the House, I am afraid I will have to put it in the way you want. Do you want me to take the sense of the House on this namely whether this resolution should be considered now or later on?

Mr. R. K. Sidhwa: That would be better.

President: We would like to be unanimous on such a resolution and therefore we defer it.

As regards the next resolution, as I said you have not got the exact wording of the resolution before you. The next resolution that will be read out to you is about gold, with the deletion of only one line. I would ask Mr. Sarker to propose it.

Mr. N. R. Sarker (Bengal National Chamber of Commerce, Calcutta): Sir, I beg to move the following Resolution:

GOLD.

"This Federation views with alarm the continued outflow of gold from India valued at over 120 crores of rupees since September 1931 and regrets the policy of inaction on the part of the Government of India in spite of strong protests by the Indian mercantile community. In view of the huge loss of the immense potential strength which the gold resources of India might have supplied to the future Reserve Bank, this Federation reaffirms the necessity of steps being taken forthwith by the Government to put an embargo on the export of gold and to buy gold in India for the purpose of strengthening the Currency Reserve at the rates equivalent to sterling rates of gold in London."

And then I have been asked by the Chairman to move the Resolution on Currency also :

CURRENCY.

"This Federation protests against the Government's policy of keeping the rupee linked to sterling and urges that the rupee be allowed to find its own level"

You are all aware of the keen international rivalry for the possession of the yellow metal, which began several years ago and has been continuing still unabated. Nearly every country in the world is making frantic efforts not only to protect and conserve its stocks of gold, but also to augment them. A large number of countries, too numerous to mention, have prohibited the export of gold. The Bank of England, for months past, has been an active purchaser of gold, indeed purchasing recently at the rate of £1 million a day. The Bank of France and the Federal Reserve Bank of America are almost relentless in their efforts to acquire gold.

Such being the condition of international demand for gold, the attitude to be taken by any particular country towards the uncontrolled export of the metal should be obvious enough. As a matter of fact Indian opinion on the question has already been frequently expressed in most definite and emphatic terms. Nearly every representative of Indian commercial organisations has protested against the terrible drain of gold from India. The nationalist press has

expressed its thorough disapproval of the policy and the leaders of public opinion have unanimously condemned the Government's obstinate inaction in the face of a grave economic phenomenon.

It should thus be unnecessary for me to offer elaborate arguments in support of the Resolution. But recently Sir George Schuster has in presenting his latest Budget assiduously devoted a part of his speech to support the policy of free export of gold, and has since asserted that his arguments have not so far been met by his critics. I feel that we should not allow this occasion to pass without answering the challenge of Sir George Schuster and I would therefore refer to some of the points raised by him to show that they are absolutely untenable and can not offer any justification for the policy hitherto pursued by the Government in this matter. We must wonder at the remarkable boldness and ingenuity of Sir George Schuster if we remember that of all Ministers of Finance and Chancellors of the Exchequer in the world our Finance Member is perhaps the only one who has advocated and enforced the free gold exports.

I must, however, congratulate Sir George on the consummate ability with which he has marshalled his facts and arguments and the keen analytical gifts he has brought to bear upon the examination of the problem. But as nearly all bad causes have had some brilliant advocates to defend them, he reminds me rather of a great lawyer who makes a brilliant defence after having committed a grave offence. You may admire his legal gifts but you are convinced he has committed the offence.

I will now briefly examine the arguments advanced by the Finance Member. His first argument is that on account of the serious shrinkage in her export trade, India could not support the present volume of imports and meet her external obligations without embarrassing results unless the position was helped by the export of gold.

The argument would have been absurd but for the subtle fallacy underlying it. It assumes that it is necessary to support the present volume of imports and that these imports contribute to the increase of the country's economic well-being or its productive capacity. If the Finance Member had devoted a part of the time he has expended upon the defence of gold exports to a study of our import trade,

he might have easily seen that neither the economic welfare, nor the productive capacity of this country, requires the maintenance of imports at the present level. The argument would be valid only if the Finance Member could prove that reduction in the consumption of imported commodities would inflict grave injury upon our economic system. Sir George merely assumes this and has been careful enough not to attempt to prove it.

I am afraid Sir George is confusing the position of India with that of his own country. The bulk of England's imports consists (apart from food-stuffs) of raw materials, semi-finished goods and capital goods, on which her very economy is so largely founded ; and therefore any serious diminution in imports would react dangerously upon her economic stability. In India the position is entirely different. Our imports consist mainly of manufactured goods, some of which confer no economic benefit upon this country at all ; and a large part of these imports comes directly into conflict with the prosperity of our own struggling industries. Would a reduction in the imports of dumped cotton goods, which have all but overwhelmed our cotton industry, or of cement and steel sold at ridiculous prices, or of non-necessaries and luxuries like foreign provisions, cigarettes, wines and beers,—would the reduction in the consumption of these goods to a "desperately low level" have inflicted any injury? On the contrary, the economic position of the country is such that it is necessary to take every step to discourage the import of goods that affect unfavourably the prosperity of Indian industries. Curiously enough, our Finance Member seems to deplore the fact that India's ability to consume foreign manufactures has been reduced. If the present level of exports cannot support the present volume of imports, the sensible thing to do is either to stimulate exports or reduce imports. The Finance Member seems to have completely ignored these natural remedies, and can only envisage gold exports as the only remedy. Herein lies the difference between our Finance Member and the Chancellors of the Exchequer of other countries. Faced with the same problem, rather than allow gold to be drained out of the country, England raised tariffs to curtail imports and set right the balance of trade, depreciated the currency to stimulate exports, and put an embargo on exports of gold. It is evident from Sir George Schuster's own statement that he was more anxious to see that the volume of imports was not reduced than to conserve

the gold in India, and this gives the key to the Finance Member's policy.

The second argument of the Finance Member is highly involved and rather far-fetched. He says that by exporting gold, India has released into the world a commodity which "if it is used as a basis for currency" would increase the purchasing power of other countries. But has it all been used as a "basis for currency"? When exports of gold commenced, was the Finance Member convinced that it was all going to be used as "a basis for currency"? Did the importing countries give him any assurance or guarantee? At any rate, not very long after, from facts available to him, he must have known that a large part of the gold exported out of India was simply being sterilised and hoarded in other countries and was not being used for the purpose he had anticipated. If the Finance Member really believed in this argument, was it not his duty to stop the export of gold at least then? I am amazed that a Finance Member should hold out such pitiful weak and laboured arguments. Are we to understand that when gold began to be exported from India, the Finance Member, realising the advantage they may bestow upon our customer countries, encouraged it? Apart altogether from the question whether the anticipated benefits have actually materialised, I would like to know why this particular argument was not advanced in the Budget speech of 1932, where also the Finance Member attempted an elaborate defence of this policy. It is evident that this particular aspect was not present in his mind when he decided his attitude towards gold exports from India. It is a mere after-thought.

But is it correct? Is the contention borne out by facts? I am prepared to admit the argument if the Finance Member can prove to me that, as a result of the increase in the purchasing power of the countries that absorbed the gold, all of them have purchased a greater volume of commodities from India. The real fact is that nearly everyone of them bought less from India in 1932 than they did in 1931 or 1930. Our export figures for 1932 reveal grave deterioration. In ten months from April 1932 to January 1933 as the Finance Member himself pointed out, exports were down to 110½ crores against 134¾ crores for the previous year. In nearly every main commodity the decline was due to a fall in quantity rather than in price. In the face of these facts, this particular argument of the Finance Member is thoroughly unconvincing.

In any case, Sir George Schuster has propounded a very novel method of reviving the trade of a country. To a country which wishes to sell more goods, his suggestion is that it should export its gold to its customers, so that it may enable them to increase their purchasing power. If this is not economic altruism, I do not know what is. How I wish he suggested this to his own country England. No country is in greater need of foreign customers, and India is one of England's greatest customers. Would Sir George Schuster suggest to England that she should export her gold to India so that it may increase India's purchasing power and enable her to buy more from England? It may be a pleasing diversion for Sir George to play the fairy God-father to a distressed world, but when it is done at the expense of this poor country and its stock of gold, we feel that the interests of this country have been sacrificed for the convenience of the world. No other country is in greater need of raising its purchasing power than India, and yet, curiously enough it did not strike our Finance Member that if India's gold could be retained in India, it could be made the basis for her currency and could increase her purchasing power. In his solicitude for the purchasing power of foreign countries and the basis of their currencies, India naturally enough perhaps just slipped out of his mind.

The Finance Member has brought out a string of figures to prove how, with the proceeds of gold export India has reduced her sterling debts and strengthened her sterling reserves. The reduction of sterling debt is certainly commendable and is a step in the right direction. But I confess I fail to see the advantages of selling gold to acquire sterling. If the gold had been acquired by the Government and retained in their own reserves in India, would it not have strengthened the Government's position just as much as the acquisition of superfluous sterling? The Finance Member thinks this would not have been good policy, because we have "our proper proportion" of gold in our currency reserves. I am afraid I cannot agree with the Finance Member's idea of "proper proportion". In the first week of March the percentage of gold to notes in circulation was barely 14.65 and this can hardly be admitted from any standpoint as a proper proportion. Even admitting that 14.65 per cent is a proper proportion, why should the Finance Member have any objection to acquiring a little more of the metal which the whole world is clamouring to get? Would it be disastrous to India?

Neither can I agree with the Finance Member's partiality for

interest bearing sterling investment. It all depends upon whether India is in greater need of sterling investments of gold. Without fear of contradiction, I can say that gold is immensely more necessary and useful to India under the existing circumstances than the interest earned on sterling investments. Formerly, when sterling was easily convertible into gold, perhaps it did not matter ; but at the present time, when it is not so convertible, there is, I think, a distinct danger in selling away our gold to invest it in sterling.

Sir George Schuster has in this connection referred to a potential danger which in his opinion would bear disastrous effect if the Government were to decide in favour of purchasing gold. It would not be possible for the Government, he suggested, to persistently continue to purchase gold without exposing themselves to the hazard of abandoning the ratio of exchange. The arguments advanced by him in support of such probability are interesting and may be quoted as follows :

"If we had bought the gold for rupees, the private remitters would then have come to us, as the currency authority and demanded that we, in accordance with our statutory obligation, should sell sterling to them. We could not under the existing law have refused to do so and in that case we should have had to use the gold which we had acquired to buy sterling to meet our obligations and thus would have found ourselves in precisely the same position as we are to-day. We could only have refused to sell the gold in two ways. Either we should have had to get a law passed to relieve us of our statutory obligations in which case who would venture to prophesy what would have happened to the sterling value the rupee? Or as an alternative we should have had to pass a law putting a rigid restriction on all exchange transactions, which would have been a gross and unnecessary interference with the liberty of private individuals to deal with their own property and would necessarily have led to a very serious restriction of imports."

These arguments of the Finance Member are no more convincing than those I have already discussed and they only reveal once more how in a conflict between the ratio question and vital economic interests of the country our Government invariably attach a higher degree of importance to the former. I would not attempt to give any elaborate reply to the laboured arguments so ingeniously put forward by Sir George Schuster. I would only ask that if Sir

George was convinced that those were the only two alternatives left open to him and that the second was obviously detrimental to the interests of trade, what could have deterred him from abandoning ratio for a purpose that offered a sufficient cause for similar action in most of the advanced countries in the world to-day. Did not America and England, not to speak of other countries, abandon the basis of their currency systems for the sake of preventing an efflux of gold, and what did their action mean but the forsaking of a statutory obligation? I cannot understand why our Finance Member decided to adhere to statutory obligations which were unhesitatingly disowned by even the Government in England no sooner than the circumstances demanded it. Sir George Schuster could well have assured himself that the disavowal of the Government's obligation to maintain the ratio would be welcome to the commercial community in India who have persistently been complaining against the over-valued rupee.

Having examined Sir George Schuster's argument and his attitude towards India's gold, it would be interesting to note what other countries have been doing in regard to this question. During the year 1932 the Bank of England acquired gold with avidity. In the course of that year, England had at one time acquired as much as £20 million of gold, and the year would have closed with an increase in gold reserve of about this amount, had it not been for England's war debt payment in the middle of December which involved a sacrifice of about £19½ million in gold.

In 1932, imports of gold into England equalled £151.9 million and exports £134.3 million, leaving a net excess of imports over exports of £17.6 million. Of these imports, India furnished in the first eleven months, £52 million. It was most unlikely that, if Indian gold were not available, England would have been able to repay America. In all possibility, she would have been forced to default or raise a loan in America, or ask for extension of the time of payment.

On the 19th March 1933, the Bank of England's gold reserve was the highest for all time and its gold holding the highest since July 1931. In 1932 France imported a very large quantity of gold. On November 30th, the gold reserves of the Bank of France exceeded 83 milliard francs, while at the beginning of the year, it was under 69 milliard that is, an increase of 14 milliards in one year. The

continuous hoarding of gold by France is one of the outstanding features of the international gold situation.

Besides these countries the Central Banks of the United States, Holland, Italy and Switzerland have all acquired increased quantities of gold in 1932. Why should not have India acquired at least as much gold as is adequate for her purposes? For the sound and secure establishment of the Reserve Bank, more gold than we possess to-day is necessary. All the more inexplicable therefore is the Finance Member's indifference in this matter, specially in view of his expressed earnestness for setting up a reserve bank at the earliest date.

I would therefore strongly recommend the imposition of an immediate embargo upon the export of gold. In view of the alarming quantities of gold that are still leaving India, such an embargo is most imperative. The country's feeling in the matter is so deep and universal that I fully trust the Finance Member will reconsider his policy.

An embargo on gold export is only but one part of the policy now urgently required. The Government must go further and make up its mind to buy gold in India, for the purpose of strengthening our currency reserves, at rates to be fixed from day to day according to the sterling price of gold in London. Such a policy would not inflict any injury upon people who must convert their savings into consumable goods, or hinder others who are moved by a commendable desire to change one form of investment for a more profitable one.

With these words, I place these Resolutions for your acceptance (applause).

Mr. Chunilal B. Mehta (Bombay Bullion Exchange, Bombay) in seconding the resolutions said :

Gentlemen,

It is an unfortunate tragedy of Indian public finance that invariably in every matter concerning currency, exchange and other monetary problems of India there is difference of opinion between the Government of India on the one hand and well-informed public opinion in India on the other. This continues to be so since many

years and even to-day there is nothing to suggest that the situation has changed inspite of all talks of political reforms towards Dominion Status. During the last fifteen years or so we had the controversy regarding 2s. ratio then again 18d. ratio and now, there is perhaps no greater controversial question than gold exports, a matter in which the Government have totally ignored the best interests of the country. This resolution of the Federation on gold exports and rupee exchange states in unmistakable terms the Indian point of view.

That acute economic distress is prevailing in India, especially since last few years, is a matter of common knowledge. The distress and the sufferings of the people are painful and intense. The terrible fall in commodity prices have ruined many a people, especially in rural areas, and agricultural industry—the most important industry of India has ceased to be a profitable business.

Under such dire circumstances and out of sheer distress people have been forced to fall upon their reserves and to sell their gold to meet their requirements, and long before the rupee was divorced from 18d. gold in September 1931 distress gold was actually coming upon the market and about Rs. 10 crores worth of gold was actually sold to the Government at the statutory price of 21-3-10. The gold was coming out for sale and was being purchased by the Government and the currency in circulation came to increase. Therefore, inspite of economic distress there was no complaint against the Government on this score as the gold with the people was being transferred to the Currency Reserve for functioning in the manner and to the extent it should do.

The greatest source of satisfaction was that "distress" gold was retained within the four walls of the country and did not leave its shores.

However, since September 1931, the position has changed, and day after day, gold continues to be exported from this country. The total of such gold exports since September 1931 now approximates Rs. 120 crores and still gold is leaving country at the rate of a crore a week. This Federation and various other public bodies in India have vainly urged the Government to prohibit the gold export from this country and day by day public opinion is getting stronger and stronger on this point. In the Budget speech of 1932, Sir George Schuster tried to defend the policy of allowing gold

exports from India, but not a single argument of his has convinced the people.

It will be interesting to go over his arguments as after a period of one year we have the satisfaction to see that what this Federation said at the time has come out quite correct. His arguments at the time against buying gold were:—(1) there was speculative risk, (2) the Government could not afford to buy and hold all the gold which was being offered for sale, (3) The Government had already their proper proportion of gold in currency reserve, and lastly, (4) they were acquiring sterling. Each of these arguments at that time was subjected to the public criticism. His first argument could not stand so long as sterling is not stabilised and linked with gold. Sterling is fluctuating and as such there is equal risk in buying sterling as in buying gold. But since the British Treasury began to purchase gold systematically his argument has fallen flat. There is no doubt that physical possession of gold will create more confidence than all the sterling balances of the Government. Even when sterling is not stabilised the British Treasury through Bank of England is almost daily buying gold for constructive purposes, and there is no question or consideration of risk to them. Why then there should be such a question with Government of India? Further, his argument that the Government cannot afford to buy all gold that is offered for sale, is obviously ridiculous. How can there be the question of ability to buy when they are actually buying huge amounts of sterling, far in excess of their requirements during the last 18 months? The same resources could have been and can be utilised to purchase gold instead of sterling, only if there was the desire to do so.

As regards proper proportion in the currency reserve, it could be seen that at present the reserve of gold in the Paper Currency Department is barely Rs. 26 crores against a Note circulation of Rs. 177 crores or about 15 per cent. Is this proper proportion? And even this has been brought not by any new purchase of gold but by book transfers from Gold Standard Reserve to Paper Currency Reserve.

Another argument of Sir George Schuster was that they were acquiring sterling. It is true that the Government had sterling obligations and no one objected to their buying sterling to meet their

obligations, but it is difficult to understand why they should purchase sterling far in excess of their requirements in preference to gold.

Now in this year's Budget speech in the Assembly Sir George Schuster has given up the old arguments in defence of his gold policy and has taken much trouble to explore new arguments. He took delight on account of gold exports from India. He has regarded it as a beneficial feature of no small importance. He talked eloquently over the benefits to the Government and to the people on account of gold exports. All over the world exports of gold from a country are regarded as nothing less than a sign of economic deterioration. But Sir George Schuster does not regard it so in the case of India. He merely regards it as an exchange of one form of investment for another and as drawing on reserves accumulated in better times with no decrease in income. It is a laboured argument when it is said that people sell gold with one hand and buy securities with the other hand. Drawing upon reserves for absolute requirements cannot lead to exchange of investments. The appreciation in Government securities is not a feature peculiar to India alone but to all over the world in proportion to fall in interest rates, and it is a positive assertion of very low activity in trade and industry.

While Sir George Schuster has not a word to say about the distress of the people he showed immense solicitude for the out-side world when he said "India has in fact been able to release into the world a commodity for which alone there is an undiminished market and the possession of which if it is used as a basis of currency, does not diminish, but rather increases the purchasing power of the countries absorbing it. By doing so India has been enabled to take more imports and, thereby, in this second way also to increase the purchasing power of her own potential customers." As said now at one moment Sir George Schuster says that selling gold by the people is an exchange of one form of investment for another form. At the same time he also admits that gold exports have enabled India to take more imports. It can be seen that both cannot be right. It is clear that imported articles are of ordinary requirements and are paid for by gold exports. As such it is proved that the people are selling gold to provide for ordinary every day necessities of life and not for exchanging one form of investment into another. Further Finance Member's inference that the increased imports may increase the purchasing power of our potential customers is also mistaken, as the export trade of India during the last 18 months has gradually

deteriorated instead of improving. Obviously, Indian gold is being used by foreign countries to buy commodities of countries other than India. He also does not remember that there is more urgent need for gold within the country for a Reserve Bank. He even goes so far as to say that they were well-advised in keeping their reserves in interest-bearing sterling investments in preference to gold. Since many years we have heard from the Government about the superiority of interest-bearing assets over non-interest-bearing barren metal and in spite of that the whole world, including Britain, is clamouring for that metal but the Government of India refuse to change their gold policy for which there can be no parallel in the world.

Further, the Finance Member said that as currency authority under the existing law it would be difficult for them to refuse selling sterling to the public. First of all during the last 18 months the Government are never called upon to exercise their function as currency authority to sell sterling. However it is very regrettable that the Government are taking undue advantage of the Currency Act of 1927. When that Act was passed sterling and gold were one and the same and in that confidence the Assembly had passed the Act. But now when sterling is entirely different from gold the Government are still sticking to the wording of the Act and are keeping theoretical responsibility in order to carry on their policy of allowing the gold exports.

Summing up what has all been said until now the position is reduced to this: India has parted with gold to the value of Rs. 120 crores and there is absolutely no corresponding gain or advantage. This is the net balance of the transaction. The Government of India stand unique in the world in not taking advantage of the opportunity to accumulate gold but actually they are facilitating its exports from this country. It is quite obvious therefore that it is the deliberate policy of the Government to allow gold to go out of the country as much as possible with a view to support the value of sterling in terms of gold. If they do not admit this they must be grossly ignorant of the functional value of gold. British economists, financiers and newspapers all admit that it is the Indian gold that is supporting the sterling.

All the possible advantages, direct and indirect, whether big or small, now supposed to have been secured to the Government and

the people can be fully obtained if the Government stop the export of gold and buy all the gold in the open market. The other day, Sir George Schuster asked the Assembly whether they are prepared to face the practical results of such an action although he had not informed the Assembly as to what those practical results would be and what harm they would do. It is too simple to realise the practical results of such an action. No harm to the finances of India nor to the trade and industry of the country is to come by the prohibition of gold exports. On the contrary the practical results would be beneficial by prohibiting gold exports and allowing the rupee to find its natural level. There would certainly be a material rise in raw commodity prices. This would materially increase the purchasing power of the masses which would help to improve the general trade conditions. What is wanted in these days is the rise in commodity prices and increase in purchasing power of the masses. We all know that after the abandonment of gold standard by Britain, Japan also abandoned gold standard only for the purpose of competing in foreign markets. In the same way in order to improve commodity prices and increase the buying power of masses and to protect our gold from going out of the country, gold exports should be prohibited and rupee should be allowed to find its natural level. Only recently, with huge stocks of gold, the United States of America put an embargo on gold exports. What has happened in that country? Have the heavens come down? On the other hand, every body in America welcomed it as shown by the buoyant feeling that prevailed. The same thing would happen in India.

Therefore, we urge the Government to revise their gold and exchange policy because it is admitted by all that gold standard can be the only international standard and measure of prices, and that gold will continue to occupy its pre-eminent position as the only means to adjust the balance of international transactions. In spite of the abandonment of gold standard in several countries of the world the clamour for gold is increasing day by day except with the Government of India. The British Treasury actually buys gold invariably every day and it is difficult to understand why the Government of India should not follow the model of British Treasury. Hence, whatever might have been the gold policy of the Government hitherto, they must at least change it now in view of the proposed Reserve Bank of India. We are told that the establishment of a Reserve Bank of India is a condition precedent to the Federation.

It appears from the Budget speech of Sir George Schuster that sterling purchases by the Government of £35 millions in excess of ordinary requirements will be made the basis for the Reserve Bank. This implies that the rupee will be kept linked with sterling. If that is really so there can be no greater tragedy. It is impossible to conceive of a Reserve Bank with the rupee linked to sterling. I may say that the National Bank of Egypt had to abandon gold standard when Britain abandoned it because it had most of its reserves in sterling. There is no certainty when sterling would be stabilised and even if it is stabilised there is no guarantee that Britain will not again abandon gold standard. Therefore, the rupee should not remain linked with sterling but should be allowed to find its natural level and then should be independently linked with gold and for that purpose Government of India should acquire gold.

It is unfortunate that the gold and exchange policy of the Government of India is not in the interests of the country. In Britain the Treasury is buying gold actively rather than allow the sterling exchange to improve. They have until now purchased gold to the value of £58 million since the beginning of this year. On the other hand, the Government of India let go the opportunity of acquiring gold at their own doors. We only ask the Government of India to follow what the British Government are doing in the matter of gold and exchange and nothing more.

Mr. A. D. Shroff (Indian Merchants' Chamber, Bombay): in supporting the resolutions said:—

Gentlemen, So much has been said and written on this subject that I do not think I shall be repeating the old and familiar argument. However, I might point out that the attitude taken up by the Federation last year in opposing the linking of the Rupee has come out absolutely true. If you see the figures of foreign trade of India for 1931-32, I think they will fully confirm all our apprehensions and belie the belief of the Finance Member representing the policy of the Government of India that the linking of the rupee to sterling is in the best interests of the Indian trade. That the Indian trade has not expanded under the supposed plea that it will give a stable foreign value to our currency can well be seen from the fact that the exports of India which in 1931 stood at 208 crores including gold and silver exports of about 30 crores declined to 250 crores including the enormous figure of 77 crores of gold exports. I further

think the argument which was advanced by us last year finds confirmation from the development of the international situation in the last few months. We did protest against the linking of the rupee to the sterling amongst others on this ground, that the fate of the rupee was made to hang on the fate of the pound sterling. I am sure it must have given the Finance Member some anxious nights when he got the news of the American Government deciding to put an embargo on the export of gold. Fortunately, the various possibilities which were visualised then have not materialised but if one reads the discussions of these questions in the American Journals and in recent newspapers, one does find a suggestion which is quite portentous that important interests and financial authorities in America do even now think that it would be to the interest of America to devalue the dollar. I would leave it to you, gentlemen, to work out all the consequences to the pound sterling and then to the rupee which would follow in the wake of a step of this character if it is taken by the American Government. What I want you to realise is this, that, after all, the Rupee has no independent existence. The fate of your Rupee is entirely linked to the fate of the pound sterling, which is as uncertain as it was in the 18th of September 1931. The budget speech of the Honourable the Finance Member has been very copiously referred to by the proposer and seconder of the Resolution. There is only one argument to which I need refer, and it is more a political argument than a financial argument. The Finance Member refuses to comply with our request to put an embargo on the exports of our gold, because his political philosophy—translated in terms of actual practice as we have been experiencing since the 4th of January 1932—his political philosophy forbids him from interfering with the private liberty of individuals. Gentlemen, just realise for one second how it can lie in the mouth of the Finance Member who is an important part of the present Government of India and who is responsible not only for suppressing the ordinary liberties of the citizens of this country but whose policy makes impossible, if I may say so, the very exchange of confidences between husband and wife under clause 4 of the Emergency Powers Act which has become the law of the land. Really if Government can go to that length, if he can forbid me from conveying my confidences to my wife, you can easily assess the importance that should be attached to an argument of this character that because it interferes with the private liberty of the individuals, and though the Finance Member may be inclined to believe the force of all our arguments, he will

not do it because his political philosophy forbids it. Reading between the lines of the Finance Member's Budget speech regarding the policy of gold exports, somehow or other I have become an optimist. In the concluding para on the defence of the gold export policy, Sir George Schuster has started with a doubt about his own policy, and he does admit that it is not possible to dogmatise on this question for all time, and that the time may shortly come when a change of policy may be considered. When that change of policy is considered, I am sure even the voice of the Federation will not go in vain. It may tire some people to read day in and day out the same arguments urged by commercial people against the ruinous policy of the Government, but I am a believer that the British character is such that you have to go on dinning the same thing into their ears again and again if you have to gain your objective. I have nothing more to add.

Mr. Begraj Gupta (Marwari Chamber of Commerce, Bombay) spoke in Hindi. Following is the English version of his speech :

In past years, the Federation has passed several resolutions regarding the policy of the Government in connection with Currency and Exchange. The Government have been paying practically no heed to the resolutions, passed by the Federation from time to time. The much dreaded fear has actually appeared and the things are getting worse day by day.

You all know, Gentlemen, that the rate of interest has gone down and the demand for Government securities at appreciated prices have gone up. Government represent that these things indicate that the country is getting prosperous and that the credit of the country is increasing. Gold worth about 125 crores of rupees has left the shores of India since September 1931 and the Government hold that India has still got in store much larger quantity of the yellow metal. The Finance Member reminded the Assembly the other day "that though the amounts of gold exported have been very large, they are still small in relation to India's gold resources, and that India can go on exporting gold until the total quantities have risen to three times the amount already exported, and still have more gold than the country possessed 11 years ago." The Finance Member assured us of the correctness of the above information which he based on the figures of imports and exports of gold. I do not doubt the sincerity of the Finance Member, but I have very great doubts as

to the reliability of the conclusions drawn from the statistics which can be made to prove anything.

One thing is clear. Every country is endeavouring to conserve by all possible means its gold reserves and also tries to add to it as far as possible. In order to achieve this end, every country is anxious to secure a favourable balance of trade. That is how a country can increase its gold reserves. The competition for a favourable balance of trade amongst different countries is so great that when a country finds that in ordinary course of affairs it is not possible to do so, it depreciates the value of its currency and thus secures its desired object.

As an illustration of what I have said above, I refer to the currency policy adopted by the British Government, but the same Government thinks that quite a reverse policy is in the interest of India. I do not claim to be a very close student of world economics, but I venture to ask a simple question to the authorities on exchange and currency problems as to how certain economic factors which work in one way for Britain will work otherwise for India, other conditions, of course, remaining the same. Almost all leading countries of the world have put restrictions in one shape or the other on the export of gold, while we are told that for India the adoption of the same policy will be suicidal and positively against her best interest. In India, the fact is that the face value of the currency is put $2\frac{1}{4}$ times higher than its real intrinsic value. This leads to create an unfavourable balance of trade for India, which is made to balance by the free and unrestricted outflow of gold from the shores of India.

Incidentally, I may be permitted to refer to the proposed Economic Conference. Some people are expecting that as a result of this conference, gold will be allowed to move freely and all restrictions in the way of free movement of gold will be forthwith withdrawn. In my humble opinion, this is not possible in view of policies adopted by the European countries and the United States of America. It may be otherwise if by some magic wand, the mountains of France and America could be turned into gold.

However, I fail to understand how free movement of gold can improve matters so far as it relates to India. Freedom of movement of gold does not necessarily mean that India will import all

the gold that has left her shores. If it is intended that India may get back her gold, it is essentially necessary that she may secure a net favourable balance of trade, after taking into consideration the large payments that have to be made for home charges, pensions, interest and other invisible imports. I say this position can hardly be attained in near future under the existing circumstances. Foreign countries successfully compete in Indian markets even in agricultural produce, and consequently, it does not appear that Indian agricultural produce will command foreign markets to any great extent in future. In fact, the one feasible way to secure a favourable balance of trade is the export of manufactured articles out of a country. Unfortunately our country which is largely made dependant upon foreign imports for her necessaries of life, can hardly think of a favourable balance of trade, unless the present circumstances undergo material change for which there is no hope.

What the present policy will lead to and how it will end, no body can definitely say. My own view is that if the outflow of gold continues from India and reaches the figure in the neighbourhood of 200 crores, India will become a dry country for gold in the economic sense of the term. Mere statistical calculations will not help us. Some of the gold is depreciated and the remaining balance will not, then be worth, coming to be used for industrial and commercial purposes. Moreover, Indian Government will have to repay the Sterling loans. I do not know how gold will be acquired for this purpose. Besides, the proposed Indian Reserve Bank, when established, will have a gold standard. How will they find gold is not known. Even the gold reserve is not sufficient in proportion to the appreciated value of the rupee currency at present. I may be wrong in my calculations, but I must say what I feel that I see no silver lining in the dark clouds gathering over us.

Our favourable balance of trade has been in the past years mainly due to the enormous exports of our agricultural produce. As indicated above, this is no longer possible in future. That is the worst thing in which our unfortunate country has been placed. It is true we have had in the past some quantities of gold and silver as a direct consequence of balance of trade, having been in our favour. But I am anxious for the future. For an year or so, we can send out capital in the form of gold and thus balance our foreign trade, but how shall we manage the affairs after that. And that is

not all. It is a matter for serious consideration as to how India will be able to repay her present obligations in gold.

Another very great difficulty that will have to be faced is how to maintain in those circumstances the $2\frac{1}{2}$ times more value of the rupee than its intrinsic value. Personally I feel that the mere restriction of gold will not make the matters all right. The entire Government policy in connection with currency and exchange need be changed. As a sufficiently large reserve of gold will be absolutely necessary for the successful working of the Indian Reserve Bank, we submit that steps be taken forthwith by the Government to put an embargo on the export of gold and to buy it in India for strengthening the currency reserve at rates equivalent to the sterling rate of gold.

I feel it necessary to clear a popular misunderstanding. It is impossible to prevent outflow of gold even if we make it a moral issue and regard the selling of gold an unpatriotic act and the purchasing and conserving of it a patriotic act. Gold is nothing but another form of cash money. In other words, gold and rupees are exchangeable terms. According to our business needs we cannot but use this metal. The only possible way to prevent its export is that the Government be convinced to put an embargo on gold export and buy the same in exchange for new currency.

I am strongly of opinion that the present policy of the Government will lead India to face the same consequences with which England was confronted in 1931. England was a creditor country and so it could manage to tide over the difficulties, but how India would manage under those circumstances with an unfavourable balance of trade requires serious consideration. I beg to suggest to the Government that if they really want to improve matters, they should immediately put an embargo on export of gold, try to adopt means to secure a favourable balance of trade and make future commitments in terms of the rupees. Circumstances warrant that if the Indian Government do not pay any heed to our repeated requests, India will have to face the similar crisis as England had to do. Then India will be compelled by the force of circumstances, to decrease all of a sudden the value of her currency to a great extent. I would request the Government with all the emphasis I have at my command that the sooner they realise this fact the better it is for all concerned. At present a comparatively small decrease in the

appreciated value of currency would largely help in securing a favourable balance of trade, otherwise if it is too late it may be necessary to make greater sacrifices. And this too will be possible only when the Government forthwith put an embargo on export of gold and conserves it, as suggested in the Resolution.

Mr. S. S. Gangla (Deccan Merchants' Association, Bombay) in further supporting the propositions said :

Mr. President & brother delegates,

I have great pleasure in supporting this resolution which has been moved by Mr. Sarkar and seconded by Mr. C. B. Mehta. Experts like Mr. Mehta and Mr. Begraj Gupta have expressed their arguments in favour of this Resolution and I do not think there is very much left for me to say on the subject. I do not claim to be an expert on the subject but we are all agreed that the gold embargo is very much overdue, it ought to have been proclaimed at the very beginning in September 1931. If it was only a question of covering the shortage of gold reserves with the Bank of England which was only £30 millions, the British Government could have openly appealed to India for necessary help, which would have been gladly rendered without such further unnecessary and avoidable loss to us. If England accepted the wise policy of treating India on an equal and equitable basis, we will not, on our part, grudge to come to her help on such occasions. Things can be settled amicably and in the mutual interests of both the countries. But what do we find as the actual result? We have been made to suffer a loss of gold to the extent of over Rs. 120 crores or £90 millions, while the Bank of England has been able to raise its gold reserve by only £47 millions (Bank of England's reserves at present stand at £17,70,00,000) i.e. only by one half and this too very recently. England has suffered all the tremendous losses, consequent on going off gold standard and has dragged India along with her in this process by linking the two currencies together. We have suffered in this process far more, as we are not in a position to control international markets and stand no comparison in this respect with England which has continued to be the master of the world economic situation hitherto. Even accepting that between the two countries England has the upper hand—the whip hand, one fails to see any wisdom in following such a policy ruinous to the interests of both.

Had India been required to support England to tide over the

crisis and to obviate the necessity to go off gold standard, we should have at least had the satisfaction of having helped the Ruling country. Besides that would not have put India to such serious losses which continue to augment and the termination of which is not yet in sight.

You will see therefore that India has been made and continues to be used not only to support the requirements of the British Government as such, not only the interest and requirements of the whole British commercial community but practically to subserve the economic interests of both Europe and America ; and the saddest part of the whole business is that this is being done in a manner which nobody is sure, is actually helping the world to economic recovery to any appreciable extent.

Therefore, brother delegates, we are all agreed that the attitude of Government in this matter, I mean their indifference is thoroughly unjustifiable. It is neither in the interests of India nor justifiable on the plausible ground of bare necessity to save the economic crisis in England. How long and to what extent is this drain to continue? The Hon'ble the Finance Member does not seem to regret the situation. In fact one is pained to find that he goes to the other extreme and not only justifies the present drain which in itself has reached the huge sum of Rs. 120 crores but says that India can very well stand a further drain of an equal or even of a greater amount. Such sentiments can only be expressed by an irremovable Finance Member.

Government have now declared that they are anxious to bring into existence a Reserve Bank of India as early as possible, at least before the inauguration of the Federal Constitution. Gold reserves have therefore necessarily to be developed and the present drain must be put a stop to.

Mr. President, I do not think it is necessary for me to say more, with these few words I support the motion moved by Mr. Sarker.

Mr. Mohanlal A. Parikh (Bombay Shroff Association) said :

Mr. President and Brother Delegates:—I have great pleasure in further supporting this resolution.

Sir, in this resolution, we are reiterating our demand which we made last year when gold exports stood at Rs. 55 crores but since

then the gold drain has reached the stupendous figure of Rs. 120 crores since September 1931. The situation thus has become more perilous and endangering to the very economic fabric of the country. The whole problem has therefore to be seriously considered both from the standpoint of the economic interests and monetary requirements of the country.

Sir, the phenomenon of gold exodus on a large scale has commenced since the abandonment of the Gold Standard by Britain and linking of the rupee to the depreciated sterling. The Commercial Community has from the very start directed the attention of the Government to the resultant grave damage to the economic interests of the country from the continuous efflux of gold and as well pressed upon them to levy an embargo on its exports. But the Government have not considered it a wise proposition and seem even elated at the increasing pace of its outflow. Sir George Schuster says that Indian gold exports represent frozen hoards and their release functions to the benefit of the international trade and helps India to maintain the consumption of the standard necessities of life. I ask, Sir, whether it is a wise policy for any country to live upon her capital resources. The exports of gold are a visible index of the unfavourable balance of trade in merchandise and of the deteriorating economic condition of the country. India as a debtor country normally requires a favourable balance of trade in merchandise at least to the extent of Rs. 50 crores to meet the home charges of Rs. 40 crores and of Rs. 10 crores for adjustment of payments on private accounts. India used to enjoy a normal favourable balance of trade in merchandise between Rs. 70 and 80 crores. Even in the year 1930 the favourable balance of trade in merchandise was Rs. 73.77 crores but it shrunk to Rs. 34.66 crores in 1931 and to Rs. 5 crores in 1932 which in 1933 is progressively going against India. This clearly demonstrates that India is paying for her imports in gold and not in merchandise. It is therefore to be seriously considered whether imports should be continuously met by payments in gold for an agricultural country like India.

When exports of gold are against the interests of India, the question arises why Government do not levy a ban on exports. Government declare that if exports of gold are prohibited imports will decrease and the customs revenue will heavily drop. It means that the economic interests of the whole country should be sacrificed to keep up the customs revenue. If there is a fall in custom revenue

Government should carry out retrenchment and economy to that extent. But this is not the real reason. The reason is quite different. As shown above, a favourable balance of trade in merchandise to the extent of Rs. 50 crores is necessary to keep an even balance. But as the balance of trade in merchandise is adverse, it is the exports of gold that enable Government to obtain sterling remittance for home charges and help the maintenance of the rupee sterling exchange, and further give material assistance to the value of sterling. This clearly shows in whose interests exports of gold are allowed to continue. Government have frittered away a large part of their gold and silver reserves for the maintenance of 18d gold ratio and now they are dissipating the gold reserves of the country to maintain the 18d sterling exchange.

I now come to the second part of the resolution which asks Government to conserve the gold resources of the country by buying gold at the ruling market rates. This method will give the private individual the benefit of the higher price of gold and at the same time enable Government to secure reserves of gold which are so vitally necessary for the establishment of a Reserve Bank for India. But Government refuse to buy gold on the plea that the purchases of gold involve certain amount of risk and therefore in their stead, they are making accumulations of sterling. Sir, all the countries which have gone off the gold standard including Great Britain are buying gold in spite of the risk involved. The Bank of England has acquired gold to the value of £76,286,354 and its gold backing which stood at £120,746,477 in 1931 stands at present to £177,400,000. Even America a short while ago put an embargo on gold, when her interests so demanded. It is therefore very strange that the Government of India alone should refuse to buy gold. It is a different thing to buy sterling and to buy gold. The service which gold can give cannot be rendered by sterling. The acquisition of gold proved of utmost value to Great Britain in the payment of the War Debt instalment of 19 million due to the U. S. A. on December 15th. Through this agency, the debt was discharged without upsetting the exchange whereas payment in any form would have greatly disturbed the mechanism of world exchange and international trade. Not only from this standpoint but also from the standpoint of requirements of the projected Reserve Bank, which is a condition precedent to the introduction of Federal Constitution that the Government should make purchase of gold. It is high time that Government should

look to the economic interest of the country and make use of this golden opportunity to buy gold and leave the rupee to find its own level. With these words, Sir, I support these resolutions.

Mr. K. Santanam (Indian Life Assurance Offices Association) : Sir, I gave notice of an amendment, and you were pleased to remark that the convention of this Federation was that no amendments could be moved on the floor of the House. I looked into the rules and bye-laws, Sir, and I think we accepted some amendments to some resolutions before. Referring to bye-law 7 (b), there is no provision in the rules and regulations and the bye-laws for any amendments to be moved at all.

President : Mr. Santanam, I thought you agreed that what you wanted to bring in could be brought in while you support the resolution. There is now no use of your going back on the question of procedure. Why not speak on the particular point and develop that particular point of yours?

Mr. K. Santanam : You will see that my amendment is not an obstructive amendment at all. My amendment is only by way of an addition to this resolution saying that the Federation appeals to the brokers in gold to desist from furthering the exports of the accumulated reserves of gold which exports are ruinous to the country. What I want to say is this. We pass Resolutions here in this Federation. We ask the Government to take a certain course of action. I am quite in agreement with you that what you have said in the resolution is quite right. I have not the slightest difference of opinion on that point, but please consider whether it is any use appealing to a Government which is not sympathetic towards the aspirations or the real interests of Indians and which does not concern itself with the matter whether this thing is in your interests or not. When the Government takes up that attitude, what are you going to do? Are you going to sit with folded hands and sit helpless? Should you not at the same time consider whether there is any other alternative by which you can in some way mitigate your own difficulties. My appeal is only this that this Federation, being a representative body of business men in the country, ought to give the lead by making an appeal to all those who are engaged in firms buying gold for the purpose of export and to brokers to, as far as lies in their power, desist from doing any such transaction so that the outflow of gold from India might be minimised. I am

not quite aware of how these transactions are carried on in Bombay. I frankly admit my ignorance. But considering that the Cotton Brokers Association in Bombay took a certain action by which they were able to put all these firms to very great difficulties and to suspend operations, I do not know if it is impossible for brokers and firms dealing with the buying and purchase of gold to take some such action in mitigation of the present position. I confess my ignorance, as I have said, of the actual processes, but as a layman it seems to me it is not at all impossible. It may not be possible for you to stop the export of gold. I quite admit that, but you will certainly minimise the evil very much. Now I wanted to put it merely as an addition to this clause. Meanwhile I say we must ask the people to take some voluntary action and it is for that purpose that I put that resolution in the form of an amendment. The question arises whether you can consider the amendment and I would very much like that this thing should be added and there is no harm. It would not in any way detract from the prestige of this Federation or usefulness of this Federation. So, Sir, if you do not want me to raise this point of order, I am perfectly willing not to do so, but I would personally very much like that it should be added as an amendment ; and if it can be considered as an amendment, I would certainly be happy if the House would accept it.

President : These two resolutions on Gold and Currency have now been discussed very fully. I shall now put them to the vote of the House.

A Delegate : Before we are asked to vote, I ask that the point of order of Mr. Santanam be considered.

President : Mr. Santanam made it clear that he agreed with me and he was satisfied with that.

Mr. Santanam : You asked me, Sir, not to raise this point of order whether an amendment can be moved and I said I was quite willing to bow to your wishes but if any such action is construed as establishing the fact that no amendments can be moved then I would certainly ask for your ruling on this point.

President : We have discussed it very fully for nearly an hour and ten minutes, and I would now put these two resolutions to vote.

The resolutions were carried unanimously.

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Mr. R. K. Sidhwa: I understand the ballot papers for election of Office-Bearers will be issued between 3 and 5 this afternoon. I would request that this should be adjourned till tomorrow. Some of us arrived here only this morning and we would like to discuss amongst ourselves the question of the election.

President: The result of the election has to be announced tomorrow. This has been the practice. It is not therefore possible to defer it tomorrow.

The Federation then adjourned for Lunch till 2-45 P.M.

AFTERNOON PROCEEDINGS.

SATURDAY, 15TH APRIL, 1933.

The Annual Session re-assembled after lunch at 2.45 P.M., the President, Mr. Walchand Hirachand occupying the Chair.

President: Resolution No. 5 on Silver is to be moved from the Chair.

SILVER.

"The Federation regrets that the Government of India should continue their policy of silver sales in spite of continued protests from the public. The Federation is of opinion that since the recommendations of the Hilton-Young Report are not now operative, Government should stop further sales of silver."

The resolution was carried unanimously.

President: I call upon Sir Purshotamdas Thakurdas to move the next resolution.

Sir Purshotamdas Thakurdas (Indian Merchants' Chamber, Bombay): Sir, I beg to move the Resolution which is No. 6 on the agenda:

"The Federation of Indian Chambers of Commerce and Industry strongly protests at the decision of the Government of India in partially restoring the cut in the salaries of Government servants, in view of the critical economic situation in the country, without first giving any relief to the tax-payer."

Sir, the subject matter of this Resolution is one over which one took some consolation this time last year when the Government of India had practically for the first time in the history of Government taken the initiative in making a cut in the salaries of Government servants in order to meet what was recognised as an emergency which developed in this country about September-October, 1931. There also the Government of India had not taken an initiative without any precedent in other countries. A similar step was taken in England

before the Government of India took that step here. A similar step has been taken in other countries much nearer India than England. And what we felt was that after all even in an emergency the Government could rise to the occasion, even though partially, and take the right step. The regret of the Indian mercantile community, and if I may say so, of the tax-payer in India when the Budget was presented was that that step which was taken by the Government of India was not allowed to continue as long as it has been allowed to continue in other countries, and the Government of India appeared to be in a hurry to make amends for it at the first and earliest opportunity. It is now a matter known to all of us in the fullest detail how the Government of India had reduced that cut of 10 per cent to 5 per cent and the Budget speech of the Honourable the Finance Member deals with that in a few paragraphs which I will take notice of even though summarily. Beginning with paragraph 68 the Finance Member goes on in about 6 or 7 paragraphs to deal with the reasons why he was moved to restore a part of the cut and justifying that restoration. The figures that are given by him are that any reduction in the cut for the next year only effects 11 months' pay, and then he gives the figures. To reduce the cut in pay to one-half for 11 months means on the civil side 55½ lakhs of rupees and on the army side 52½ lakhs. The total cost is 108 lakhs. Then he points out how roping these people in for income-tax, or rather their exemption from the income-tax being excluded, will bring in to the State 53 lakhs, leaving a net figure of 55 lakhs which is, if I may say so, in literal words being thrown away avoidably by the Government of India during the current year. I wish to point out that while he reduces this figure of 55 lakhs, the Finance Member here has overlooked that this step of the Central Government would be taken as,—indeed it has been taken as,—a *fait accompli* by the Provincial Governments and that the total cost to the tax-payer in India is not merely 55 lakhs which he has referred to in his Budget but the corresponding increase in all the Provincial Governments who necessarily follow the Government of India in this matter. Unfortunately I have not been able to get at the figures of the various Provincial Government Budgets, but I should not be surprised if at a very modest computation it costs the tax-payer in India anything up to a crore and a half and even two crores of rupees. We in this Federation, Sir, deal not only with the Central Government nor is it that we are merely affected by what the Central Government do. The commercial community of India is affected by what all the

Provincial Governments do, and although we criticise and take notice of the actions and the inactions of the Central Government most, it is because the most vital items are with the Central Government, but it does not mean that what happens in the provinces does not affect the commercial community or the masses of India at large. I only want to point out that the figure of 55 lakhs given by the Finance Member in his speech is only a part and perhaps the smaller part of the total loss which is avoidably being inflicted on the tax-payer of India at a time when the Government have admitted,—indeed the Finance Member himself admits in his speech,—at a time when the tax-payer is overburdened with taxation. Sir, the Finance Member in his speech this year justifies the restoration by quoting from his previous speeches. He says :

“It was essentially to make this purpose clear and I therefore stated as one of the main conditions that the cut,”

and this is a quotation from his previous speech,—

“should be of a temporary nature and not extended beyond the need of the present exceptional emergency. This decision is in the need for a common sacrifice in a national emergency.”

The Finance Member then admitted that it was a national emergency which had arisen and the national emergency required that there should be a common sacrifice by all concerned. The Government servants were to sacrifice 10 per cent of their pay ; the tax-payer was to pay more than he could justifiably afford. And what has happened? The tax-payer is asked to carry an extraordinary burden. The services have found the best friends in the Government and in the Finance Member who is the watch-dog of the tax-payer, and the Finance Member, I am sorry to say, seeks to justify that step.

Now he further goes on to quote :

“Further, in summing up the position I again said : ‘It must be clearly explained that there is no intention that that should remain operative beyond March 31, 1933. They will not be continued beyond that date’ and I want you, Sir, to mark the words, ‘without further examination of economic conditions’.”

I venture to ask, has the Finance Member had that examination of the economic conditions in India made? Did he find that the cost of living had gone down since a year back? Did he find that if the same cut of 10 per cent was continued it would work a hardship on the Government servants? I have been asking one friend who

is a very active member in the Assembly whether any such justification was shown in the course of discussion in the Assembly, and I am told that no such case had been made out.

But I wish, Sir, to quote the Finance Member's own figures as given in this same Budget speech where he has pointed that as compared with 1932 and the average of 10 years ending 1930, the values of important raw materials of India have gone down by figures which really make the depression in the commerce and trade of India a household word on the lip of everybody. I need only quote figures to show how unjustifiable this restoration is. Cotton went down in value by 23 per cent, hides by 56 per cent, jute and raw materials in jute by 43 per cent, tea 62 per cent, ground-nuts 72 per cent and rice 46 per cent.

The staple crops of India have gone down in values in 1932 from the average of the previous ten years by anything between 30 to 50 per cent. I know that these staple crops and their values alone do not make up the cost of living of any individual. But I would like to meet the man who has the daring to say that the cost price of living in 1933 March has been higher than it was in 1932 March ; and if that cannot be contested, then I submit that the Finance Member has, for reasons which he does not show in his argument, shown a definite partiality to the one class in India which has security of employment and which certainly is not underpaid—I will not say anything more. Some may think they are grossly overpaid, but it cannot be gainsaid that they are certainly not underpaid ; and to restore the five per cent cut is to my mind to give the tax-payer in India a definite and unmistakeable impression that the Government is first for their servants and next to look after the interests of the tax-payer. Later on the Finance Member says, again quoting from his previous speech :

“Relief must come first in restoring the emergency cuts in pay and secondly in taking off the surcharge on the income-tax now to be imposed.”

It is very funny that every time when a question of this nature comes up the Finance Member thinks it necessary to draw a red herring across the trail. He talks about reducing income-tax, as if he was prepared to reduce the other taxation in preference to the income-tax before restoring the cut in the pay of the government

servants. I have notice that during the last few years the Finance Member has condescended and has thought it worth his while, and has not thought it below his dignity, to bring up this question of income-tax at every convenient stage in the Assembly Debates, and tried to eclipse (cloud?) the issue. Was the Finance Member prepared to reduce the other taxation before touching the income-tax? Surely neither this federation nor any public institution in India that I know of has insisted that the first relief should come to the income-tax payer. Let him give the relief first to whatever affects the masses most; and to my mind it is a method which is highly to be regretted coming from a person so securely seated as the Finance Member of India, when he tries to just eclipse the issue and prejudice the minds of at least some in the Assembly by raising some issue which is not the only issue which is before the Assembly at a juncture of this nature. It strikes me that in the course of the latter part of his speech dealing with this, the Finance Member throws out another broad hint, which he may usefully quote for himself next year, when he says the following:

“What we hope is that conditions will so improve during the next year that it may be possible not merely to avoid retracing the step now taken but to take the further step of restoring full pay and after that—(after restoring full pay)—making a start in reducing the burdens of taxation. Beyond an expression of such a hope it would be rash to go.”

The Finance Member here definitely says that the intention of the Government is to restore the full ten per cent before thinking of reducing the extraordinary taxation which he put up in September 1931. I personally think that these are indications of the Government of India having come practically to the end of their tether. Where he started off by saying common sacrifice to meet a national emergency, he ends now by saying restoring of the full ten per cent cut before reducing taxation. If I may say so, the Finance Member contradicts himself, and it is our purpose to point out that no such special pleading will go down the throats of anybody, in India, least of all of the hard-headed men who compose this Federation. I feel very strongly that whilst each one of us, merchants, industrialists or anybody interested in the commerce of India, is very solicitous of the welfare of his own staff that he employs and the Finance Member may be controlling the destinies of 5,000 hands, each one of the members of this Federation either controls the destiny of one, or two, or ten or twenty men, we cannot be so hard-headed—we cannot be

accused of being hard-headed, to the extent of saying "Let your staff famish, we must have the cut." It is our conviction that at this juncture the government servant, whether in the central or in the provincial governments is better off than the average man in the country belonging to the commercial community or to the masses ; and it is unfair of the government to restore this cut and try and make out to us that they are only doing justice. I am convinced that the Finance Member has been most anxious to show to the Government servants that he is solicitous of their welfare first and that the taxpayer will take care of himself afterwards. I do not think I need take up more of the time of the House. The question may be asked—and I do not propose to take longer, but I hope you will allow me, Sir, to make my observations for a couple of minutes more "it is all very fine to say, do not restore the cut or if you restore the cut give us some remission in taxation : but how is that to be done?" That, Sir, is not a new question at all. At any rate it is not a new question for answer in this House, and before this audience. It is my firm conviction and it has been reinforced the more I have seen and the more I have studied the Government of India finance, that as long as the military department is the special solicitude of the Government of India, under instructions from London, the taxpayer of India will always have to go to the wall. A substantial reduction in the military expenditure of the Government of India is not only our due but is overdue to us, and the longer the Government of India sit on this heavy expenditure without showing the slightest sense of doing justice to India, the more we will be convinced that while the talk of disarmament in Europe is going on, as far as India is concerned, India is the milch cow of the British Empire. (Applause).

*Mr. B. Das (Behar and Orissa Chamber of Commerce): Sir, I rise to second the resolution which my friend Sir Purshotamdas Thakurdas has moved so ably. The attitude of the Finance Member at present is to introduce two safeguards, one to protect the services so that if power is transferred to the people, the people cannot reduce the salary of the services ; and the second point is the Finance Member has all along been concerned that the Government that would succeed the present Finance Member will have ample resources at their command, so that they will not have to put fresh taxation.

* Speech not corrected.

When the Finance Member introduced his emergency taxation proposals in 1931 he gave an assurance to the House that the salary cut should be restored simultaneously with the abolition of all surcharges, particularly the surcharge on income-tax. He had to make this apologetic speech in his budget speech and subsequently he gave the Assembly to understand that he is more than concerned with the security of the services as is evident from the White Paper that came out subsequently ; and also he is more concerned about the security of the Finance Minister of the popular government than the reduction of taxation under which the taxpayers are groaning at present. I entirely endorse what has fallen on behalf of the commercial community from my friend Sir Purshotamdas Thakurdas. I do hope not only this Federation but the public at large will endorse the Congress view point that the salaries of government officials should be brought down as low as possible. Unless those who are going to London press this point there, there is no chance of the present Finance Member or the future Finance Member ever reducing the taxation under which the taxpayers are now groaning. With the low level of prices of foodstuffs and commodities it was expected that the Lee concessions would vanish. Instead of that, if we understand the attitude of mind of this Government of India and also of their masters, we find that they want to safeguard the interests of the services in the present scale of salaries and allowances that they are getting under the present constitution ; and I do hope the Federation whether now or subsequently, would record a strong protest in London and in India that the Lee concessions should be abolished and the salaries, if a new constitution comes, of present incumbents also should be reduced. With these words I second the resolution.

President: Before I put the resolution to the House a slight change in the wording has been suggested: as changed it will read as follows:

"In view of the present critical economic situation in the country, the Federation of Indian Chambers of Commerce and Industry strongly protests at the decision of the Government of India in partially restoring the cut in the salaries of Government servants without first giving any relief to the tax-payer."

This slight alteration has been accepted by Sir Purshotamdas Thakurdas.

The Resolution was put and carried unanimously.

President: Before we go to the resolution No. 7, relating to income-tax the ballot papers will be distributed.

Mr. A. D. Shroff: Sir, I just wanted to ask for information on one point. The agenda says "the ballot papers for election of office-bearers will be issued to representatives on Saturday the 15th April between the hours of three and five P.M." May I know when they are to be returned? I shall make my point more explicit in order that you can give an explicit answer. I am not going to make a speech. You will remember that last time also this question was raised and it particularly arose out of the remark made by one of the members of the committee that if the committee did not enjoy the confidence of the House it was open to the House to dislodge the committee. I say, is it fair to the House that you should ask the House to give you another year of life as an indication of their complete confidence in the committee, without first having an opportunity of dealing with the fourth item on the agenda, namely, the adoption of the Annual Report and Statement of Accounts, where you will be good enough to give us an account of your stewardship for the last twelve months. And as your constituents we will be in a position to appreciate and put a true value upon your labours during the past 12 months. It is not a correct procedure to call upon us to vote in the matter of electing members to the executive committee without first giving us an opportunity to know what the committee has done during the past months. We will simply be doing sheer injustice in voting down some members and placing some members at the top and give them a vote. So please do not put us in that awkward position. There is another reason which I would adduce in favour of postponing the consideration of item No. 5, and it is this. Most of us came to Delhi only last night at 10 o'clock. . . .

A Member: Several came only this morning.

Mr. Shroff. We have not had even a chance to make friends or even acquaintance with most of the people who have gathered here. We have all come from long distances. I am only making a suggestion to which you might give your considered reply. My point is whether it is not fair and proper to the whole House that the whole House should be given an opportunity to meet after the closing of today's work, have an exchange of views and then hold your elections tomorrow. I cannot understand your remark which you made just

before we retired for lunch that it is a matter of convention. Conventions are there so long as they are in accordance with the spirit of the times and conventions can be easily broken and changed as soon as they are found to conflict with the spirit of the times. Here are good and sufficient reasons for which you can postpone the elections for a day. We certainly want to know our own men before we elect them to the committee. I hope, Sir, these considerations will induce you to accept my suggestion to postpone the holding of the elections till tomorrow.

President: I understand that in most of the commercial bodies elections take place before the annual meeting.

Mr. R. K. Sidhwa: No, No, not before.

Mr. Shroff: In Chambers it is a different matter, if you will allow me to point out.

President: I might point out that the report has been before the delegates for some time now. As regards the second point, it is not expected, nor has it been so in the past that the same committee has been elected. If you will see the ballot papers you will observe that for 12 seats there are 34 names before us. In every committee I think,—I am speaking from memory,—there has been 33 to 40% changes. The agenda paper and the procedure to be followed has been before you for the last 14 days. If any change was desired by member—bodies or their representatives, they had ample time and they had ample opportunities to suggest such changes. I do not see therefore why there should be a change in the procedure. We will therefore proceed to distribute the ballot papers which will be returnable before 5 P.M.

Mr. H. P. Bagaria: Last year it was made a question of confidence.

Mr. R. K. Sidhwa: I rise to a point of order, Sir. The agenda circulated to the members distinctly stated that the election of Office-Bearers would be taken after 4 times on the agenda had been disposed of, and under the rules and under the convention either of this federation or any other bodies, I mean corporate bodies, the agenda is to be taken seriatim, one by one, and I cannot understand how you can take the election question before even item No. 2 has been disposed of completely. You have not stated anywhere that the

ballot papers will be returnable when. Therefore the suggestion made by Mr. Shroff is a very good one. Surely, you cannot compel us to deliver the ballot paper between 3 and 5. I would therefore appeal to you to take the sense of the House before you proceed further.

President: Item No. 5 only means that the result of the elections will be announced after the preliminary work with regard to item 5 is disposed of on the first day between 3 and 5 P.M. When the ballot papers are issued to you, they will be returnable by 5 or before 5. . . .

Mr. H. P. Bagaria: I remember last year, Sir, when we were discussing the political question, the election of the committee was made a question of confidence. We were told that we knew the views of certain members of the committee and if that did not meet with our approval we had no business to elect them.

President: If I may correct you, I do not think, if my memory serve me correctly, that this was said in connection with the elections. Secondly, if any particular member made that statement and he happened to be a member of the committee, that cannot be taken as the view of the committee. I am doubtful as regards the correctness of your statement as to what was said in this connection.

Mr. A. D. Shroff: You have not yet stated, sir, as to when the ballot papers should be returned.

President: Before 5 P.M.

Mr. A. D. Shroff: I will point out to you one result of that if you want the papers back by 5 P.M. Some of us will have to leave these deliberations and work for elections. If that is your wish, you may tell us so. We will be entitled to do so, but it is not fair to your constituents to ask them to vote for members whom they do not know yet.

Pandit Santanam: I was merely going to ask you as to whether it would not be better as a matter of convenience to postpone the elections for this reason. There are several resolutions that are going to be proposed and it may be that some Resolutions might be proposed and carried in this Federation to which some of the members elected to the committee might be opposed. An executive body has to carry out whatever resolutions that are proposed by the

Federation. If you elect them first, and then if you pass certain Resolutions which are not acceptable to some of the members, there will be no option left to them but to resign later.

Mr. V. K. Chetty : Is there any harm if the elections are held over till tomorrow?

President : As regards Mr. Shroff's difficulty about working for the elections as he put it, I do not mind postponing the work of the House for about half an hour. We will issue the ballot papers and we will adjourn at 4-30 and combine it with tea and reassemble again at 5. That will give reasonable time to Mr. Shroff.

Therefore the ballot papers will be issued now. The House will adjourn from 4-30 to 5. The ballot papers will be returnable by 5.

Mr. H. P. Bagaria : Sir, I respectfully suggest that you cannot do so without the consent of the House.

Mr. R. K. Sidhwa : I thank you for the concession you have given, but I want to point out that there are 37 candidates on the list, and half an hour will not be sufficient for us to exchange our views. It is therefore only fair that you should give us at least 3 to 4 hours. Therefore, I entirely support the suggestion made by Mr. Shroff that we should postpone the elections till tomorrow.

President : I think, Mr. Sidhwa, I have tried to solve all your difficulties as far as possible. As soon as Mr. Shroff suggested that members should have some time, I thought it was a reasonable difficulty and I met it. Let us therefore now proceed with the work.

Mr. H. P. Bagaria : I think you have not met the difficulty pointed out by Pandit Santanam. Some of the members of the Executive Committee might not find it convenient to carry out the policy underlying some of the resolutions passed by us. That is a very vital consideration.

A Member : Mr. Shanmukham Chetty was a member of the committee. He could not carry out the policy underlying some of the resolutions passed by us and he resigned.

Mr. A. D. Shroff : It is only fair to the House that as the

matter has become somewhat controversial, you should ascertain the sense of the House before you proceed further.

Mr. R. K. Sidhwa : I think it is only fair that you should take the sense of the House.

Mr. H. P. Bagaria : As pointed out by Pandit Santanam, our difficulty in taking part in the elections in this : We may lay down certain policy which the members elected might find it difficult to carry out, and therefore we cannot cast our votes today.

Mr. G. D. Birla : May I intervene for a moment, Sir. Mr. Bagaria is evidently referring to the remarks which I made last time. Mr. Bagaria by this time knows what are the views of the members of the Committee. He may also know the views of the different members who have attended this conference. Therefore, I feel that he will not find it difficult as to whom he should elect or whom he should reject. I really do not know what his difficulty is.

Mr. H. P. Bagaria : We have not yet finished the business of the House. We have still to pass a certain number of resolutions. We may lay down any policy we like, but the members elected to the committee will not be able to carry it out if they are not in agreement with the views contained in those resolutions.

Mr. G. D. Birla : This agenda, so far as I could see from the printed agenda, is issued on the 25th of March, and we have not received any suggestions from any member-body as to whether the election should not be held on the 15th. In fact, it was made quite clear that the ballot papers would be distributed between 3 and 5, and this has been the precedent all along. In spite of that, no member-body objected or suggested that the election should be postponed. Under these circumstances, it is unfair that the proceedings of this conference should be held up, because some of us feel that we should elect the members after certain resolutions are passed. I can assure you that if we pass certain resolutions which we find we are not in a position to carry out and if we happen to be elected, I at least would resign if I find that I cannot carry out the intentions of the resolutions. You need not worry about it.

Mr. H. P. Bagaria : We do not want to create that situation.

Mr. G. D. Birla : The agenda is before you. It has been before the member-bodies for some time now. No one took any objection

all this time, and suddenly at the eleventh hour, if certain objections are raised, it is unfair.

Mr. R. K. Sidhwa : I may point out that it is mentioned here that the election will take place today, and that the ballot papers will be issued today. . . .

Mr. A. D. Shroff : Will you not be good enough to take the sense of the House on this subject which, some of us consider, has assumed a very controversial aspect?

Mr. H. P. Bagaria : What is the harm in postponing the elections till tomorrow?

Mr. B. Das : Mr. President, I think my friends Messrs. Shroff and Bagaria know every member who is present here. I do not know why they are shouting as if they do not know the procedure. Both these gentlemen know each and every member whose name has been proposed to this committee.

Mr. H. P. Bagaria : We have not yet finished the business.

Mr. B. Das : Every year this has been the practice.

Mr. H. P. Bagaria : Only last year this question arose.

Mr. B. Das : I have been accustomed to obstruction all my life and it will give me great pleasure to obstruct business. When I find such stalwarts like Mr. Shroff adopting an obstructive attitude, I feel that if he becomes a member of the Assembly he will be able to indulge in these fireworks. I do appeal to Mr. Shroff and Mr. Bagaria that if they want to change the procedure for the next year, let them put down an amendment to the standing orders and rules. I see that the Press gallery people are here in full strength and let us not exhibit ourselves in a manner which will not be conducive to the good name of this Federation. Let us follow the usual procedure this time and if next year we want to change, let us do so.

Mr. Ratilal Mulji Gandhi : It is not a question of Mr. Shroff or Mr. Bagaria or Mr. Sidhwa. If you will kindly take the sense of the House you will know what is the feeling of the House on this matter. I believe it has been said more than once here that most of us desire that the elections should take place after we know several things that are going to come before this House and unless and until we know what is coming before the House and how the proceedings

are conducted, several of us believe that we should not take part in the elections. As there is a strong feeling on this subject, we request you to take the sense of the House and if you find that the sense of the House is to carry on the elections here and now, we are quite willing. The majority of us think that the elections should be postponed. The question of rule or procedure has been mentioned. I do not think this is a matter of convention. It is a matter of procedure that elections should be taken up on a particular day. The election can take place either at the beginning of the session or at the end. In the present circumstances, I think it would be more desirable if the election affair is taken up at the end of the session.

President: I would point to Mr. Shroff and Mr. Gandhi that we have got enough differences and enough weaknesses in our body and we do not want to add to them. This agenda has been before the member-bodies for more than 14 days and none of them has made any single suggestion on this subject. This procedure has been followed every year and not a single suggestion has been made. I do not think that there is any hardship to anybody. If however there is a general desire that the rule and the procedure should be changed, this can be done at the end of the session but I do not see any point in deferring the consideration of this subject. I will appeal to you gentlemen not to add to our differences and our weaknesses.

Mr. A. D. Shroff: You can carry on your election. We will leave for the present and rejoin you later.

President: I am sorry you look at it in this way.

Mr. H. P. Bagaria: What is the harm in taking the sense of the House?

President: The Secretary will now distribute the ballot papers.

At this stage some fourteen members walked out of the Hall and did not take any part in the election of the Committee.

(Ballot papers were then issued to the Representatives).

Mr. A. R. Siddiqi: Before the voting is closed, may I inquire if those delegates that have not paid the fee of Rs. 20 will be allowed to vote?

President: As regards the delegates' fees, as there is so far no rule in the constitution, the suggestion made therein should be

treated as a donation if you like. Therefore, those that have not paid the delegates' fees cannot be debarred from voting.

The House adjourned for half an hour for purposes of election.

President: I would like to know if any gentlemen have still got the ballot papers with them, yet to be deposited in the ballot box: I shall allow five minutes more. Meantime the next resolution will be taken up.

INCOME-TAX.

Sheth Kasturbhai Lalbhai (Ahmedabad Mill-owners' Association): Mr. President and brother delegates, I beg to move:

"The Federation expresses its deep dissatisfaction with the entire Income-tax policy of the Government and urges upon them to give effect, as early as possible, to the following demands of the mercantile community :—

- (a) To abolish altogether the surcharge now levied on Income-tax and Super-tax.
- (b) To lower substantially the present high rates of Income-tax and Super-tax.
- (c) To raise the amount of minimum taxable income from Rs. 1,000/- to Rs. 2,000/-.
- (d) To amend the Income-tax Act so as to provide for a set-off for losses sustained in any one year against profits for three subsequent years.
- (e) To provide that appeals from Income-tax Officers both on points of fact and law should lie to an independent tribunal."

Sir, the importance of the resolution I have the honour to move will be gauged from the fact that no less than about 8 associations from different parts of the country have tabled this resolution. It shows how keen is the feeling in this matter all over the country. This resolution is desired to be move at this session, not only by Bombay or Ahmedabad, but by Bangalore, Rangoon, Madras, Cawnpore, Lahore and Karachi. I do not know whether there has been any resolution on the agenda of this federation which is desired by

the commercial community of India so much as the one that I have the honour to move. If you look at the history of the income-tax, you will find that some 15 or 17 years ago the income-tax that was being paid for incomes was not more than four or five pies in the rupee. If I remember aright even during the stress of the war, when Sir Milliam Mayer was the Finance Member he did not raise it by more than half an anna. If at such a contingency as the war it was not thought proper to raise it by more than one anna, surely the necessity of taking it to its present heights is absolutely uncalled for and unwarranted. There has been no taxation which the Government of India has levied on the commercial community which has had such a rise as the income-tax. From 4 or 5 pies in the year 1916 or 1917, they have slowly but surely taken it up to something like 50 or 55 pies today—that is, there has been a rise of something like 15 times or 1500 per cent, as compared with 10 per cent. or 20 per cent. or even 50 per cent. with reference to import duties and other taxes. It may be argued that income ought to be taxed. I do not for a moment dispute the argument, but what I desire to press upon the government is this: that the limit of taxing has not been reached today, but had been reached four or five years back, when the income-tax was raised from 1 anna to one anna and six pies. Any further increases that they have levied upon the commercial community have acted definitely as a check on the industrial and commercial activities of India as such. If you consider or compare the income-tax that is being paid by various countries, you will find that barring Great Britain there is no country in the world which is paying such high rates of income-tax and supertax; but we cannot compare ourselves with Great Britain which is at least 30 or 40 times or even perhaps a hundred times richer than our poor country. Great Britain is a fully developed country as far as its commercial or industrial activities are concerned. Our industries are still to expand and if they are to be allowed to grow, there must be the necessary saving with which we can expand our industries. If Government is going to take away 25 or 33 per cent. of our incomes earned, I do not know how the capital required for the various industries is going to be provided. In England as I say, where the incometax is the highest, it is only 5s. or 5s. 3d. in the £. Compared with that we have to pay as much as 4a. 6p. in the rupee. That is to say, our percentage will work out a bit higher than what it is in Great Britain. It is argued that it is most necessary in these times of depression to raise the purchasing

power of the people. True. But if the very money with which the purchasing power of the people can be improved is going to be taken away from them by the government I do not know where that improvement is going to come from. Government's expenses have increased during the last ten or fifteen years many-fold, and the one way that they have found out of making up their revenue is either taxing the income-tax payer or raising the customs duties to an unlimited extent ; so much so that if you look at our export figures you will find that the amount that we receive from exports practically amount to the amount that is being paid out to the government in taxes, whether it be central or provincial. It may be argued that if Government were not to tax the people who are earning incomes where are they to find the wherewithal to carry on the government? I submit that if government is so minded, it is very very easy for them to do so. As all of us remember government appointed sometime back a capitation committee consisting of two or three Indian judges of prominence and three people from Great Britain. I understand that Great Britain owes to our country the vast sum of something like 7 crores of rupees and our Indian representatives came to the conclusion that by right it belongs to us, and it should be paid out to us, without the least delay. Government has been sitting silent, absolutely silent over the report that has been submitted by the capitation committee, and I do not know whether any Assembly Members have been at pains to find out what has been done with regard to the committee's report. If such large funds go unaccounted for, it is not difficult to understand that Government will naturally come forward asking for more funds. But the only way in which the Government can reduce these taxes is either by reducing the abnormal expenditure they are incurring in the civil and military administration of this country and by demanding of Great Britain such funds as are owed to this country by Great Britain. I submit that there has been an overwhelming case made out for the immediate reduction immediately of the surcharge that has been levied in recent years. As I say, even if there was any necessity for the Government to raise the tax to any level higher than one anna, then surely there is no case for the Government to levy as much as 4a. 6p. from the commercial and industrial public of India.

Coming to clause (c), I beg to submit that as most of us know, before the year 1924 or 1922—I am not sure of the exact year—

incomes below Rs. 1,000 were completely exempted. Since then as most of us know the cost of living has gone up considerably. What could satisfy a man easily before 1920 with an income of Rs. 1,000 a year would hardly enable him to make both ends meet in the present circumstances. When Government found that there was a deficit in the budget, they did not consider this much that it was treating an ordinary jobber or workman earning 80 or 100 rupees a month more harshly than the highly paid officers who are drawing three or four or six thousand rupees a month and over and above other concessions they get they came forward with their proposals asking these poor people to contribute their mite to the deficit in the budgetary position of the Government of India. For instance, what is the position of a person earning about Rs. 80 a month or Rs. 1,000 a year? As things exist in this poor country he has got a wife and two or more children to support. It may be enough for him to clothe them and to feed them and to provide for house rent. But what happens to him if there is some illness in his family? Doctors who were charging 2 rupees some 10 or 12 years ago are now charging 5 or 7 rupees: medicines which were selling for 6 annas are now sold at 10 or 12 annas because of the higher import duties. Clothing and the various other articles which form part of the cost of living, have not gone up as much as they were a few years back: but still many of the items are such that he cannot carry on possibly without incurring a heavy debt. Is it desirable in these circumstances that such a poor man drawing Rs. 80 or Rs. 90 should be taxed by the Government to the extent of Rs. 40 or Rs. 50 per annum? I therefore submit that the minimum of taxable income be raised to Rs. 2,000 from Rs. 1,000.

Now, Sir, coming to clause (d), I submit this is not also a new procedure we are suggesting to the Government. Up to the year 1923 or 24, losses in business were being allowed to commercial and industrial concerns. It was only in 1923 or 1924 that Government by a mere stroke of the pen not only took off this set off but they began to earn a double income. What did they do in that year? They took off the proviso under which this set off used to be given. It is but natural that when Government claims a share in the profit that a business or industrial organization makes, they should allow a set off for any losses that such industrial or commercial organization may make in a particular year. I hope Government will see the justice, equity and legality of our demand as far as this clause is

concerned and assist the commercial community by meeting our demand.

Then, sir, I come to clause (e). This clause, if not acted upon in the very near future by the Government will perhaps drive many of us to take to bolshevism, if I may say so, because the iniquity is so great and so pregnant, that when I came to Delhi, I had some conversations with a few friends, and I found that there was not one centre which did not complain and complain bitterly about the ways adopted by the Income-tax department. Instead of legally and correctly charging income-tax from the various constituents, they have become what is called the money grabbing department, if I may be permitted to use that term. I shall just cite one or two instances which will show to the House that justice is not being done by the incometax department to the assesseees. There was a case in Ahmedabad where a particular company was assessed to incometax. What did the incometax department do? They wanted to take the opening balance at the prices which were accounted for in the books of the company, but they wanted to alter the closing stocks that were taken. Any ordinary business man will understand that profit cannot be accounted for unless you take the opening and closing prices. If you take up fictitious opening prices and put down the market price or the price that is ruling at the closing of the year, you will not be able to arrive at the profit for the year. In order to arrive at the profit of the year, you should take both the opening and the closing stocks at particular prices. If the opening stocks were devalued, that is to say, instead of valuing stocks at their proper price the profits earned are not profits earned in a particular year. In spite of this irregularity, the Incometax department took it into their heads and said that they could legitimately charge the incometax by altering the closing prices without any regard to the opening prices. The case was referred to the High Court. The High Court gave a decision in favour of the assessee. Government were not satisfied with it. Government went to the Privy Council which confirmed the judgment of the High Court. That also did not satisfy the Incometax department of the Government of India. As far as that particular case and similar cases were concerned, they collected whatever incometax was assessed from the companies for that particular year, but in the next year they adopted a different plan. What did they do? They did not assess the tax neither on the opening or on the closing stocks, but they

said this that the balance sheet was a proof that the companies had made those profits, and without a proper adjustment they said 'we will charge you on those incomes'. Naturally as the stocks were being devalued and as justice was not done, they again referred the matter to the High Court. What could the poor High Court do in a matter like this? What they said was this. Here is a matter of fact, and the High Court is barred with interfering with any questions of fact. The result was that one or two companies which were involved in this had to pay something like Rs. 85,000. You will realise gentlemen, what the position of those companies would be in these times of depression when they are called upon to pay Rs. 85,000 as incometax, which is absolutely inequitable and illegal. As I said, Sir, the incometax department instead of their working for the benefit of the people and the Government alike has been working like a money grabbing department of the Government of India. That is the feeling that exists among both the general public as well as the commercial and industrial organizations. As I said, it is not one or two associations that demand that Government should look into this matter, but it is the strong feeling that exists all over the country among all classes of people. It is very unfortunate that today unfortunately we are not in a position to have the Government Members here to face the situation and to let us have their views on this very important subject which is agitating the minds of the Indian public, but I am certain that if they come to know, if the highest officials of the Government of India come to know of the acute feeling that is felt both by the commercial community as well as the general public in this matter, they might open their eyes to the realities and give some relief in the matter. I therefore urge that this Resolution as moved by me should be adopted by the Federation.

Mr. Begraj Gupta (Marwari Chamber of Commerce, Bombay) spoke in Hindi in support of this resolution. The following is the English version of his speech :

Mr. President and Brother Delegates,

For the last so many years, the Federation has been inviting the attention of the Government of India towards certain amendments which are absolutely necessary and must be incorporated in the Indian Income-tax Act. It is regrettable to note that the Government have done practically nothing in the matter, inspite of

the unanimous demands of the entire mercantile community of India, to amend a number of harmful and unjustifiable provisions of the Indian Income Tax Act. In effect, the Government appears to have chosen in the past, not to deviate from their prescribed policy in regard to Income Tax, howsoever intense and unanimous our feelings may have been, and howsoever weighty and substantial reasons we may have advanced in support of our demands in this respect.

To begin with, Income Tax was levied at first, so far as I am aware, at the time of the Afghan War. An assurance was given that the imposition of the income tax had been rendered necessary owing to the abnormally heavy expenditure in connection with the Afghan War and that the tax was only of a temporary nature. You are all aware what happened later on in spite of that assurance. The Income Tax ceased to be temporary and was given the permanent lease of life. Then, from time to time, not only the rates of Income Tax were raised but the business, trade and industry were also burdened with Super Tax and Sur-charges. I feel certain, Gentlemen, that we all realise how the Government, by a well regulated process, made permanent the Income Tax and the Super Tax which were said to be of a temporary nature in the beginning, and I am sure that even the Surcharge which is regarded temporary at present, will be sooner or later, put on a permanent footing. I feel very strongly on the matter and regard the way, in which Income Tax, Super Tax and Surcharge have assumed present proportions highly improper and completely unjust.

Gentlemen, whatever may be the form of Government, it is essentially necessary to raise funds to carry on the work of Government. No body can deny this fact nor contend the right of a Government to raise revenue by resort to taxation. But the system of taxation should fulfil the two most essential conditions:—In the first place, burden of taxation should be such as may be borne by the people without undue pressure and hardship. In other words, Government should so adjust their machinery and the consequent running expenses thereof that the people may find it possible to bear the necessary taxes, in consonance with the growth of economic prosperity of the country.

The second essential condition in regard to a sound system of taxation is Equity. The burden of taxation should be *proportionately distributed* over the people.

Gentlemen, I am of opinion that so far as the Government policy in regard to Income Tax is concerned, it does not satisfy the above-mentioned two essential conditions. It is arbitrary and unjust and contains provisions which positively retard the natural progress of the economic, business, industrial and commercial life of our country. It would be absurd to suggest that the Government or their officials do not exactly understand the real anomaly of the position or that they do not recognise the gross injustice of the case. They can grasp the principles very well, but, I submit, they are, more often than not, compelled by sheer force of circumstances, to do certain things.

One of these helpless circumstances obtaining in our unfortunate country is that the high authorities consider it their sacred duty for reasons, well known to all of you, to employ persons in larger numbers than is absolutely necessary, at very high scales of remuneration in almost all the administrative and public services of the country. It must be borne in mind in this connection that the scales of public servants' salaries are proverbially higher in India than in any other country of the world. Another very important consideration is that the taxable capacity of the people has admittedly gone down to a considerable extent in recent years but the scales of salaries which were reviewed and raised at the time of boom in business and trade when the taxable capacity was also naturally at a high level, continue to be the same, even when the standard of living is cheaper, trade depression of an unprecedented nature has set in, unemployment has become acute, huge losses in business have become the order of the day and consequently the taxable capacity of the people is at the lowest ebb. All these things have been said so many times and on so many occasions by the representatives of the public that I hardly need deal with them in details. I shall, therefore, content myself with the inevitable conclusion that the Government policy so far as it relates to the existing Income Tax, Super Tax and the indefensible Surcharge has made the burden literally unbearable.

I refer you, Gentlemen, to the speech, the Hon'ble Sir George Schuster made at the time of introducing the Budget in the Legislative Assembly. Alluding to the restoration of 5 per cent. cut in the salaries of the Government employees the Finance Member had said that the Government would be able to recover this additional

increase of rupees 108 lacs in the salaries through the Income-Tax surcharges. I would like to ask the Government whether the Income-Tax sur-charge is levied for finding revenue for restoring the cut in salaries. Can Government justify their action in view of the fact that the cost of living has almost gone down to the pre-war level of prices? I venture to suggest that immediate steps be taken to reduce the scales of salaries of all Government employees in view of lower level of prices and I hope, under those circumstances Government will have no objection to reducing the present rates of the Income Tax to the pre-war rates.

Gentlemen, the demands, contained in our resolution, are so clear and just and the entire mercantile opinion has repeatedly expressed itself in favour of them that a long speech is hardly necessary. Income-Tax surcharge is highly objectionable and unjust. Our request to the Government is that they should altogether abolish this unjustifiable sur-charge. Moreover, the rates of income-tax in the present times of severe trade depression have proved literally unbearable, and therefore require heavy reduction. I hope that the Government will not as usual turn a deaf ear to our requests but will pay their most serious consideration over the question of reducing the existing high rates of Income Tax and Super Tax. Gentlemen, you are aware that the income limit was lowered from Rs. 2,000/- to Rs. 1,000/- by the Supplementary Budget with effect from November 1931. This lowering of income limit has hard-hit the middle class people who are the greatest sufferers in all abnormal times. I am sure that if the highly paid Government officials could have known the average conditions of living of this class of people who have very often to support and maintain a big family, they would never have favoured the lowering of the income limit to Rs. 1,000/-. The half way measure recently adopted by the Legislative Assembly that the scale of tax be reduced to half on the incomes ranging between Rs. 1,000/- and Rs. 1,500/- will not bring about the much desired relief. I shall therefore, earnestly urge upon the Government to reconsider their decision and raise the minimum limit of income to Rs. 2,000/- as before.

I must give expression, here, of my feelings of surprise and regret at the remarks the Finance Member was reported to have passed regarding the village money lenders. In support of keeping the minimum income limit at Rs. 1,000/- it was said that the 50

per cent. assesseees, as were affected by the change, were the village money lenders who hardly deserved any sympathy. It is difficult for me to find out what unpardonable sins the village money lenders may have committed that the Government are forced to regard them unworthy of even ordinary sympathy. I have got actual experience of village life and I have had opportunities of observing minutely the life of a village money lender. He is not so despicable a creature as the Government regard him to be, nor is he so well-to-do and prosperous as he is generally represented. I can assure you, Gentlemen, that his financial difficulties are comparatively much more than ours. For more than 70 per cent. of such assesseees in villages, wheat bread is a thing of luxury, meant only for the ceremonial occasions or the religious festivals, and the wonder is that such people are considered by the Government as unfit for their sympathy. The whole of his petty capital is locked up in bad and doubtful debts, while as a matter of fact he is hardly in a position to recover his own outstandings, from the poverty-stricken farmers who are themselves helpless and are reduced to utter destitution. Even granting for a moment that a village money lender is what he is depicted to be, he is a permanent resident of the village and in the long run the village and other towns do obtain some economic advantage or the other by his presence. I am sure the Government authorities will think twice before offering uncalled for and unjust remarks towards an entire class of people.

I would now like to say a few words regarding carrying forward business losses of one year as set off against business profits of the next three years. This question is of greater importance than it appears on the face of it. The present Income Tax Act has got several provisions which are absolutely wrong in principle. The essential conditions about income tax is that it is a tax on income. In the absence of any provision to carry forward losses in next years, the tax actually becomes a tax on capital. This is obviously negation of law from all points of view. I shall endeavour to make my point of view clear by means of an illustration which will show how businessmen are unlawfully and unjustly taxed, with the result that their capital is depleted. A merchant buys some goods and incurs losses to the extent of a lac of rupees, chiefly owing to the easier prices. He pays no income tax at the end of the first year. Next year the prices go up at the end of the year and his stocks are valued at higher prices and in the fertile imagina-

tion of the income tax officer, that merchant makes a profit, say, to the extent of a lac of rupees. From the business point of view the net result of his two years working of business is that he neither gains nor loses, but the over-zealous Income Tax Officer charges income-tax on the so-called income alleged to have been made by the businessmen. If this process be continued for a number of years more, I am sure a very large portion of the business capital will have been secretly depleted. I venture to ask the Government and their official experts whether in such cases Income Tax is really levied on capital or not.

I shall also place for the consideration of the Government a few facts more which will convince them of the strength of our demands. The Government Taxation Enquiry Committee had to admit in their report that there was substantial strength in the demand for provision to carry forward one year's business losses as set off against next years' profits. Further, the existing income tax law in England also contains the very reasonable provision which our resolution demands from the Government. In the beginning, the income tax was levied on an income taken from an average for three years' profits and losses. Later on, in accordance with the recommendations of the English Royal Commission, the income average is taken on six years' profits and losses. This is prevailing even at present.

From the above, it will be seen that our demand for levying income on three years' average is moderate and legitimate; and I hope that the Government will give effect to it without any further loss of time.

Before I resume my seat, I feel compelled to invite the attention of the Government to certain facts. They are aware of the peculiar difficulties through which industry and business have been passing in recent years. On one hand businessmen and industrialists have to face severe effects of a world wide trade depression and on the other hand there is uncertain and tense atmosphere due to the national demands of the country remaining unsatisfied. Under these circumstances, there have been very heavy losses to the businessmen who are least capable of bearing highly crushing burden on Income Tax, Super Tax and Surcharge. I hope and trust that Government will give instantaneous relief to the businessmen by reducing the burden of taxation.

With these words, Gentlemen, I commend the resolution for your unanimous support.

Mr. H. P. Bagaria (East India Jute Association Ltd., Calcutta) :—

The administration of the Income Tax Department has become really a scandal. You know that there are always rumours in the speculative market and the earnings of a man are very much exaggerated. On such rumours the Income-tax department tried to realise Rs. 20 lakhs from a member of my association and the man had to close down his business because he did not know what his liabilities may be. For three years he had to fight very hard. He did not do any business and he succeeded in his assessment being reduced to only Rs. 60,000. In another case a man has been assessed at one lakh and 80 thousand and because he did not fight properly he had to pay one lakh and eighty thousand rupees. In another case a man has been assessed at 4½ lakhs of rupees and he was given notice that if he failed to pay by a certain date proceedings will be taken against him and because he could not pay by that date his property was attached. I submit that we should not rest content by passing this Resolution. We should take some tangible action. I think the Federation should engage the services of some first class lawyer and agitate this matter properly. If some such step is taken my association is prepared to contribute its share to that end. I hope in the interests of the business community we will do something more in this direction.

Mr. Mohanlal A. Parikh (Bombay Shroff Association) :

Mr. President and Brother Delegates, I have great pleasure in supporting the Resolution so ably moved by my learned predecessor. The resolution refers to the entire Income-tax policy of the Government as also to several specific grievances of the Commercial Community which require immediate redress. The entire Income-tax policy of Government is highly objectionable both from the standpoint of the principle which guides the framing of the Income-tax Law and also from the mode of its administration.

Dealing first with the administrative aspect, the law with regard to the method of assessment despite repeated protests from the Commercial Community has been gradually tightened irrespective of considerations of equity or its oppressiveness. What is most provoking to the assessee is that apart from bearing the heavy burden of taxa-

tion, he has to undergo a very annoying, vexatious, arbitrary and harassing method of assessment. The present method of assessment vests wide and autocratic powers in the hands of the Income-tax officer with the result that the assessee does not get proper justice. The attitude of the Income-tax officer is generally very over-bearing and unsympathetic towards the assessee. The examination of accounts is of a too detailed and fishing character and is carried out not with a view to arriving at correct assessment but with the sole object of increasing the same and discovering new assessees. Assesseees are squeezed as Income Tax Officers have to make up the quota fixed in advance. If they do not make up, then their prospects suffer. Further, the appeal against such an assessment lies before a superior officer of the same department who cares more to uphold the decisions of his lower officers than to look to just objections of the assessee. The assessee is thus denied proper justice even in appeal. The only certain chance of the assessee feeling that justice is done is when he has the means to pursue the matter to the High Court and his case involve question of law, (the cases of facts being debarred from appeal) and in majority of cases the amount at stake is disproportionate to the expenses of a reference to the High Court. The whole system of assessment from bottom to top is therefore arbitrary and prejudicial to the best interests of the assessee. Misuse and abuse of powers are bound to arise when unfettered powers and wide discretion are vested in the executive officers. To check this evil, it is absolutely necessary that the present method of assessment should be revised and that the principle of popular control in assessment should be introduced and that the appeal should lie before an authority unconnected with the Income-tax department. A Bill on these lines introduced by Sir Hari Singh Gour is already before the Select Committee of the Indian Legislative Assembly and it is hoped that Government will accept the main principles of the Bill though they may differ with regard to its details. The revision of assessment on principles indicated in the Bill can only remove the harassment now caused to the assesseees.

I will now come to the second part of the Resolution which refers to the specific demands of the Commercial Community and I will give the first place to the last demand as it is most useful and relates to the fundamental principle of taxation. In this demand we ask Government to amend the Income-tax Act so as to provide for a set off for the losses sustained in any one year against profits

of three subsequent years. Sir, as a matter of justice, the losses should be allowed to be carried forward till they are wiped out by profits of subsequent years. Such a system of assessment is prevalent in many countries. But as Government here advance the plea of administrative difficulty in carrying out this reform we have not put forward an ideal demand and have even agreed to water down our original demand to extend the basis of assessment for a period of six years to three years. Even in the United Kingdom, the period for a set off is for six years. Our demand therefore is neither inequitable nor pitched too high. Sir George Schuster had admitted the justice of our claim and promised in his speech on the Budget for the year 1930-31 to make a beginning by giving the right of carrying forward losses till another year. But even this partial relief is withheld on the plea of financial difficulties of Government. At present, in absence of this right of carrying forward of losses, income-tax is a charge not on income, but on capital. Every year, the capital outlay of the merchant and of the industrial concern is being reduced under such a blighting levy. As a result many business concerns and firms have been ruined year after year. It is therefore urgently necessary to give relief to the Commercial Community in these times of unparalleled trade depression by conceding this right of a set off for three years.

Dealing with the necessity of substantial reduction in the present high rates of Income-tax and Super-tax and abolition of surcharges levied on the same, I have to point out that Income-tax was first introduced in 1886 and since then on one pretext or another, income-tax rates have gone on increasing irrespective of the consideration of the taxable capacity of the assesses. During the last two years income-tax rates including surcharges are nearly doubled, while trade depression during the same period is the most acute ever known. Trade, Commerce and industries are languishing on the one hand under the pressure of unparalleled depression and on the other, under the burden of ever increasing taxation. When trade is depressed, it is the duty of Government to give relief to the Commercial Community by reducing taxation. But instead of giving any relief, the rates of income-tax and super-tax are nearly doubled and further the minimum taxable limit is reduced from Rs. 2,000/- to Rs. 1,000/-. The Commercial Community has been made to suffer and practically reaching a stage of ruin for the sake of the financial difficulties of Government. It is most deplorable that the Commercial Community

which has suffered so much should have been so badly treated this year by Government by refusing relief in respect of the abolition of income-tax and super-tax surcharges from a surplus Budget. Government have restored the 5% salary cut of their Civil servants prior to giving any relief to the Commercial Community. Not only this but for the next year, Government have laid down the principle that the restoration of the remaining 5% cut would form a first charge on the surplus revenue prior to any reduction in taxation. Sir, this clearly shows that Government are quite indifferent towards the interests of the Commercial Community. We must strongly protest against such an attitude of Government and bring pressure upon Government to give relief to the Commercial Community by abolishing surcharges and reducing substantially income-tax and super-tax rates.

I will now come to our demand with regard to raising the minimum taxable income from Rs. 1,000/- to Rs. 2,000/-. Sir, the levy of income-tax on an annual income of Rs. 1,000/- is a very heavy burden on the lower middle class people and entrenches upon the bare necessities of life. Further, it has given a wide scope to the Income-tax Department to send notices for submission of returns on all and sundry such as Panwalla, Bidiwalla, Milkman, Ghariwalla, etc. These people generally keep no accounts and do not understand what is required from them in the notice. These people are as a result summarily assessed and have to pay what is demanded from them irrespective of the justice of the claim. In order to set right this mischief, it is urgently necessary to raise the minimum taxable limit to Rs. 2,000/-. However, till this is done, I would suggest that all notices etc., to assesses under Rs. 2,000/- should be sent in Vernaculars which they understand. This will at least help them to escape from the summary assessment, to which they have to submit to owing to ignorance of procedure.

The resolution re: Income-tax was put to vote and was carried unanimously.

STATUTORY RAILWAY BOARD.

"The Federation emphatically opposes the proposal for Parliamentary legislation on Indian Railways as it is not only tantamount to a repudiation of the autonomous powers of the Indian Legislature but militates against the elasticity of the

machinery which must needs accommodate itself to the demands of Indian transportation problems.

The Federation, therefore, is strongly of opinion, that in the interests of Indian trade and industry no proposal for a Statutory Railway Board will be acceptable unless constituted by an Act of the Indian Legislature.

The Federation deprecates the formulation of the proposal for the Statutory Board, as suggested in the White Paper, in the absence of any adequate consideration or discussion at the sessions of the Round Table Conference and without consulting Indian commercial opinion on the matter."

Mr. G. L. Mehta (Indian Chamber of Commerce, Calcutta) : The resolution which is placed before you has been altered from the one drafted, which you find in the agenda. I suppose you must have got the supplementary agenda by now and have read the amended Resolution. There is only one slight change in the wording in clause 3, that is for the words 'consulting Indian opinion,' it is proposed to substitute 'Indian commercial opinion'. I do not think it is necessary for me to read the Resolution because it will save me a few seconds. Since this Resolution was first drafted by the Committee of the Indian Chamber, the White Paper has been issued and that is one of the reasons for altering this draft. Gentlemen, there has been nothing short of a conspiracy on the part of Whitehall, the Government of India and the British commercial community in regard to the question of setting up a Statutory Railway Board. There has been, if I may say so, a plot hatched behind the backs of the three Round Table conferences and their ancillary Committees and of the Legislative Assembly in this respect. I will not go further than the Government of India Despatch on constitutional reforms of 1930 on this question. The Government of India Despatch laid down that there were four purposes in which Parliament was specially interested and these purposes required to be safeguarded and they therefore suggested the setting up of a Statutory Railway authority for the management of railways. The meaning of this, gentlemen, is plain. The proposal for the setting up of a Statutory Railway Board meant that it would be independent of the control of the Indian Legislature for all practical purposes.

Now what were these four purposes in which Parliament was specially interested and which needed to be safeguarded? The first

was defence, the second was finance, the third was the security of the services and the fourth was the Anglo-Indian community. Gentlemen, we are all aware that the Government of this country does not feel anxious about temporary evils or temporary maladies like poverty or unemployment or trade depression or illiteracy. They only care for permanent evils and issues like war and invasion, law and order, the security of the services, and the prospects of unemployment for the Anglo-Indian community and the interests of the British investors. The first subject which they mentioned as needing to be specially safeguarded was defence. You are all aware that the strategic railways entail a loss to the Railway Budget. The intention is that in future no questions should be raised about items of expenditure incurred in respect of strategic railways so that the Railway Department would in this matter be an adjunct of the military department and be untouchable. As regards finance, I will come to that later on. But, gentlemen, you are aware that, if anything, the financial solvency of the Indian railways and their sound economical and efficient management is as much the concern of the Indian Legislature as much the concern of the Indian ministers and as much the concern of the Indian public as that of any foreign investor. The Government of India Despatch over-emphasized the need of safeguards and did not consider the several drawbacks in the parliamentary control of the railways. At the first Round Table Conference this question was not discussed at all,—either in any of the committees such as the Federal Structure Committee or in the plenary session. Yet when the stage of reporting came, Lord Sankey, the Lord Chancellor and the Chairman of the Round Table Conference, read out a paragraph which ran as follows:—

“In this connection the sub-committee takes 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.”

Immediately one after another, four Indian delegates, Mr. Sastri, Mr. Jinnah, Mr. Jayakar and Sardar Ujjal Singh got up and protested that this matter had never been discussed and was smuggled into the report. Lord Sankey thereupon said that H. H. the Maharaja of Bikaner had referred to this question and that it was at his suggestion that it was put in. Up then rose H. H. the Maharaja of Bikaner and he said: “I never used the word

'statutory authority'. I referred to the Railway Board exercising functions such as it has now." Nevertheless Mr. Jinnah afterwards protested and Lord Sankey, in his usual phrase, "noted the objection". It is a great gain that all the objections of our Delegates have been noted by Lord Sankey. Sir, the Liberals of the future generation will find them very useful (Laughter). But despite this noting, a recommendation which was never discussed at the Round Table Conference was put into the report of the First Round Table Conference and passed through all the three Round Table Conferencess and now finds a place in the White Paper itself. Gentlemen, then there comes on the scene a mysterious figure called Brigadier-General Hammond. He was asked by the Secretary of State to prepare and submit a report on the question of a statutory authority for Indian railways. We do not know what the credentials of this Brigadier-General were. So far as I am aware, neither the Round Table Conference nor the Assembly was ever informed or consulted about his appointment. The one qualification of Brigadier-General Hammond for investigating this question was that he was entirely ignorant of Indian railways. Gentlemen, in the peculiar conditions of India, ignorance is a sign of impartiality. That was one of the reasons for the appointment of the members of the Simon Commission and of some of the members who toured India last year in connection with the Round Table Conference Committees. Sir, when a Britisher is ignorant, he is supposed to be impartial, and when he is biased, he is called an expert (laughter). It was this Brigadier-General Hammond who submitted the report, which, I believe, was ready in August 1931, and although the Second Round Table Conference met after three months, so far as I am aware it was never placed before that Conference and it never saw the light of the day until it was flung in the face of the astonished members of the Consultative Committee, whom by the way some people call the Insultative Committee (Laughter). When the report was placed before them, even this committee by an overwhelming majority refused to agree to the setting up of a statutory authority through parliamentary legislation and suggested that it should be the Federal Legislature which should set up the Statutory Railway Board and only two members dissented from this proposal. But, as two members dissented, the Government said that there was no unanimity and therefore the decision was left over to the British Government. This was a sound method of constitutional procedure. You have a packed committee of Government supporters and since there are

always one or two such dissentients, the final decision is taken by His Majesty's Government. In the meanwhile in the famous Benthall circular which was published rather inconveniently by a paper in Calcutta, it was stated that Ports and Railways should be taken out of political control ; and the representatives of the British commercial community said in the Legislative Assembly last year, when there was a debate on this question, that the railways in the future constitution should occupy a place analogous to Port Trusts. Sir, we know what position and status the Port Trusts occupy in respect of Indian public opinion and it was not difficult to see what was in store for us. The White Paper has now come and it has embodied this proposal. In the crucible of the Round Table Conferences, by some strange alchemy almost every important department of national life has become a safeguard : whether it is peace or tranquility, whether it is minorities, whether it is the Princes who are part of the Federation, all these have become safeguards. Even Christianity has become a safeguard as witness the Ecclesiastical Department being reserved so that even Jesus Christ himself seems to need the protection of the bureaucracy of India ! And even the Federation itself has become a safeguard. If you want a Central Bank, it is made a condition precedent to the establishment of the Federation and a safeguard ; if you want financial autonomy, it is made a safeguard and the Governor-General is invested with a dozen discretionary, emergency, special and other powers and there is a Financial Adviser on the top of all that. And if you want some element of popular control over defence or external affairs, there are Counsellors to be appointed instead of Councillors. Gentlemen, it would seem that this change in spelling from Councillors to Counsellors is a great constitutional advance (Laughter). Similarly when you go over the whole gamut of it, the Railways also have become a safeguard. I will not waste your time by reading out paragraph 76 of the White Paper which deals with this question but will try to show what are its implications. In the first place, as the Statutory Railway Board would be set up through a parliamentary statute, it will be an integral part of the Constitution Act. Now our objection to having a Statutory Railway Board set up through parliamentary legislation is not a mere formal objection regarding procedure. It is a very fundamental objection because, unless the Statute of Westminster is applied to India, of which, I am afraid, there is no immediate hope, the Indian Legislature will not have the power or the authority to modify, revise or amend a parliamentary

statute. The Indian Legislature will have only those powers which are given to it by the parliamentary statute and all the residuary powers will be reserved to Parliament and the manner in which and the extent to which the Legislature will control railway finance or railway administration or railway policy will all be laid down in the parliamentary statute. Gentlemen, it will be evident to you that no parliament, no outside authority can be permitted this right, particularly for such a public utility concern as the Railways whose Budget is equivalent to the civil Budget of the Government of India and which is of such vital importance to the trade and industry and agriculture of this country. To allow such authority to be removed from the purview of the Indian Legislature is really to undermine the whole policy which has been accepted and is being carried out in respect of the nationalization of the railways by the Government. Moreover, it will vest at least some amount of financial control in the statutory authority and it will therefore weaken the financial powers of the Finance Member and it will divide the financial responsibility of the Government of India.

Gentlemen, the grounds on which this statutory authority is proposed are twofold. One is that it should be run on business principles, and the second is that it should not be subject to political interference. As regards business principles, if it means that the railways should be managed in a sound, economical and efficient manner, surely, as I have said, we are as much interested in it as anyone else. After all, the revenues of the railways were raised not on the security of the assets of the railways but on the security of the general revenues of India and if there is any difficulty in paying the guaranteed interest charges, the first person who will be embarrassed and put into a difficult position will be the Finance Member of the Government of India before even Parliament comes to know of it and it is therefore to his interest that the railways are sound concerns. Secondly, the White Paper does not lay down exactly what is the nature of the control that the Government and the statutory authority will exercise. It is stated that the principle and details of this question will be settled by His Majesty's Government in consultation with the Government of India. Therefore, the whole problem is still in the atmosphere of uncertainty. Brigadier-General Hammond, in fact, suggested in his report that the main lines of policy regarding, for example, the provision for interest and sinking fund charges or for depreciation or maximum and minimum

amounts to be set apart for reserves or the disposal of surplus profits, the contribution to be made to general revenues etc., should all be laid down in advance by the Statutory Act itself. If a certain portion of railway expenditure is to be earmarked as within the jurisdiction of the statutory board, even the existing powers of the Legislative Assembly and of the Finance Member will be taken away.

Gentlemen, one of the main grounds in support of these proposals is said to be that the railways should be free from political interference. Now political interference, gentlemen, has a peculiar meaning in India. It means the freedom of the bureaucracy to do what it likes. Any sort of influence or meticulous control by the Legislature over the railways is always resented and has always been resented by our pinchbeck Mussolinis of the Railway Administration, who naturally do not like exposures of their deeds or misdeeds on the floor of the Legislature and who do not relish the vigilance of the press, the interpellations and the criticisms in the Assembly. They therefore would like as far as possible to be free from all this control. Sir, the railways in India are a very sensitive plant which cannot bear the light of the day. They are a delicate mechanism which cannot stand at all the glare of publicity. And the record of the Railway Board in this respect is very well known to us. It has been one of consistent defiance and disregard of Indian public opinion and Indian public interests whether in the matter of rates and freights, whether in the treatment of third class passengers and whether in the treatment that they have extended to Indian industries and commerce. Indians were shut out from the Railway Board until only the other day and today, gentlemen, if there has been some sort of check or limitation on the Railways, it is due to the vigilance of the Assembly and to public opinion having become a little more organised and insistent. But the whole point is that in the peculiar circumstances of India we do not know what politics is and what politics is not. It is not politics to set up a statutory authority through the machinery of Parliament and under the thumb of the Secretary of State for India, but it is politics to set it up, through the Indian legislature and under the supreme control of the Indian legislature. It is moreover interesting to see that constant pressure and influence are brought to bear through the House of Commons and the Secretary of State in respect of several matters regarding the Indian railways. For example, there have been demands for speeding up Indian railway development so as to

help Railway orders in England. I am not making a vague allegation but something which is perfectly well-known. Sir Alfred Mond who was afterwards known as Lord Melchett said in the House of Commons a few years ago:—

“When I was Chairman of the Cabinet Unemployment Committee, a scheme was put forward and was under consideration by which by the use of the Indian Government credit, supplemented by our own, we could obtain orders for the Indian railway programme.”

Similarly Sir Charles Innes once admitted in the Legislative Assembly that in the Imperial Economic Conference of 1923 great pressure was exercised on him in order to speed up railway development for securing orders. That is one of the purposes in which Parliament is specially interested though it is never mentioned in the Government of India despatches. But to try to secure such orders through the Secretary of State and to use the influence and pressure of the India Office and even the Imperial Conference is not political interference. But if Indian economic interests are to be protected or benefited through the Indian legislature, that becomes political influence. I need add only one word more and it is this. After all, a small body of experts or functionaries has a greater temptation sometimes than the Assembly to degenerate into a political clique or coterie which would serve only one particular set of interests, which are not necessarily national interests. In this connection I will quote a very pertinent passage of Sir William Acworth himself. He has shown in one of his works that it is much better for an administration to be run subject to Parliamentary control than that it should be free from that control if it degenerates into a clique. Jobbery of the politician or of the political minister will not be so bad as the jobbery of a Commission clique which comes under backstairs influence. Discussing the conditions in Australia Sir William observed, “A Commission which though composed of individuals personally clean-handed is not strong enough to crush attempts at jobbery in its neighbourhood may be even worse for the public interest than a Minister who uses patronage for political ends. For a Minister can at least be watched and exposed in Parliament by political opponents, while a Commission can take shelter under the cloak of its statutory irresponsibility”. This, gentlemen, is the final reply to those who prattle about “political interference”.

What we object to is not the setting up of a quasi-independent body to whom the powers of technical management of railways may be delegated under the supreme control and authority of the legislature. What we object to is the setting up of a statutory body through Parliamentary legislation over which the Indian Legislature will not have the final control. After all rate structure and rate policy and terminal charges etc. have a great bearing on the trade and industry of the country. In other countries railway policy has been used to promote and assist national agriculture, national industry and national commerce ; if anything, the legislature should have more powers and not less in order to make the railways an instrument of national economic policy. But what is proposed to be set up by the White Paper is an *imperium in imperio* a state within the state which will be immune from public criticism and over which the legislature will not be able to have any effective powers. Therefore, gentlemen, if the Joint Select Committee or the Joint Parliamentary Committee or whatever name it is called by, has got any powers at all, the first thing it should do is to scrap the proposal for such a body. (Applause).

Lt. Sardar Sodhbans (Indian Chamber of Commerce, Lahore) : Mr. President, I rise to second the Resolution so ably moved by my friend Mr. Mehta. Mr. Mehta has referred to the history of the establishment of the Statutory Railway Board in extenso, and therefore I will only confine myself to a few remarks with regard to the working of the present Railway Board so that we may get an idea of what the new Statutory Railway Board might be. At present the Railway Board, although to a certain extent responsible to the Indian legislature, is managed or mismanaged by the officers who get no training at all from commercial point of view and they are appointed to manage huge commercial concerns which have been built from the Indian revenues. I remember once Mr. B. Das tackled this question of railway finances in the Railway Finance Committee ; and Sir George Schuster told Sir Alan Parsons, then Financial Commissioner that the accounts which were presented by him were not intelligible to the ordinary layman. In such circumstances you can very well understand what the Railway officers have been doing. The policy of the present Railway Board is such that Indian industries seldom get help in matter of freight. In these circumstances we do not know what the Statutory Railway Board would be. This question was considered by the Committee of the

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Indian Chamber of Commerce, Lahore and they criticised it and they say that this statutory body is not wanted in the interests of India and they want that there should be absolutely Indian control over this Railway Board. Unless that is done there will be a great agitation in the country because Indians do not want that such a statutory body should be constituted over which they should not have any voice or control. With these words I second the Resolution of my friend Mr. Mehta.

The Resolution was put to vote and carried unanimously.

The Annual Session then adjourned for the day to meet again on the 16th April, 1933, at 12 noon.

SECOND DAY'S PROCEEDINGS

SUNDAY, 16TH APRIL, 1933.

The Annual Session commenced its sitting in the Delhi University Convocation Hall at 12 noon, the President, Mr. Walchand Hirachand occupied the Chair.

President: The next Resolution relates to Sugar Industry. I will now call upon Mr. Padampat Singhania to move the Resolution.

Lala Padampat Singhania (Indian Sugar Mills Association, Calcutta) in moving the resolution said: Mr. Chairman, delegates and friends, The resolution reads as under:

SUGAR INDUSTRY.

"This Federation invites the attention of the Government of India to the great handicap felt by the Sugar industry owing to the increasing difficulty experienced by sugar factories and refineries in the disposal of molasses produced by them.

This Federation suggests that the Government of India should give full encouragement and assistance to the Sugar industry for production of power alcohol, especially admixture of alcohol with petrol as a fuel for internal combustion engines. In particular, the Federation suggests that every measure should be adopted by Government in order to over-ride difficulties of a merely technical character (e.g., the existing denaturing rules) or relating to revenues (e.g., revenues derived by the Central Government from petrol or provincial Governments from country liquor).

The Federation recommends to Government that the import duty on rectified spirits, on molasses and on "rab" be increased to such an extent as would ensure adequate protection to subsidiary industries dependent on the Sugar industry in India from foreign competition."

I have pleasure in moving this resolution in regard to the necessity of conversion of molasses into power-alcohol for the continued development of the Sugar industry in India. As you are aware,

owing to the impetus given to the Sugar Industry by the protection granted to India by the Government last year, about thirty sugar factories have come into existence and many more will commence working during the season 1933-34. The industry has been assured of protection for a number of years and it is hoped that the industry has been assured of protection for a number of years and it is hoped that the industry will be able to stand on its own legs by that time. It is also a matter of pleasure to me to have to say that Indian Industrialists have made use of this opportunity and put up factories in such large numbers in order to make the country self-sufficient in regard to production of sugar. One obstacle to the growth of the industry that is being witnessed since past few months has been in regard to molasses. The production of molasses has naturally increased considerably since last year and it has not been possible to find any use for the same, particularly because the quantity has increased suddenly. The price of molasses has undergone a tremendous fall. The molasses which used to sell at about Re. 1/8 to Rs. 3/- a maund, can now be sold only at about -/2/- per maund. Nay, not even that, as some of my friends will bear me out, several factories would be willing to dispose of their molasses without charging any price for the same, if they found some agency to remove it. So grave, therefore, is the problem that is confronting the industry. It has been suggested that the import duty on molasses and on rectified spirits should be increased. This alone, however, cannot solve even the fringe of the problem. The import of molasses has been reduced considerably during the last three years. During the last year, the import was nearly 30,000 tons. The solution, therefore, can only lie in finding other uses for alcohol. Unless some method is found for the economic disposal of molasses, I am afraid the import traffic must be raised still further in order to enable the Sugar Industry to withstand foreign competition. This, you will remark, is hardly desirable, as it ought to be the desire of all to bring down the price of sugar as early as possible. The molasses produced by factories in the past was consumed in the Tobacco industry and in the manufacture of plain country spirits. The consumption of molasses in both these ways has fallen by about a quarter at the present time. Other outlets for molasses have therefore, to be thought of. These are :—

1. Methylated spirit.
2. Use of alcohol for power in partial substitution of petrol.

3. Use of molasses as cattle food.
4. For the production of yeast as a source of food.

At the present time about a million gallons methylated spirit is imported annually from Java. A small increase in the duty would, I believe, make it possible to shut out this import, and to substitute the same from within the country.

The scope for the use of molasses as cattle food is not very great due to the difficulty in marketing, combined with the traditional conservatism of the owners of most of the cattle in India, as they are used to free grazing with little or no expenditure on other food stuffs.

The use of molasses as a source of yeast is new to Indian ideas.

We now come to the use of power-alcohol. Power alcohol can be produced in India and mixed with petrol in the proportion of one part alcohol to three parts petrol. Several countries have in fact passed legislation making it imperative for petrol companies to use not less than 10 per cent. alcohol with petrol. France introduced legislation making the purchase of alcohol compulsory by the oil companies. Natal started with Natalite and admixture of alcohol in ether. In Germany, the Rieschstag passed a law in 1930 enacting that petrol importers must buy a certain percentage of alcohol. Czechoslovakia started with a mixture similar to Natalite and has now come to accept absolute alcohol. In Hungary, there is compulsory use of absolute alcohol with petrol. In Austria, a compulsory addition of 5 per cent. of alcohol to petrol is suggested. Italy has legislated for not less than 30 per cent. alcohol in all motor fuels. If power alcohol is thus produced in the country, it can substitute petrol to a certain extent and solve the grave problem besetting the industry. It is likely that power alcohol may be able to sell cheaper than petrol and that the Government would be a loser in so far as their revenue from this source is concerned owing to the decrease in the consumption of petrol on which an excise duty is levied. It is apprehended, therefore, that the Government may not be willing for this reason to encourage the production of a substitute of petrol, which will no longer bring to them the same revenue. This brings to the forefront an unfortunate clash of interests between the Government, who are in search of revenue, and the power pro-

ducers in search of a cheap and efficient fuel. The difficulties, however, are by no means insurmountable. The Government can realize revenue from many sources, but the power producers have no other alternative and in consideration of the fact that the success of the power producers means success to the country, their interest should not be ignored. Besides, if power alcohol can, owing to its cheapness, keep down the price of petrol, it would result in enormous economic saving to the country. We should also bear in mind that the Government will not lose in revenue because, if the industry will be successful, it will contribute to the Government revenue in a variety of ways, namely, as income tax and custom. Besides, it will give more employment which is badly needed today. Owing to the increased output of sugar in India, which also means the increased output of molasses, its development will suffer greatly unless some outlet for molasses is found. There is happily for us a great drop in the consumption of country spirits and therefore larger quantities of molasses will be available for production of power alcohol. Experiments should be carried on by Research Institutes, Government Experts, as well as the Industry to make use of power alcohol suited to the requirements of internal combustion engines.

I would strongly suggest that a pioneer distillery should be established and it should be subsidized by the Government as it is an important key industry. In that case it would also be possible to provide for training and instruction of a large number of Indians who can ultimately qualify for a suitable job in other distilleries which would be established at various places.

Another obstacle in regard to the use of power alcohol is the attitude of the Government towards improvements required for denaturing. The use of caoutchoucine prohibits the use of spirit mixed with petrol for internal combustion engines, but we believe that if other denaturants were allowed, a field for the use of alcohol could be found. In regard to the revenue aspect of the question from the point of view of the Government, we might only mention that the loss of revenue to the Government cannot be very material, since even if the whole factory-production of molasses in India, as in 1931, was converted to power, it would only represent 5 per cent. of the consumption of petrol. Much of the molasses produced is disposed of in this way in the Hawaiian Islands and the Philippines. As observed by me before, the use of some proportion of alcohol mixed with petrol is obligatory in several European countries. More-

over, as pointed out above, the sugar industry will contribute to Government revenue, and therefore there may be no question of loss.

The figures of consumption of petrol in India during the last six years have been :—

Consumption of petrol in India.

Year.	Petrol (million gallons).		
1926-27	36.3	„	„
1927-28	48.6	„	„
1928-29	61.2	„	„
1929-30	79.0	„	„
1930-31	79.4	„	„
1931-32	73.0	„	„

The production of molasses by cane factories and by refineries during the last three years is as follows :—

Year.	Cane	Refineries.	Total.
	factories.	Tons.	Tons.
1929-30	35,393	12,899	48,292
1930-31	48,187	20,458	68,645
1931-32	69,208	22,042	91,250

In addition to this, the Khandśaris also produce a fairly large quantity of molasses, but a market for this molasses is found in the vicinity of the places where it is produced. A certain quantity of the factory molasses is also absorbed in other ways, as for example, tobacco curing. The supply of power alcohol manufactured from factory production of molasses available for the same would not be of a magnitude which could affect, to a very great extent, the petroleum industry of India.

I urge with all the emphasis at my command that in the interest of the Sugar Industry which vitally affects the cultivators, the Government of India should give full encouragement and assistance for the production of power alcohol and its admixture with petrol as fuel for internal combustion engines. Unless this is done, the Sugar Industry will find itself in a mess and it will have very adverse effect on the condition of the ryots, which is none too good.

Gentlemen, I have done. I have one more suggestion to make to the Railway Board in this connection and that is to consider the possibility of a reduction in the rates of freight on molasses, in view of the very heavy fall in its price. If a large reduction is made, it will be to the interest of the Railways themselves, as it will then be possible to carry molasses over larger distances.

As a large portion of the sugar and molasses is carried by the waterways in addition to the railways, it would be a very great facility if the railways could be persuaded to issue through bills of lading for the transport of sugar and molasses from the factory stations to their destinations. This would be of great convenience to the sugar factories as also the merchants engaged in the transport of sugar.

I trust that the Railway Board will give immediate consideration to these matters.

Lala Shri Ram (Delhi Factory Owners Federation, Delhi) :

Mr. President and Gentlemen, the previous speaker Mr. Padampat Singhanian has very ably and comprehensively dealt with this Resolution. I do not think much remains for me to say. Fortunately this is a Resolution on which both Europeans and Indians are unanimous. Almost in a similar strain a Resolution was moved in the Associated Chambers of Commerce in December last. Barring two member-bodies of the Associated Chambers, that is Burma and Bengal (Burma as you can understand is predominated by the Burma Shell) there was unanimity about this Resolution. On that occasion one of the representatives of the Upper India Chamber said that although molasses at the time of the Tariff Board report were taken to be worth at Rs. 2 a maund yet they were about to become a drag on the market. That position has already arrived in April, that is only three months after. They are not only a drag on the market but they are a real nuisance to those who have got sugar factories or sugar refineries. The problem today is not how to sell them or what price to realise but how to dispose them off and I know that many of us will be prepared to spend some money to get rid of this nuisance. Our friend, Mr. Singhanian, has just told you that there are four or five different methods of the disposal of these molasses. The most important course is making power alcohol and mixing it with petrol, which he has very

thoroughly dealt with. I will not therefore waste your time in repeating the same arguments. I may however tell you that this resolution came up before the last meeting of the Indian Sugar Committee which met at Delhi under the presidency of Sir T. Vijayraghavachariar. There also a resolution was unanimously passed in which both European and Indian members agreed that the question was a very important and urgent one and that the President should take immediate steps to get into touch with the different Heads of the Departments of the Government of India and to do away with the red-tapism and that as soon as possible a model factory for making power alcohol should be established and a law should be got passed compelling oil companies to mix a certain percentage of power alcohol in petrol. They also asked the President to take steps to put a certain amount of money at the disposal of the Sugar Technologist at Cawnpore and to give him every assistance to try the other methods which are being successfully tried and worked in other countries—Hawaii, Fiji and other places, that is, using molasses as petrol, cattle food, manure and fuel. My friend, Mr. Singhania, has not mentioned that molasses could also be used as fuel. In Hawaii they are using molasses as fuel and getting 65 per cent. as much heat out of them as out of firewood. Gentlemen, individual factories are also trying to consume molasses to get rid of them by using them as fuel. I cannot tell you how far they have succeeded in their efforts but I know for a fact that one of the biggest sugar factory owners, that is, Messrs. Begg Sutherland and Co. and a small factory owner like myself are disposing them by burning them in boilers, we do not yet know at what risk to the boilers themselves. Coming to the question of power alcohol, I am glad to tell you that in the Sugar Committee, Mr. Morgan gave us to understand that the petrol companies in India had no serious objection to the mixing of power alcohol in petrol. If Mr. Morgan rightly expressed the views of the petrol companies, I do not see why the Government of India should find any very great difficulty in bringing the necessary legislation into operation and do something immediately about it. As regards its use either as fuel, cattle-food or manure, certainly it cannot be used entirely by the factories themselves for either of the above three purposes or even round about the factories to any very great extent. For that purpose it will be very necessary, as pointed out by Mr. Singhania, that the railways should give us very very low rates of freights indeed, perhaps lower than that for coal itself, and also should burn these on their own locomotives to

enable its better distribution for the good of the farmer, the factory owner and themselves. With these few words, I beg to second this Resolution. (Applause).

Mr. Santoshchand Baroria : Sir, the Association is taking steps to fix the price of sugarcane at four annas a maund. Now I want to ask, will that also improve the condition of the ryots? We know that the sugar-industry is one of the most paying industries in these days and, if run on good lines and with an administration not too heavy, the cultivators of sugarcane can easily get ten annas a maund.

President : The resolution refers to some very specific points. If in developing them a statement as regards some other industries was made, that is a quite different story. It refers to the disposal of molasses, then power alcohol, fuel and measures to override certain difficulties of a technical character. Later on it goes on to the increase of the duty on "rab".

The resolution was carried unanimously.

President : I move resolution No. 10 which runs as follows :

STATISTICS OF INVESTMENT OF FOREIGN CAPITAL.

"In view of the serious influences exerted upon the economic development and policy of the country by foreign capital, this Federation has to draw the attention of the Government to the absolute inadequacy of statistics of foreign capital invested in India, at present being published by them, and would strongly recommend the annual compilation of a comprehensive statement of the actual foreign capital invested in India including private investments."

Mr. A. D. Shroff : On a point of information, I should like to understand the object of this resolution, because I think it can be a two-edged weapon. If you will just tell me what exactly is the object of the resolution, I should be glad.

President : This came from the Bengal National Chamber and their representative laid particular stress on it and I would now request Mr. Sarker to explain.

Mr. Nalini Ranjan Sarker : Our point is that the statistics

available in the matter of foreign investments here are very inadequate as published in the Statistical Abstract. Recently you must have noticed there was a controversy about our external debt obligations. In an economic journal Sir Findlay Shirras has started some discussion about our total foreign investments and our annual obligations, but we cannot find the exact figures by which we can ascertain what are our actual foreign obligations year by year, and it is to get those figures that we have tabled this resolution.

Mr. A. D. Shroff: Allow me, Sir, to say one or two words, because this subject cannot be very easily disposed of. When you are laying particular emphasis on one branch of statistics relating to the economic problems of the country, I think there should be some specific purpose and object in demanding that such statistics should be compiled in a particular fashion. If the idea of the Bengal National Chamber of Commerce has been to disprove the claims of non-Indians that their stake in the country is so and so whereas we say that their stake in the country is so and so, I definitely suggest that by asking for a limited, narrow and specific inquiry of this character, you will be doing more harm to our cause than you can do good. On the contrary I think this resolution can well be made the basis for something wider in view particularly of the fact that the Government themselves have recently announced that they desire to make some effort to give us a better compilation of statistics all round. I hope you will get at the point I am hinting at.

President: Would it not meet the wishes of the House that we pass this Resolution today in view of the recent statement of the Government of India. In view now of the various other member-bodies taking interest in it, we could elaborate it next year taking into account all the considerations and develop it further. It is only one Chamber, the Bengal National Chamber, that suggested it. The sub-committee and the Executive Committee deleted it, but in view of the fact that the Bengal National Chamber was very keen on it; it was put on the Agenda and this was how it came. We have ample time, so next year a full and comprehensive resolution, with due notice to all the member-bodies to get their particular view points embodied in it, can be put down. Under these circumstances, I put the resolution to the vote.

The resolution was carried, with one dissentient.

Mr. A. L. Ojha (Indian Chamber of Commerce, Calcutta):

Mr. Chairman and Brother Delegates, I beg to move the following Resolution :

SURCHARGE ON COAL.

"In view of the fact that the levy of 15 per cent. surcharge on the Railway freight on coal despatched after 15th January 1932, has created a great detrimental effect on the coal industry and been responsible for the loss of markets in many important and industrial centres, this Federation urges upon the Railway Board the necessity for the immediate abolition of the surcharge with a view to help the industries of the country."

Sir, in moving this Resolution I would like to say a few words. I am sure that, if not all, most of the Delegates here might not have heard about the position of the coal industry and about the difficulties and the disabilities under which those who are engaged in the industry have been working. It is not because there are no difficulties ; it is not because there are no grievances ; it is not because they are in a way happy that nothing has been said, but it is because the industry is not properly organized, it is because there are no stalwarts as we find in the case of other industries like textiles and shipping and it is because those who are engaged in the industry are so weak that their feeble voice is not heard by the Government of the country or by their own countrymen. I think, Sir, it is essential that the industrialists of the country should take some interest in and know something about this key industry, as, if the industry is disorganized, or those who are engaged in the industry cannot carry on, it will be difficult for them to get coal so cheap as they have been getting it today. I also feel, Sir, that the other industries particularly protected ones should try their best to help those who are engaged in this industry and are struggling for existence. I wish I had the opportunity to present to you a picture of the present position of the coal industry and thereby make all the delegates acquainted with the full facts but it requires sufficient time to do this and I am afraid it is not at my disposal. Apart from other ordinary taxes, you are perhaps not aware, the coal industry has got to pay some special taxes like road cess, mines board and chaulkidari taxes, etc., and it was very difficult for them to carry on. At such a moment this surcharge was levied and as other industries are not in a position to pay a higher freight on coal, this freight fell mostly on the collieries

in this way that they had to reduce their price to sell their coal. It is rather strange that in these days of depression when all industries are in need of help and protection the Government of India decided to levy this charge. It is not detrimental to the interests of the coal industry only but it is detrimental to the interests of other industries too. Those who get protection have also got to bear this surcharge if not fully, partly, and so to a certain extent the protection given is nullified. Coal being a key industry I think every endeavour should be made to make it as cheap as possible. When it is not cheap, what happens is this. Those who cannot afford to pay the price plus coal-freight try to find out some other substitutes.. We all know that Bombay imported a lot of foreign coal ; we all know that even today Bombay mills are using foreign oil, and in the case of other markets we find that wherever it is possible, factories and brick-field owners and others are trying to substitute oil and other fuel. What surprises me more is this. Why only the coal industry was singled out and penalised in this-way. I think I must tell you that Government had been pleased to invite the representatives of the coal industry to meet them when they proposed this surcharge. Of course, they had practically decided beforehand to levy this surcharge, and so when these representatives met them, reasoned with them and strongly protested against this imposition, they were told that somehow or other money had to be raised and so Government had to impose this surcharge. They were also told that it was not only coal which they had singled out as they were going to tax other commodities too. I am glad, of course, that Government have not taxed other commodities. Government have not thought fit to withdraw the surcharge even after a year which we all expected, and we all expected it because as far as our information goes Government have not been able to get more money due to this surcharge. There is another point, Sir. We find that the surcharge is not levied at a flat rate. The surcharge is 15 per cent on freight rate. It means that those who are at a great distance have to pay more. For example, take the Ahmedabad market which is a very important market to us. Their freight being about Rs. 13 or 14 they have got to pay surcharge on that rate of freight, while those nearer the coal-fields have got to pay less. I think this is not at all fair to the industries of the country. When during the war Government were in need of money they imposed a surcharge but at that time they imposed a flat rate of 4 annas a ton whereas in this case, they did not do so.

One word more and it is this. Though the Railways say they are in need of money and that is why they have imposed this surcharge we find now-a-days, and I am sure all delegates must have seen it in the press, that the East Indian Railway and the Bengal Nagpur Railway who are directly interested in this affair have been advertising in the press to give facilities to carry gunny from Calcutta to stations in western India and to bring cotton from western India stations to Calcutta and eastern India, by reducing freight rates. I do not grudge others getting facilities. What I should like to point out is this that if the Railways are in a position to give facilities to others, if they are in a position to reduce their charges in the case of others, they ought to consider also the case of the coal industry.

The Indian Colliery Owners' Association, recently brought into existence, is also giving this matter its close consideration and hopes to address well reasoned memorandum to the Government of India urging the immediate abolition of this surcharge.

With these words, I propose this Resolution for your acceptance. Seth Nandlal Haridas (Ahmedabad Millowners' Association) : Mr. President and brother delegates, I have the pleasure to second the Resolution just proposed by my friend Mr. Ojha. The surcharge on the freight of coal is uncalled for at the present juncture when the textile industry and the whole country is passing through a crisis. How the textile centres are affected by this surcharge I shall show you in brief. Only the Ahmedabad centre is paying every year Rs. 4,50,000 by way of surcharge. And you can imagine what the other centres are paying. And this Rs. 4,50,000 is really speaking a considerable part and parcel of the profits earned by the Ahmedabad mills. So, gentlemen, you can see that there is no justification in laying down this surcharge at this juncture. Government's policy is simply unjustifiable in discriminating between different textile centres and hence I hope you will agree to give me your full support in asking Government to do away with the surcharge.

Mr. R. K. Sidhwa : Sir, I rise on a point of information. Year before last the Bengal coal owners had sent a representation to this Federation that the Ahmedabad mill-owners were not purchasing the Bengal coal on the ground that the quality was inferior to the coal they imported from other foreign countries. Will you kindly inform the House how the matter stands at present?

Seth Kasturbhai Lalbhai: Sir, I submit that it is very wrong to speak in this House without the fullest knowledge of the facts. The Ahmedabad textile industry as such has never in its whole history purchased a single ton of foreign coal. And I hope that Mr. Sidhwa and the body that he is representing here will withdraw the uncalled for charges in unnecessarily and wrongly blaming the textile industry which is doing its very best to support national industries of India as such. My friends here who represent the insurance companies will bear me out when I say that if one centre is doing its very utmost it is Ahmedabad which is passing on its 100 per cent insurance to the Indian insurance companies. And similarly there are many other small industries which are fully being supported by the Ahmedabad textile industry. Sir, I beg to request you to ask Mr. Sidhwa to withdraw his entirely unfounded charges.

Mr. R. K. Sidhwa: Sir, I have been quite misunderstood by my friend there. Correspondence has passed between the Bengal owners and the Federation and copies of the correspondence were sent to the various mercantile bodies and the Indian Merchants Chamber whom I represent here also got copies. Several letters were sent to the Federation and the Federation had also sent letters to the mill-owners at Ahmedabad explaining the position and asking why they refused to purchase coal from the Indian colliers and their explanation was also sent to us. I cannot understand my friend's getting up and saying that this is all false. It is only the correct and authentic information that I am placing before the House. I think my friend there did not understand me correctly or he likes to hoodwink the House by making the sort of statement that he has done. I have absolutely no intention of challenging the patriotic feeling of the Ahmedabad mill-owners. I do not for a moment suggest that. Certainly they have been patronising Indian industries. I only wanted to be enlightened on that issue as to how that matter stands and I made no insinuation whatever. I have seen the correspondence that passed between the Bengal coal-owners and this Federation and the mill-owners of Ahmedabad and I know they replied to the effect that their quality was inferior. I want to know whether they wish to state that they did not make that statement. I wanted to have information only and I am sorry my friend there has taken a wrong view of my point.

Mr. A. L. Ojha: Sir, may I with your permission put in a word to explain the position? The position was this. The Indian

colliery owners, or in other words, the collieries owned and managed by Indians made a representation to the Federation requesting the Federation to ask all other bodies,—of course they also directly approached those bodies,—to use their coal instead of coal that they purchased from collieries owned and managed by Europeans in this country.

Mr. R. K. Sidhwa : That requires to be explained.

President : The fact remains that the latest position is, as we have got it from such an authoritative source as Mr. Kasturbhai Lalbhai that the Ahmedabad mill-owners are using 100 per cent. Indian coal.

A delegate : Not from Indian owned collieries.

President : However, we have got the reply. I will therefore put the Resolution No. 11 to vote.

Carried unanimously.

Mr. V. K. Chetty (Southern India Chamber of Commerce, Madras) : Sir, the resolution that I have to move is this :

INDUSTRIES.

“The Federation urges upon the Government of India the desirability of adopting immediate measures indicated below to afford adequate protection to the various industries referred to therein:—

- (a) That the export duty on raw skins and hides be raised to 25% and 20% respectively.
- (b) That a duty of Rs. 50/- per ton or 50 per cent ad valorem whichever is higher should be levied on the imports of the Cast Iron Pipes and further that the Tariff Value of Rs. 140/- a ton may at least be substituted for the ad valorem valuation now being adopted in the Indian Customs Tariff so as to secure immediate relief to the Indian Cast Iron Pipe industry.”

In moving this resolution I have to say a few words.

From the point of view of the value of exports and the number of persons employed the tanning industry is the premier industry of South India. On a fair estimate there are not less than 300 tanneries scattered all over the Presidency each employing on the average about 100 persons. There are besides a number of subsidiary enterprises in which a lot of capital as well as thousands of persons are employed, such as collection and salting of skins and hides, transport from villages to towns and tanneries, collection of transport of saram bark, myrabolams and other tanning materials and so on. In the result, I may fairly estimate that about a lakh of persons are throughout the year employed in this widespread industry not in any particular place but scattered over numerous villages and towns so that this industry while increasing the industrial production of the country and giving employment to such a large number of persons is not beset with any of the evils of industrialism such as concentration in towns, industrial unrest, high cost of living, necessity for welfare work, housing, etc.

The peculiarity of this industry is that its chief danger does not lie in the imports of foreign leather but in the competition of foreigners in a Home market for the raw materials of the industry. Consequently this industry cannot be protected by any additional import duty on leather. Moreover the import of leather is only a fraction of India's export of leather. The tanning industry can therefore only be protected by means of a bounty on exports of tanned goods or by a duty on the export of raw goods. As the bounty from the Revenues of the Government cannot be thought of under present conditions the only effective method of protecting this industry is by increasing the present export duty of 5% on raw hides and skins.

The bulk of Indian exports of tanned goods have some special qualities which make them an indispensable factor in the world markets. I may therefore assert without fear of contradiction that when the countries of the world find that they cannot get Indian raw hides and skins as cheaply as before to feed their tanneries in consequence of any additional export duty they should be expected to commence buying our tanned goods. Alternatively they may continue to patronise our raw goods market but in that case their cost of production is bound to be increased by the extent of the extra export duty and our tanned goods will then have a better

reception in the foreign markets where the products of the European tanneries also compete. Though the United States of America put up her tariff wall against our tanned goods and has ceased to buy them either in the Indian markets or in London, still it continues the most important single buyer of our raw goat skins, and Germany of our cow hides. My suggestion is that an increase in the export duty is bound to help the Indian tanning industry in either of the two ways I suggested before, that is, by the foreigners buying our tanned goods in place of the raw goods, or by raising the cost of production of our competitors in the foreign markets.

From 1919 up to 1923 the general export duty was 15% and during this period the tanning industry enjoyed a spell of prosperity but since then many tanneries have closed and thousands of persons have been thrown out of employment. One apprehension which the Government seem to have in increasing the export duty is that the price of raw goods will be unduly depressed. One reason why I consider that this will not happen is that the peculiar qualities of Indian hides and skins can still command a good market in the world at an increased price, so that the present foreign buyers of Indian raw goods will still continue to compete in the Indian market along with Indian tanners so that the demand will continue as effective as now. Another reason is that as the production of skins and hides is only complementary there can be no increase or decrease by virtue of an increase or decrease of demand. As the supply is therefore limited the prospect of the fall in price is remote. The third reason is that when a complementary product falls in price the primary product will go correspondingly higher in price so that in the result the owners of cattle and goat and sheep are not likely to suffer by any fall in price that may happen to raw skins and hides.

Lastly, I want to urge that the Government of India by helping the Indian tanning industry will by the same stroke help the London market also because the chief buyers of Indian raw goods who are likely to suffer by an increased export duty are America, Germany and Italy, while the bulk of Indian tanned goods are marketed in London bringing employment and income to thousands of brokers, warehousemen, etc.

As regards pig iron, there are many incongruities in the Indian Tariff Schedule in virtue of which the import duty is lower on the manufactured product and higher on the raw material. One such

is the case of the cast iron pipe which comes into the country after paying a duty at present prices of about Rs. 10 per ton, while pig iron has to pay over Rs. 11 per ton. On top of it is the inroad of Japanese imports which threaten to swamp the Indian market. The Anti-Dumping Bill has been passed ; among the earliest operations of it should be an extra duty on the imports of cast iron pipes. I therefore commend this resolution to the house for their unanimous acceptance.

Mr. K. Shama Iyer (Mysore Chamber of Commerce, Bangalore) :
Sir, I heartily second the resolution. A great deal of capital has been sunk in the skins and hides trade and industry and during the war the Government of India made much use of it for supplying saddlery, boots and shoes to the army, in gratitude for which they increased the export duty to 15 per cent. But when the sense of gratitude waned in three or four years time they straightaway reduced the export duty to 5 per cent in consequence of which much distress is felt all over South India.

As regards Indian Cast iron pipes the position is this : there are two big manufacturing concerns in India which between them can cover the entire demand for the pipes and have been doing it. They are the Bengal Iron Co., Kulti, which has a capacity of 60,000 tons and the Mysore Iron Works, Bhadravati, which has a capacity of 15,000 tons. During the last two years the general depression has very seriously curtailed the demand. On top of it foreign pipes, particularly of Japan, have begun to be dumped. The rapid reduction in price in the Indian market of Japanese cast iron pipes within twelve months from about Rs. 110 to Rs. 70 per ton points to the fact that the industry is getting substantial assistance from the Government of Japan, besides favourable freight and exchange concessions. I am informed that the Japanese Government subsidise exports. Whatever it be, there is the fact that Indian production is very seriously jeopardised. Now that the Legislative Assembly has passed the Anti-dumping Bill, it would be most convenient for the Government to take immediate steps under the Act and remove the Damocles Sword that is hanging over the two Works on which a huge amount of capital has been sunk without adequate return so far. Another anomaly in this problem is that pig iron which is the raw material for cast iron pipes is subjected to a heavier duty than the manufactured product as prices stand at present. Pig iron being assessed on a tariff value of Rs. 78 per ton, the duty on cast iron

pipes on an ad valorem basis happens to be assessed on a value of about Rs. 67. It is a sample of the anomalies which are characteristic of the Indian tariffs but I submit that the country has to pay a heavy penalty for it and it cannot be tolerated any longer. I commend this resolution to the unanimous acceptance of the House.

The resolution was adopted unanimously.

*Mr. M. L. Dahanukar (Maharashtra Chamber of Commerce, Bombay):

Mr. President and brother delegates, the resolution which has been entrusted to me reads thus:

RAIL-ROAD CONFERENCE.

"The Federation notes with regret that no representatives from the Indian commercial community have yet been invited to the Rail-Road Conference to be held in Simla this month. It understands that non-official representatives connected with vested interests in the development of bus traffic are invited and is emphatically of the opinion that in order to safeguard the interests of the commercial community, representatives of Indian commercial opinion should be asked to attend the said Conference."

Here it may be recalled that the Government of India appointed certain officials to carry out an inquiry regarding the competition of railways and bus traffic in this country. These officials went round from place to place and ascertained both official and non-official opinion on this question. Now, as I understand, the Conference which is to be held in Simla on the 24th instant is going to consider this very vital question of finding out a way for meeting competition by which the railway has incurred losses and suffered. As we are now asking for representation to be given to us, I am not going to make any remarks as to the merits of this question. But I should confine myself to the point why representation to the commercial community is necessary at this conference. While the commercial opinion was invited to be ascertained by the officers who were conducting an inquiry, they were assured that the representatives of

* Speech not corrected.

the commercial community will also be invited to the conference which was then proposed. Friends, we find that the Government have invited non-official representatives: as I understand it is not only restricted to the officials or those who are connected with the railways and roads, but it is certainly also representative of the non-officials, and certain Europeans in the name of non-officials, have been invited to attend the conference and they are connected with the petrol, tyre and tube industry and cement roads etc. I certainly think that this is a question of very vital importance to the commercial community where the Indian public have invested as much as 800 crores of rupees in the railways of India. Further about 8 lakhs of our people are employed in the railways of this country. Besides, there are many complicated questions which are connected with this aspect of the resolution. I think that if we want to find out ~~some~~ via media, it is necessary that the Government should invite the commercial opinion to be placed at such a conference. We are interested also in the reduction of rates for goods traffic and several other kinds of traffic which affect the movement of goods: the prices of agricultural produce have gone down so low that reduction of freights is absolutely necessary to help this kind of traffic. This will not be done unless some via media is found out between the road and rail competition problem. I therefore think that this question has all these bearings; and while seeing that we do not put any undue burden or that our interests in the railways are not adversely affected, at the same time we want to see that the bus enterprise is not also eliminated out of the field altogether: we have invested a lot of money in that enterprise and it also gives cheap transportation facilities to the public as a whole. Further we as business men are certainly interested in seeing that all our investments in the railways will also pay. For all these purposes and for placing all our viewpoints before this conference it is necessary that we should get adequate representation and we should be able to say all that we want to say at such a conference. I shall not go further into the merits of the question, but shall confine myself to these remarks. I commend this proposition to the acceptance of the House.

Mr. P. S. Sodhbans (Indian Chamber of Commerce, Lahore):
 Sir, this rail road conference is the outcome of the Bill which has been moved in the Assembly for permitting Railway companies to run buses. This Bill was opposed by the

Committee of the Indian Chamber of Commerce, Lahore, which I have the honour to represent. After the war the roads were developed with a view to bring the interior nearer to the cities and in order to develop the trade. As far as the Punjab is concerned, the roads are considered to be the best in India, because most of the roads there are coaltarred, and with the development of the bus traffic, we find that travelling by bus has increased enormously ; it has become so common that ordinary traffic between Lahore and Amritsar and different places is now carried by motor buses. Now the railways are going to enter the field. In spite of the increase in the traffic by bus or lorries we find that the railways are not endeavouring to reduce their fares but on the other hand they are increasing the same. This policy is bringing them to grief. But the poor people cannot afford to pay high fares on account of the depression, and they prefer to travel by motor buses. Now, on account of this, the Government has come to the rescue of the railway companies by allowing them to run buses. At present, as every one knows here, the railways are running at a loss on account of their mismanagement and also on account of their heavy overhead charges. The railways are working at a loss more on account of the high scale of salaries they are paying to the officers than on account of the depression. If there is depression felt all round, have the railway companies made any endeavour to reduce their expenditure which any business concern would do? No, they have never cared to reduce their expenditure and to balance the budget. Now, they want to run buses and the cost of manufacturing new buses will be met from the Indian exchequer. We want a representative to present our case and find out from where they are going to meet such a heavy cost for the manufacture or purchase of the buses. Moreover, in these days when the railway themselves are unable to cope with their own traffic on account of the heavy cost, I do not know how much additional cost they will have to incur for the maintenance of these buses. Of course, these buses will require conductors, officers and other paraphernalia for running them. All these questions will be taken up in the conference, and therefore it is absolutely necessary that the Indian view point should be placed before the conference, and it is very essential that there should be a representative of Federation at the Simla conference to represent the Indian Commercial view point and to discuss all vital points. I therefore heartily second the resolution which has been so ably moved by Mr. Dahanukar.

The resolution was carried unanimously.

President: Gentlemen, I now revert to Resolution No. 2 regarding the release of Mahatma Gandhi. The only amendment if I may say so that has been made in the wording of the Resolution is that instead of the words 'for the dual policy' the words "repressive policy" have been substituted. The Resolution will now read thus :—

RELEASE OF GANDHIJI.

"The Federation of Indian Chambers of Commerce and Industry places on record that in its opinion the repressive policy of the Government has failed and that in the interest of peace, goodwill and prosperity, it is essential that Mahatma Gandhi and other political prisoners should be released forthwith."

The Resolution was carried unanimously.

President: Lala Sri Ram has been kind enough, as usual, to ask you all gentlemen to have lunch with him just outside this hall. He sent round a circular letter yesterday and had received your written undertaking accepting his invitation to have lunch with him now. We will therefore now adjourn for lunch and meet again at 2-30 P.M.

The Conference then adjourned for lunch to re-assemble at 2-30 P.M.

AFTERNOON PROCEEDINGS.

SUNDAY, 16TH APRIL, 1933.

The Annual Session reassembled at 2-30 P.M. after lunch, the President, Mr. Walchand Hirachand presiding.

President: I now call upon Mr. Nalini Ranjan Sarker to move the Resolution on the White Paper.

WHITE PAPER.

"(1) The Federation having carefully scrutinised the proposals for Indian constitutional reforms as embodied in the White Paper is of opinion that the same are not only in direct breach of the solemn promises of conferring a constitution on India on the lines of the Dominions made on behalf of His Majesty's Government by the British Ministers from time to time but are definitely reactionary and retrograde and fall far short of even the modest aspirations of the country and make the conferment of Dominion Status recede into a remote future.

(2) The Federation is convinced that the Constitution as outlined in the White Paper suffers from serious structural defects calculated to bring about frequent breakdowns or deadlocks and that unless several of the proposals are materially altered, the smooth working of the Reforms will be impracticable. The Federation is apprehensive that the scheme, unless modified, will result in creating such forces in the country as would not only undermine the economic and political life of India but also recoil to the detriment of Great Britain.

(3) For these reasons the proposed constitution is unacceptable to the country. The Federation, therefore, appeals to His Majesty's Government to desist from any attempt to impose it on India in its present form and to explore, without any further delay, the possibilities of altering the same so as to command the consent and co-operation of the people of this country."

Mr. Nalini Ranjan Sarker (Bengal National Chamber of Commerce, Calcutta):

Mr. Chairman and Brother Delegates: I formally move the Resolution on the White Paper, which has already been circulated to you. The White Paper proposals have by now been before the country for about a month and you all know how these have been subjected to a most strenuous criticism by all sections of the Indian public and almost universally condemned. I would not take much of your time by undertaking an examination of their implications in detail and shall refer only to some broad and important issues. The proposals, as you will see, bear an unmistakable proof of what has been regarded to be "an unbridgable chasm between two conflicting loyalties, the loyalty of India to her idea of self-Government and the loyalty of the British administration to its conception of Trust." The country has been agitating and persistently putting forward its claims to political advance with a view to acquire a greater degree of control for the nationals over her own Government. The significance of the claim as well as the manner in which it could be satisfied were quite well known to the British Committees and Commissioners professedly been appointed in the past to devise means by which the desired transfer of control was to be effected. The same object alone could have justified the Round Table Conference. Yet, what do we find to be the position to-day?

A section of India has been wanting independence, even the most moderate of moderates asked for nothing less than Dominion Status, subject to minimum safeguards enforceable in a transition period of limited duration.

The emphasis was on Dominion Status and safeguards came in the picture only as a transitory, trivial, temporary item.

At the end of First R. T. C. the Prime Minister made the following declaration:—

"The view of His Majesty's Government is that responsibility for the Government of India should be placed upon Legislatures, Central and Provincial, with such provisions as may be necessary to guarantee during a period of transition, the observance of certain obligations and to meet other special circumstances, and also with such guarantees as are required by the Minorities to protect their political liberties and rights.

In such statutory safeguards as may be made for meeting the needs of the transitional period, it will be a primary concern of His Majesty's Government to see that the reserved powers are so framed and exercised as not to prejudice the advance of India through the new constitution to full responsibility for her Government."

It is to be noted that the policy stated above was reaffirmed by the Prime Minister, even after the Conservatives came in power, at the close of the Second Round Table Conference and that it was endorsed by the Parliament in December 1931 after a historic debate in both houses. Even after his appointment as Minister of Education Lord Irwin once again affirmed his adherence to the pursuit of "a policy designed to confer on the Federation of India responsibility for the management of its own affairs, subject during the period of transition to such safeguards as were found essential to the interests of India herself". The White Paper also starts with a reiteration of this policy but with a most significant alteration that the safe-guards were framed not in the interest of India alone as was previously conceived and stressed by Lord Irwin, but "in the common interests of India and the United Kingdom". And what is more, the proposals comprised therein do not convey any assurance regarding the transitory character of the safeguards, and thereby preclude the possibility of India's attaining to the status of a self-governing Dominion through automatic disappearance of reservations and safeguards within a reasonable period of time. Far from conferring independence on India even the phrase "Dominion Status" does not occur anywhere in the White Paper. On studying the safeguards provided I am convinced and cannot resist the conclusion that they are not transitional and may indeed be of such a fundamental and permanent character as to justify the avoidance of the mention of the goal of Dominion Status. Here, there, everywhere, in page after page, para after para, it is all safeguards, reservations, restrictions, qualifications, limitations etc. etc. I wonder how such a scheme saddled with so many restrictions would work at all. What are you to think of a Railway engine constructed for the negotiating of western Ghats, if it is to have but 100 horse power, while 100 different styles of effective brakes are provided? Will the train ever reach the destination? No, it won't even start. The White Paper constitution—made of all brakes and no power—will not take us to the destination of Dominion Status.

It is not difficult to foresee that the scheme of Government envisaged by the White Paper will not remove the instability of political conditions in India,—far less would it satisfy the people of the country. Indeed, they contain the germs of deadlocks and breakdown as not only being based on intolerable safeguards but also on some other principles which are calculated to beget distrust

and conflict. The renewed lease given to communal representation, the excess of weightage given to the representation of Indian States in the Legislative Organs at the Centre threaten real dangers of discord which will undoubtedly militate against the efficiency of the scheme of ministerial government. In any case the extreme limitation of powers and resources allotted to the Ministers will always remain a most potent factor to drive the scheme to a complete failure. This point is of vital concern to the country and I would refer to some of its implications.

As I have said, the financial proposals in the White Paper impose serious restrictions upon the future responsible Finance Minister and the Legislature and constitute severe and effective curtailment of their powers. The Governor-General has been invested with full and complete powers for the administration of what are called "the Reserved Departments" on his sole responsibility. Evidently these powers imply that the Governor-General will exercise them in responsibility to His Majesty's Government and the Parliament and will decide what sums of money the military department should have, and the Finance Minister's duty would merely consist in finding them and the Legislature will not even be required to vote on them. Besides, there are subjects which are considered to be matters of the Governor General's "Special Responsibility" and the financial proposals made in regard to their discharge are not subject to the vote of the Legislature. There are again proposals for the appropriation of revenues relating to certain other heads of expenditure which will not be submitted to the vote of either chamber of the Legislature, but will merely be open to discussion. Not even these exhaust the list of powers that are proposed to be taken out of the control of the Indian Legislature, for it is also provided that if the appropriations made by the Ministers appear insufficient to the Governor-General to discharge his special responsibilities, he can append "additional proposals for appropriation" to the Budget, and whether they relate to voteable or non-voteable heads of expenditure, the Legislature will not be required to vote upon them. And, as if these extraordinary powers are insufficient to maintain the practical supremacy of the Governor-General in matters financial, it has been further proposed that at the time when the appropriations are finally submitted to him for authentication after the legislature has voted, he can, if he thinks it necessary, for the discharge of the special responsibilities, restore

any cut it may have made even in the votable grants. I wonder if any more serious inroads of the Governor-General could be devised to render the powers of the representatives of the people completely ineffective. Indeed the proposals are so drastic and thorough going that as far as the nation's Budget of Expenditure and the tax proposals are concerned, the Minister, who is described as "responsible" is reduced to a mere financial shadow. His will be in a most unenviable position in a scheme of Government in which the Finance Minister will hold his portfolio in responsibility to the Legislature but will have no opportunity to command the support of his colleagues whose political pledges to their respective constituents he would not be able to satisfy, on account of the extreme limitations of his financial resources.

I would now invite your attention to some proposals relating to certain specific subjects.

It is proposed as a condition precedent to the transfer of financial control to a Federal Minister, that a Reserve Bank, free from political influence of legislature must be set up by Indian legislation and shall be in successful working order. The nature of the proposed bank its constitution and functions are not mentioned in the White Paper and are still matters of speculation. The question of the establishment of the Bank has been invested with a new significance which is markedly different from the original conception of the Bank at the first R. T. C. New implications have been discovered since the question was discussed and settled by the first Federal Structure Committee which endorsed the proposals subject only to the condition that it should be started initially with sufficient gold and sterling reserves. But the form in which the proposals have finally emerged out of the third Round Table Conference and has been embodied in the White Paper reveals that it has been hedged in by so many conditions as may easily rouse serious misgivings. The statement in the White Paper that the Bank shall be immune from all 'political influence' sounds ominous as the policy designed to carry it into actual practice may have the effect of virtually keeping the Bank out of 'national influence' as well. However, in view of the uncertainty which has been introduced by the conditions imposed on its establishment, the proposal in the present form as making the Bank a pre-requisite of the inauguration of the Federation must be deemed completely unacceptable and we must also make it clear that no scheme will be acceptable to India unless it contemplates

the constitution of the Bank in such a manner as to suit the currency requirements of the country.

Regarding the establishment of the Statutory Railway Board, I would not say much as you have already adopted a resolution on the subject and its various aspects and implications have been so ably put forward by Mr. Mehta yesterday. I would only refer to the fact that the idea of settling up the Board under a Parliamentary Act can be no other than taking the administration of Railways out of the control of the Indian Authority. The proposal of His Majesty's Government in this regard is too much in tune with the demands made by Western Governments for extra-territorial rights over national railways in Eastern countries to support the presumption.

As regards services there is one significant implication of the proposals which must not escape our notice. It would have been at least well understood if the proposals for protecting the interests of the services by reserving the control to the Secretary of State was designed for the benefit of existing incumbents alone. But it assumes an altogether different meaning if for this reason the Secretary of State reserved to himself the right to dictate the number of men he will send out to India and to specify the posts he would reserve for them. This is, what has been called, a protection with vengeance. Why this fetish of a protection when it is not uncommon to find foreigners excepting holders of services in India without any statutory protection.

Although the vexed question of commercial discrimination has been discussed by either side with considerable animation, you will allow me to make a brief reference to it.

I believe that every nation has the right to discriminate in the furtherance of its own interests, subject, of course, to treaty rights openly negotiated and freely and willingly acknowledged. This right is inherent in nationhood. Its very necessity for the sake of the nation's safety and continued free existence is its greatest justification. Our meaning has been illustrated on so many occasions, that it is not necessary to repeat it here. Although India must have this right, we also realise that in view of the long-standing economic relation between India and England and extensive British interests in this country, its interpretation and application would require great

care and consideration. We have made our intentions so clear on so many occasions, that there cannot be any possibility of misunderstanding them. We have never expressed any desire to expropriate or confiscate the rights or properties of foreigners; but we feel that like all countries whose advancement has not been commensurate with either their economic resources or their industrial possibilities, the right to take every possible step necessary for economic development is our only effective guarantee of progress. Subject to this unquestionable right, we may assure Britain that she will have no cause to apprehend interference with her just interests.

At the same time I realise only too strongly that under the unfortunate circumstances under which we find ourselves today and in view of the strong and, not infrequently, unreasonable and uncompromising feelings that are being roused in England, the disposition to understand and appreciate the Indian point of view is today sadly absent. This is nowhere more clearly evident than in Proposals 122 to 124 of the White Paper. The principle enunciated in these appears to be so fundamentally different from the position taken by the First Conference that it has made the practical approach to a solution of the problem more distant than ever. The claim of British interests in India, for instance, that bounties and subsidies voted out of the Indian tax-payers' money should be available to all foreign firms and individuals engaged in a particular trade or industry at the time of the enactment authorising the bounties or subsidies has never struck me as either reasonable or fair. If such a claim were allowed what chances can there be for the development of India's resources with Indian capital and enterprise?

In this connection it is also noteworthy that the general attitude of the British people towards commercial discrimination appears to have stiffened since the First Conference. Whereas "the principle of equality of treatment" was emphasised then, the Third Conference decided that "the guiding principle should be, one of reciprocity". The term "reciprocity" has an appearance of fairness, but the real test of "reciprocity" is not the mere mutual granting of it between two countries but the amount and extent of the advantages that each one of them is in a position to derive from it. It is clear that England will get a lot and India practically nothing under existing conditions. Reciprocity without equality of advantages derived from it is highly deceptive. Neither is the definition of

reciprocity, "that no British subject domiciled in the United Kingdom and no company registered in the United Kingdom should be subject to any disabilities to which British subjects domiciled in India or companies registered in India are not subject in the United Kingdom", quite acceptable to Indian commercial opinion. In these matters the working of the principle under existing circumstances and the relative strength of the contracting parties are very often of greater consequence than the enunciation of the principle itself. If "reciprocity" as the basis of safeguard is to be accepted in the interest of India it must be defined as follows; that British subjects domiciled in India or companies registered in India may be subject in the United Kingdom to any disabilities that British subjects domiciled in the United Kingdom or companies registered in the United Kingdom may be subject to in India. Any other formula as the basis of reciprocity would be but high-sounding terms signifying nothing.

Even if the theoretical justification of safeguards were admissible when they are wrenched from a weaker nation in violation of its supreme rights they run the danger of becoming valueless and defeating their very purpose. To be permanent and effective they must be freely acknowledged by both sides. Paper "safeguards" lead only to trouble, and those that are forced upon an unwilling nation will never endure. If Britain will only look round the world she will realise of what little use paper "safeguards" are against the united voice of even weak but determined nations, when such "safeguards" have been poisoned at the source and have worked to the detriment of a country's well-being and progress.

I hope I have said enough to show how the 'White Paper' proposals are calculated to impose dangerous shackles on the feet of India. But I wonder how these could have been framed by His Majesty's Government even if they were guided by their own interest. I confess that I cannot understand how it can be to the interest of Britain and especially of British trade that His Majesty's Government should do all that is possible to make India politically discontented and economically impotent. Would not rather a liberal and friendly response to the political aspirations of her people create a peaceful and economically prosperous India, such as would have been of great advantage to Britain herself, as her importance and status in international trade and finance are largely dependent on

her relation with India? The truth of this very significant fact appears to me to be of such axiomatic character as not to call for any detailed exposition.

To me it has been a matter of surprise that the Britishers, generally so shrewd and calculating, where their own pocket is affected, have not yet learnt to recognise that this attitude of enlightened self-interest demands the satisfaction without delay or hesitation of the nationwide aspiration in India, for that constitution which will make India great, growing in politics and economics.

The Mont-ford Reforms contemplated progress at the end of ten years. At the end of fifteen years, the hand of the clock is actually being put back. At the time of the Mont-ford Reforms, the intention was that the next instalment would be the final and conclusive instalment of full and complete self-government. And as we rise from a perusal of the White Paper, we cannot avoid the thought that this is a complete instalment of full and effective safeguards.

On the pretext of enquiry and consultation, in the name of manifold Committees and Commissions and Conferences, all that has been done is that the little that India had, has been taken away, and to the much which Britain enjoyed in India, more has been added.

With these words, I place this Resolution before you for your acceptance. (Loud applause).

Mr. Ebrahim G. Currimbhoy (Indian Merchants' Chamber, Bombay) : I beg to second the proposition moved by Mr. Sarker. Mr. President has really sprung on me a surprise in asking me to second this resolution, for which I was myself quite unprepared. Sir, the constitution as embodied in the White Paper is hedged round by so many safeguards that it really shows a lack of confidence in us, and it is very doubtful whether the new constitution will be an advance on the present one. A great deal will depend upon how the powers vested in the Governor-General and the Governors would be exercised. Then the picture is also now far from complete. We do not know yet on what terms the Princes would come into the Federation and how the difficulties in connection with the establishment of the Reserve Bank will be got over. There are other unacceptable features in the White Paper which have been dilated upon by Mr. Sarker and I need not go over them again. One thing I should

like to mention and that is that at the present stage we will be doing very useful work in sending out a small delegation of the Federation to appear before the Joint Select Committee as witnesses. My friend, Mr. Setalvad, this morning promised to second any resolution that I would move on those lines. I do not know whether you would allow me to move any such amendment and whether it would be in order?

President: Mr. V. K. Chetty, Southern India Chamber.

A Delegate: Mr. President, before the speaker begins his speech, may I suggest that written speeches be taken as read?

Mr. K. Santanam: Mr. President, it would, I suggest, be a saving of the time of the House if after the resolution has been moved and seconded any proposed amendments are allowed to be moved so that all the subsequent speakers might be able to speak on them, and that is the usual procedure.

President: So far no amendments have been sent in. If you are suggesting one, will you kindly let me have it? In the meantime, will Mr. Chetty proceed?

Mr. A. D. Shroff: On a point of procedure, I just want to ask, whether it is not the accepted practice of all bodies of this character that an amendment to a proposition can be moved at any stage of the discussion. I fail to understand why you refuse to give a ruling on this question though it has been raised today for the fourth time during the past two days. It is an accepted principle of all deliberative bodies that an amendment can be moved at any stage of the discussion. I want a definite ruling whether you are going to bar the adoption of this practice.

President: Amendments will of course be accepted but I desire Mr. Santanam first to hand me his amendment. Will those gentlemen who propose to move amendments please send them in? In the meantime as soon as Mr. Chetty has finished, I will return the amendments to the gentlemen that propose moving them.

Mr. V. K. Chetty (Southern India Chamber of Commerce, Madras):

Mr. President and Brother Delegates,

I wish to say only a few words in support of this Resolution. When the Montford Reforms were introduced in 1921 it was expected that in another 10 years after a formal inquiry full responsible Government on dominion lines would be established. Since then commissions and committees have sat, a series of conferences were held. Each Report was drawn up so as to water down the proposals of the previous Report, and considering the conditions precedent that have been prescribed in the White Paper, there appears to be no chance of the new constitution coming into its stride at any early date. After each stage in these protracted proceedings the manoeuvres of one and all of the representatives of the British parties have been designed as to how best to clog the wheels of the future constitution. Powers are now to pass from a packed Assembly to a single individual in the person of the Governor or the Governor General, and in order that he may have ample opportunities of exercising his extraordinary powers, a number of periodical break-downs have been devised so as to bring the juggler into play. The services are set up against the responsible Ministers. The Financial Adviser is set up against the responsible Finance Minister. The Railway Board is set up against the Minister of Communications. Whole departments like Foreign affairs, Army and the Church are taken out of the effective purview of the legislature. Some sections of the population are heavily weighted against the others for representation in the legislature. While decrying discrimination at the top of their voice, the British statesmen are going to perpetuate the inequalities of representation of Indian Commerce and Industry as against European commerce and industry. In my province of Madras, the Southern India Chamber of Commerce has 435 members scattered over the whole presidency with a number of affiliated associations and chambers, and yet it is given only one seat in the future Madras Legislative Assembly, while the European Chamber consisting only of 50 members is given two seats, and what is called the Madras Trades Association consisting of 11 shop-keepers in Mount Road is given another seat. It does not lie in the mouth of the British Government to say in the face of such inequalities and preposterous discrimination that Indians are out to browbeat Europeans. Let there be equality between the two sections of commerce and let them not remain perpetually suspicious of and hostile to each other. In the future constitution many more problems will require to be tackled by joint and concerted action and let not the Indian Government Act

of 1934 put them down eternally into opposite camps. Sir, I, therefore heartily support the Resolution.

President: Mr. Santanam, will you please now move your amendment?

Mr. Santanam (Indian Life Assurance Offices Association, Bombay): Sir, there would seem to have been an undue excitement over my proposed amendment and when I read it, I think the flutter in the dovescotes will be found to have been unjustified. The amendment proposed practically adopts the first paragraph of the Resolution, with a slight modification. The resolution will now as I propose run like this:

"The Federation, having carefully scrutinised the proposals for Indian constitutional reforms as embodied in the White Paper is of opinion that the same are not only definitely reactionary and retrograde and fall far short of even the legitimate aspirations of the country but they are in direct breach of the solemn promises of conferring a constitution on India on the lines of the Dominions made on behalf of His Majesty's Government by the British Ministers from time to time."

You will see that I have changed the words 'modest aspirations' into 'legitimate aspirations' and I have cut out the words 'and make the conferment of dominion status recede into a remote future.' Then I propose to omit the second and the third paragraphs of the original Resolution and instead of that I wish to substitute the paragraph which reads as follows:

"This meeting is also strongly of opinion that the proper consideration of the White Paper cannot be obtained under the present circumstances when the freedom of speech and of the Press is generally denied, and the Congress, which is the largest political organization in the country, continues to be suppressed. This meeting therefore believes that no useful purpose will be served by participation in the consideration of the constitutional changes unless and until full political liberty is restored to every section of the population and measures are taken to ensure co-operation and that any attempt to thrust on the country a constitution which may be unacceptable to its people will, instead of allaying the present discontent, intensify it still further and will make the constitution, whatever it may be, altogether unworkable."

Mr. B. Das : Sir, may I rise to a point of order? The portion in which he alludes to our participating does not arise. The original Resolution covers our views on the White Paper and the amendment suggests that nobody should participate. Whom are we asking to participate?

Mr. Santanam : After I have explained my position probably Mr. Das will be in a position to raise his point of order better later on. In the thing that I read I have in the second clause after the words "freedom of speech" added the words "freedom of press."

President : Let us see if there are any more amendments. In the meantime I will have some copies of this typed so that the delegates will be able to follow your speech better. In the meantime if there are any other amendments they can be put in and read.

Mr. Ebrahim G. Currimbhoy has tabled the following rider to be added to the original resolution :

"And so the Federation proposes to send its delegates to participate in the deliberations of the Joint Select Committee with a view to getting it altered suitably to the Indians' aspirations."

Sardar Bahadur Sardar Sobha Singh has submitted the following to be added to the original resolution :

"The Federation decide to send a small delegation to appear as witnesses before the Joint Select Committee and to do necessary propaganda in Great Britain in the interest of the commercial community."

Lala Padampat Singhania has submitted that the following be added at the end :

"And this Federation is of opinion that individuals should have freedom to take steps to get the proposed constitution suitably amended."

(The House adjourned the discussion for some time to allow copies of all the amendments to be made for the use of the delegates.)

Mr. A. R. Siddiqi : May I know, Sir, if this House is in session? Is that the Executive Committee sitting there? I feel that we are being unfairly treated and I appeal to you to protect

out rights : we cannot be treated as if we were mere straw here : we have come at the expenditure of time as well as of money and I do resent this sort of treatment of the members of the House.

President : I am sorry that instead of five minutes that I thought we would take in discussing and trying to arrive at a solution if possible it has taken somewhat more : and I am afraid it might take a little more, but it is worth it.

It is a very important point affecting the future constitution of India. It does require fuller consideration in order to meet all view points. A number of amendments have come in so far, and therefore the time spent on trying to meet as many view points as possible and at the same time without showing any differences or weakness will be well spent. If, however, you think that in the meantime when these group talks are going on we might proceed with the other resolutions which are much less controversial, we might do it ; I have no objection. Pending further group discussions, let us take Resolution No. 15 relating to the World Economic Conference.

Mr. B. Das : May I suggest that the Chair should kindly ask if there are any amendments to this Resolution also ?

President : Are there any amendments to the Resolution relating to the World Economic Conference ? We are deferring consideration of Resolution No. 4 on the White Paper to allow more time for further group discussions. In the meantime we will take up Resolution No. 15 relating to the World Economic Conference.

WORLD ECONOMIC CONFERENCE.

“(a) This Federation is of opinion that India should be represented at the World Economic Conference only by Indians enjoying the confidence of the Indian commercial community.

(b) This Federation urges that on behalf of India the point that should be stressed at the said Conference is that in order to rehabilitate the buying power and economic strength of the masses it is necessary

- (i) to take immediate steps for increasing the prices of commodities in general and specially of agricultural products within the country;

(ii) that the Currency and Exchange policy of India should be regulated with the above end in view;

(iii) that India should have the fullest liberty to become self-subsistent as regards all articles needed for the consumption of the masses and to develop all industries that can be developed in the conditions of India and thereby solve the problem of unemployment and under-employment in the country.

(c) The Federation is emphatically of opinion that in determining any scheme regarding organisation and production, the said Conference should not treat countries backward in economic development on a par with the more advanced ones and should not recommend indiscriminately the same kind of restrictions on all countries generally but leave special scope for the development of the less advanced countries, particularly of those like India whose industrial organisations are not dependent on external markets."

Mr. D. P. Khaitan (Indian Chamber of Commerce, Calcutta) in moving Resolution No. 15 said:—

Sir, I beg to move the 15th Resolution on the Agenda. As it has been circulated, it is not necessary for me to read it over again. As you all know, gentlemen, for some time past a proposal has been mooted and accepted by several countries in the world that a world economic conference should be called for the purpose of solving the difficulties that have overcome the world and have resulted in the trade depression which exists in the universe. For that purpose, as I have no doubt you are further aware, a set of experts were asked to sit down and prepare an annotated agenda for the World Economic Conference. That annotated agenda is now available to everybody, and I hope that several Members of this House have carefully gone through the same. This is not the first time that a World Economic Conference is going to be called for the purpose of solving the many difficulties that exist. Previous conferences, as you all know, have met and passed resolutions, but with little effect for the better on the condition of the world, and it is quite possible that, although much advertisement has been made in regard to the next World Economic conference and much hopes have been built up in the minds of the people in various countries that as a result of the next

conference more prosperous conditions will come into existence, it is quite possible that the result of the next world economic conference may follow the fate of the previous sister conferences. In order to consider the proposals that have been put forward by the body of experts that prepared the annotated agenda, it is desirable that we should visualise to ourselves for a short time the circumstances that exist in the world and also the interest of India in regard to the vital questions that will come up for consideration. During the war many of the highly industrialised countries could not go on producing the goods that they were accustomed to produce for export to various countries and on which their economic prosperity depended.

As a result thereof, and on account of the famine of goods that prevailed many countries were encouraged to set up new industries for the purpose not only of supplying their own requirements but also of other countries that did not set up similar industries. After the war many countries who had money to spare, lent money to those other countries and further encouraged them to establish new industries. When, however, the war came to an end and the belligerent countries tried to re-adjust themselves to their former conditions, they also began to produce goods as a result of which price depression became the order of the day in the world. As a result again of the fall in prices, currencies began to be deflated in almost all countries and debtor countries being unable to pay off their debts began to export gold to a few select countries. The result now is that those highly industrialised countries, those countries which were highly industrialised before the war, find it extremely difficult to export their goods to their previous markets, and the newly industrialised countries on account of the depression that prevails are not able to make both ends meet and find it very difficult to carry on their newly started industries. While all this is going on, unemployment goes on increasing, and as unemployment goes on increasing, consumption goes on further decreasing till we have reached a state of condition that while goods go on rotting in one part of the country, other people go on starving and remaining naked in other parts of the countries or other countries of the world. A solution has therefore to be found whereby this difficulty may cease to exist. But where we look at the annotated agenda, we find that the experts have made as their thesis a doctrine which is to be found at page 6 of that annotated agenda. It says:—"Free international co-operation has given place to complex and harassing

regulations designed to safeguard national interests. If a full and durable recovery is to be effected, these prevailing conflicts of nationalism must be dissolved." It is this passage in the draft annotated agenda which has been made the thesis of the suggestions that the experts have put forward before the world for consideration at the next world economic conference. Gentlemen, you are all aware as to what happened at the previous world economic conference. What happened? Representatives went from different countries to that conference with a mandate from each country that they should see to it that other countries bought her goods. It is in this spirit that the delegates went to the conference, ate perhaps lunches and dinners and embraced each other and thought that a chemical combination of the various delegates had resulted, and there they all expressed the opinion that trade barriers should be removed, exchange restrictions ought to be removed and every possible step should be taken so that every other country should stop manufacturing goods and should take the goods of the country whose delegates were advocating such a policy. It was not, however, a chemical combination but only a mechanical mixture. And when the magnet at home re-attracted those delegates back to their respective countries what they found was that, so far as the individual country was concerned, it was very necessary that the trade barriers should not only be continued but they should be further increased in order that her industries should not go to rack and ruin, but should further extend so that each country may so far as possible be not only self-subsistent but be able to export goods to other countries, and I feel that the same fate is going to attend the next session of the world economic conference if a similar attitude is going to be taken up by the delegates that go there. In such circumstances it is very necessary to see that Indian interests are not sacrificed to the interest of any other country. I say this especially in view of the fact that India has not yet got freedom to work out her own salvation but is still in the political grips of another country. If you want to have any idea as to how the interests of India are going to be looked after it will be sufficient for me to draw your attention to the fact that in the body of experts Sir Cecil Kisch, Financial Adviser to the India Office, London, represented India. You can easily imagine therefore that unless we see to it that the interests of India shall be looked after at the next sessions of the World Economic Conference by Indians who will try to protect the interests of India and not even indirectly be affected by considerations of the good or the interests

of other countries, we shall probably find that India will be made a cat's paw as happened in the case of the Ottawa agreement. You have seen, gentlemen, how in the case of the Ottawa agreement the whole opinion, political and commercial, was absolutely united on this that the Ottawa Agreement was not only not beneficial to the interests of the country but was highly deleterious to our interests and still the Government managed to get the Ottawa Bill passed through the Assembly. We cannot therefore rest on the fact that after the Resolutions of the World Economic Conference are passed, we shall see that unless those Resolutions are beneficial for us they are not accepted by our legislature and are not adopted with reference to India. It is necessary that we should be watchful from the very beginning and it is therefore that in the first part of the Resolution we want to convey that the interests of India should be looked after only by Indians enjoying the confidence of the Indian commercial community. Then it becomes necessary to state what it is necessary to urge on behalf of India because the World Economic Conference cannot but take into account the circumstances prevailing in each individual country. The Conference is nothing unless it does take into account the stern facts that affect each individual country. If it simply goes into theory and forgets the stern facts that prevail, the decisions of the World Economic Conference cannot be beneficial to the world as a whole which is essentially composed of various units. When we look at the condition of India, we find that our chief defect is that prices of agricultural commodities have so far fallen that agriculturists are not only not able to pay the rent to the zamindars or the interest to the mahajans but have got to sell gold and silver in order to buy the few necessities with which Indians are in the habit of maintaining their life. In such circumstances it is absolutely necessary to see that the prices of agricultural commodities should be raised without any further delay and in fact the price of commodities in general should rise in order that India may be placed on the road to prosperity. The best way in which it can be done is to shape our currency and exchange policy in such a manner that the internal prices may rise. In fact the attention of the Government should be directed more towards the internal conditions of the country rather than towards the stabilisation of the exchange. Exchange should be made to serve the interests of the country. The country should not be made to serve the exchange. What has happened in fact is that India being under the political domination of England we have been forced to protect the exchange rather than

to protect the internal conditions of our country and therefore this Resolution recommends that the currency and exchange policy of India should be regulated with a view that internal prices should rise. Furthermore in order that the problem of unemployment and under-employment may be solved, it is necessary that India should be allowed to industrialise itself. Nothing should be done at the World Economic Conference by which the right of India to further industrialise herself so as to become self-subsistent as regards all articles needed for the consumption of the masses, and so that India may have the fullest opportunity and liberty to develop all industries that can be developed in the conditions of India may be jeopardised. I do not think that there can be the slightest controversy over this question and I hope you will all agree with me that these conditions should be made a mandate for anybody who represents our country at the World Economic Conference. Lastly this Resolution recommends to you that the Economic Conference should not again make the mistake of treating all countries on the same level. There are countries in different degrees of development, countries which require different kinds of treatment. It is necessary that the highly industrialised countries should remember that other countries which have now made up their mind to industrialise themselves will not continue to buy manufactured goods from them. It is necessary that they should so adjust their production so that they cater more for the needs of their own country rather than rely on other countries buying their manufactured goods and therefore it is fundamentally important that the World Economic Conference should bear in mind the differences that prevail in the different countries especially between highly industrialised countries and the newly industrialised countries and especially in the case of countries like India whose industrial organisations are not dependent on external markets. I hope gentlemen that you will accord this Resolution your unqualified support.

Mr. H. P. Bagaria (East India Jute Association, Calcutta): Our country unfortunately is in such a position, that we get in a full measure, sometimes even, in an exaggerated measure all the evil influences on world economics but we do not get even to the slightest extent any favourable influence. During the War there was a magnificent opportunity before this country of developing its industries and placing its economic position on a sound footing. The United States and Japan took the fullest advantage of the situation that was created by the War and instead of being debtor countries

they have transformed themselves into creditor countries by taking suitable action. Here in India we accumulated tremendous balances in London. By the action of the Government of India these balances were frittered away and India did not get any advantage from that position. Even recently when England went off the gold standard, this country has been made to take a course which was exactly opposite to what England took to protect its interest. When England fixed a limit to the maximum point to which sterling could go, India fixed a limit to the lower point of exchange but put no limit to the upper point of exchange. England tried to preserve its gold balances. America recently tried to do it but we are being told by our Finance Member that it is not in the interest of India to tamper with the exports of gold. I am very doubtful whether any good will result from this World Economic Conference. Now, as regards the question of raising prices, I feel that it is useless to expect anything from the present Government. The worst of having a foreign government is that they are like soulless machines. Their bodies are here and their souls are five thousand miles away and they are always thinking of the days when they will retire from this country and spend their days in peace in their native land. About three years back, we called a conference at the Bengal National Chamber of Commerce to consider the question of relieving the distress among the jute cultivators of Bengal. The Finance Member of the Bengal Government who was smoking a costly cigar costing perhaps two rupees talked glibly and said that so far as he was aware there was no economic distress but there was only scarcity of money. It is useless to expect anything from the present Government. God has endowed Bengal with a magnificent monopoly. Jute is a 100 per cent monopoly of Bengal. It is possible by taking suitable action to raise the price of jute to such a level as will bring a fair return to the cultivator. In spite of our agitation the Government has failed to realise the importance of this commodity and they have done nothing. Therefore I think that while we may pass this Resolution we cannot expect that any good will come out of it. With these words I second the Resolution.

Mr. A. D. Shroff (Indian Merchants' Chamber, Bombay), said: While I entirely endorse everything that has been said by the Mover of this Resolution I may be excused if I strike a discordant note as to the general trend of the Resolution on a question like this. Reading this Resolution what struck me was that this Resolution has

confined itself to what I may call some sectional interests. I expected that a commercial body with the importance of this Federation would bring to bear on this question some very weighty and thoughtful contribution towards the solution of the questions which have been perplexing the different countries of the world. When I heard that the Federation was going to consider the subject of the World Economic Conference I thought there must be some well thought out scheme, some well reasoned plan accepted by the Executive Committee of the Federation which we would be asked as a Federation to place before the world as our contribution towards the solution of this knotty problem. I am rather disappointed. I do not blame the mover of the resolution for that. Many men much greater than all of us here have failed in different parts of the world to find a proper solution of the problem. But what I do feel is this, that in a resolution of this character we could have brought in questions like the revision of the debt question for instance which very closely affect us, a revision of the whole military policy, which has been so vitally affecting the well being of the world, and so on. Questions of this character, if they are well reasoned out and put into proper shape I think would have gone as some contribution on our part towards the solution of this question. I do entirely agree that so far as the interests of India are concerned these interests will be well served on the lines laid down in the resolution, but when you are out to discuss questions of international importance like the World Economic Conference, a question which raises for instance the main issue of the future position and status of silver in the world, I expected that this Federation would say something which would carry some weight in the deliberations that would take place in the World Economic Conference as a well-reasoned contribution from the commercial community of India. I hope my remarks will be taken in the right spirit by the mover of the resolution as well as by the Executive Committee. Sir, I cannot help feeling that all this comes out of the faulty organization of this Federation so that the Executive Committee meets at the eleventh hour and rushes through resolutions of this character without finding the necessary time to put these resolutions into proper shape and form. If the Executive Committee could afford to meet a little earlier than the eleventh hour, I am sure such half-cooked and ill-conceived resolutions would not be placed before us for our consideration.

Mr. Chunilal B. Mehta (Bombay Bullion Exchange, Bombay) :
 Sir, if any country in the world has done the greatest services

towards relieving the present world trade depression, it is India by exporting gold to the extent of 120 crores, and it has been admitted and accepted by the world economists as well as by our Finance Minister, Sir George Schuster. Gentlemen, the World Economic Conference was to meet perhaps last year or before that time, but from time to time it was postponed for one consideration or another because the different delegates of the different countries did not come to certain unanimous opinions. We all know that Great Britain totally refused to come on to the gold standard unless and until the war debt question was settled. On the other hand we also know that America always insisted that before the World Economic Conference, there should be an arrangement that Great Britain should come on to the gold standard and after that the other countries of the world also should come on to the gold standard. There were other questions also such as disarmament, Tariffs & etc. The position of India is entirely awkward and unbearable. We have been tied down by the Ottawa Agreement and we have no free scope to negotiate with the other countries of the world. Our tariff walls are fixed by the British Government according to the Ottawa Agreement on the one hand while Great Britain herself is negotiating with different countries of Europe as well as with other countries of the world such as Denmark, Sweden, Norway, the Argentine for trade agreements: and if I forget not, what might be called the Commerce Member in the British Parliament, Sir Cunliffe Lister, said that they are negotiating with 20 countries to come to a trade agreement for the relief of the trade depression. Sir, on the one hand our own hands are tied down by the Ottawa Agreement, on the other hand, Britain, which has come to an agreement with us over the tariff preferences, is now negotiating trade treaties with other 20 countries to whom it is quite possible that she would give some preferential treatment in exchange for British goods while we would remain without any preference from those countries! At present we all know that the Prime Minister has gone to Washington especially for this purpose. Before his going there we also knew that the British Ambassador had a number of interviews with the Home Secretary in America as well as with President Roosevelt and it seems that they have prepared a certain ground so as to come to an arrangement between themselves, and after having prepared that ground they are now to give the final seal perhaps and that is probably why the Prime Minister is going. We all know that just about two months ago the Prime Minister was to go to America but at that time

it was suddenly dropped. We did not know why it was dropped. Now he is actually going and it is certain that Britain and America among themselves must have come to certain specific arrangements on which they will start negotiations at the World Economic Conference. We all know that it is meeting on the 1st of June. Generally, the fundamentals are always agreed behind the curtain. The main principles are always fixed up and settled beforehand and then people go to the big meetings just to make some big speeches and so on and then they say that the Conference was very successful. We all know that there is now a long line of negotiations between different countries going on. But, alas, in all these negotiations India has no part whatsoever, and, therefore, it is quite possible that the claims of India will be entirely overlooked at the World Economic Conference as they themselves are so much entangled and would like to free themselves from the present position. In these circumstances it is very necessary to bring forward some constructive proposals also. We have said that the purchasing power of the masses should be raised and that the raw commodity prices should be raised. Every country of the world—America, England, Germany—joins in the chorus that the raw commodity prices should be raised. Now gentlemen, at least in India it used to be supposed to be a good time when the prices were cheap so that poor man could buy everything. But now when the prices are very very cheap, we think that the times are very bad. How is that? The reasons are these, that the raw commodity prices have declined tremendously but the prices of manufactured articles have not declined and the labour wages are not declining, and therefore there is all this trouble. If the wages decline along with the decline in commodity prices, then we would not feel so much depression and distress as we feel at present. However, it is certain that in these days wages cannot come down and therefore the prices should be raised. One way to help India is to raise the price of silver. Now I am really sorry that since the last two years the silver resolution has been put in the background by this Federation as by moving the same from the Chair without any speech as if it was of no importance because the Government of India say that silver is the produce of a foreign country and to stimulate the price of silver would be tantamount to sending capital out of India. As 70 per cent of the gold is produced in the British Empire, they are always keen on gold, but because 70 per cent of the silver is produced outside the British Empire, they would not like silver prices to go up. And since the last two years the Federa-

tion itself has put this question in the background. Now if we take a little stock, I would tell you that silver weighing about three billion ounces is in India and an improvement of about 10 per cent or even 5 per cent in the price of silver would enormously increase the purchasing power of the masses. Sir, the Government of India seem to have a definite policy to keep down the silver prices whatever happens to other commodities. They are regularly selling silver and there is no one to tell them that you should not do so. The Hilton Young Commission recommended that silver should be sold and gold should be acquired in its place. There was also the recommendation about the 18 pence ratio ; there was the recommendation about the Reserve Bank ; it was also mentioned by the Hilton Young Commission that all the recommendations were to be taken in toto and not one or two out of them. Now there is no Reserve Bank. The 18 pence gold ratio was fixed, but it does not exist. Silver is being sold, but gold is not being acquired. Yet the Government of India pursues its policy of selling silver. Perhaps it is possible that the Government of India would like to bargain on this question with America at the World Economic Conference because America is much interested in raising the price of silver. The silver mines in Mexico are being financed and worked by Americans. Secondly, America has a big trade with China, which has a silver currency ; and if silver prices are raised America will improve her trade with China. Under these circumstances, America desires to see the silver prices to go up, but the British Government desires that silver prices may not go up. There are two opinions in Britain itself. Sir Robert Horne, once the Chancellor of the Exchequer, Mr. Darling, Director of the Midland Bank and the Economists of many countries are also saying that silver should be raised, but nothing is done. I think we should do something to incorporate the point that something should be done at the World Economic Conference by which silver prices could be improved. With these few words I support the resolution. (Loud Applause).

Mr. Debiprasad Khaitan : Sir, I am grateful to you for having called upon me to speak again in view of the remarks that have been made by my friends, Mr. Shroff and Mr. Mehta. I can assure Mr. Shroff that I take his remarks exactly in the good spirit in which he has put forward the same. He should never have entertained the slightest doubt that I would take his remarks in any other spirit. As regards his suggestion that the Executive Committee should have

more thoroughly considered the subject-matter before it and should have put forward a more comprehensive resolution in order that the resolution of this Federation may be taken as a real contribution towards the solution of the problems that come up before the World Economic Conference, all that I can tell Mr. Shroff is this that as he might have noticed himself no Indian was allowed to take part in the discussions between experts and at which India was represented by no other person than Sir Cecil Kisch. This Federation would certainly always be prepared to make the best contribution it can towards the solution of the world problems. It is not that there are not people in India who would be able to bring to bear upon the problem a very intelligent view of things. But as matters stand at present the Federation of Indian Chambers was never taken into confidence either by our Government or by the authority that set up this body of experts. In these circumstances it was not possible for us to bring intelligent light to bear upon the problem in so far as the draft annotated agenda is concerned. Now if we tread upon the grounds upon which the accredited representatives of the European countries and also of the United States of America met in conclave and prepared this annotated agenda, they might well say to us, "You look after your own affairs and we look after ours and you need not poke your nose into our affairs". They might well say to us, "We understand our affairs best and if you have alternative propositions to bring forward to us you better save us the trouble." We do not want to meet any opposition of that kind. It is best that we look after our own interests. India in fact contains within its borders one-fifth of the population of the world and if we can look after our own country, if we can assert ourselves, if we can say that the world economic conference should take into consideration the facts as they exist in India, I have no doubt that the discussions of the World Economic Conference will be carried on in a proper way. All that the World Economic Conference have been thinking about India is how to make India a better market for the exporting countries of the world, and it is against this menace that we have got to fight to our last breath in order that we may be able to live. I hope therefore that Mr. Shroff will not blame the Committee for being either short-sighted or for not having fully considered the implications of the agenda as it has emanated from the expert body. We know our conditions best and if we can draw the attention of the World Economic Conference to our needs, the minimum that we want, the way in which we want to progress and

that we want no further encroachment within our territory and that India is able to become self-subsistent, I think we shall have rendered very great service not only to our country but even to the world at large. Let us tell the world at large that if they want to improve themselves they will have to take their eyes off India in so far as we can produce the goods for our own requirements.

As regards silver I hope that both Mr. Mehta and Mr. Shroff have read the draft annotated agenda and they will find that the question of silver has been dealt with there. But I may say at once that although what I am going to say may not be the opinion of everybody, I may express my personal opinion, not on behalf of the Executive Committee but on behalf of my own self, that silver is a question which is rather intricate and complicated and not so easy of solution as Mr. Mehta may imagine. I am not one of those who believe that simply by raising the price of silver we can improve the condition of the masses. That condition may have existed about 30 years ago, but during the last 30 years circumstances have certainly changed, and although I am prepared to admit that to a certain extent the condition of the masses may be improved by raising the price of silver, I do not consider that the question of silver is even one per cent as important as the question of the currency and exchange policy by which alone we can raise the price of the agricultural products and raise the price of commodities in general, and by which means alone we can achieve the prosperity of our country. In these circumstances I do not want to play into the hands either of America or into the hands of England for the purpose of soothing America by ourselves putting forward the proposition that it is an essential desideratum for our country to raise the price of silver. We have in regard to our own Government always put forward the view and we have also put forward the view at this session that it is desirable that the price of silver should be increased. But coming to the World Economic Conference, I would much rather use silver as a handle rather than give up the weapon before we cross the threshold of the Conference.

Resolution No. 15 regarding the World Economic Conference was put to the vote and carried unanimously.

President: Before we proceed to the other Resolution, the Honourable Mr. Perisundaram, Minister for Commerce in Ceylon would like to say a few words in reply to the welcome that I gave

him on behalf of you, gentlemen, for attending our deliberations here.

Hon'ble Mr. Perisundaram : Mr. President and Gentlemen, I must thank you very sincerely for the very cordial welcome you had extended to me to be present at this session of the Conference, and I need not assure you that I accepted the invitation with the greatest keenness not only to give me the pleasure of being personally acquainted with each and every one of you, but also to emphasise to you the necessity for continued trade relationship between the two countries India and Ceylon. The ties that bind Ceylon and India go back to the very dawn of times and I can say that the first king of Ceylon, Vijaya, the founder of the Singalese race was a prince from Bengal, and during the two thousand year old dynasty Singalese kings frequently went to India for their brides. As a matter of fact, so far as recorded history goes, in 247 B.C. King Devanampiya Tissa at his coronation received very many treasures, of which some are supposed to have miraculously appeared because of his very good nature and that those treasures were sent by Devanampiya Tissa to Asoka the great Emperor for the great love and esteem he had for him and the genuine ties of friendship that bound them. The Emperor Asoka in return sent a mission to Ceylon, sending his son Mahinda who converted the Ceylonese king to the Buddhist faith. Subsequently the sister of the Emperor Asoka, Sangamitta, carried a branch of the sacred Bo tree under which the Lord Buddha attained enlightenment, and that was planted as a memorial to the establishment of Buddhism in Ceylon. Since then there had been continuous relationship and it was no question of tribute from Ceylon to India because of any dependent position she held or of any liegedom or vassalship which Ceylon had towards India, no king from India having conquered at any time the whole of Ceylon. The two countries had their own independent history. But on the other hand their affinities were very great, historically, ethnologically, culturally, religiously, socially and commercially. And if I might keep you a minute more I might say that as an indication of the good will that existed between the two countries, strengthened perhaps by the fact that the Singalese kings and Indian Kings sent mission to each other, from time to time, the mission on which I have come is not out of place ; though I do not like to compare this mission in point of importance with the missions in those times. Though the ties between the two countries had been

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most times cordial and at some times more conflicting because there had been wars between the two countries also, I have come here not in the spirit of waging a warfare with the commercial magnates of this country or the commercial interests of this country. I have come in the spirit in which King Asoka sent the hand of fellowship and his religion to Lanka and in a simpler way to say that the relationship which existed for the last two thousand years and more between the two countries must be continued further, and that whatever understanding or misunderstanding there had been ought to be cleared up, so that in our future relationship we may be able to have more cordial exchanges of friendship and strengthen more the ties that existed in the past for their continuance in future. But I may say that I have not come here to propose any Resolution. There are several Resolutions which you have put before this House and which I have listened to with deep interest, and if there is no Resolution on the agenda of this meeting that there should be increased and more strengthened trade relationship between India and Ceylon, perhaps the absence of that fact is due to my being here personally. Probably I am a silent Resolution myself standing before you for expression. You would give me a little indulgence if I might just touch upon the commercial importance between the two countries. Trade connections between Ceylon and India, though they have been long-standing, have always assumed great importance probably on account of the dependence of Ceylon on India for the supply of the food-stuffs required by her population. One of the Resolutions which you had before and which I do not find in the agenda was that you complained most bitterly against the adverse balance of trade of this country. But I might assure you that so far as India and Ceylon are concerned you have a very favourable balance of trade. Your annual export to Ceylon in 1932 was 80 millions of rupees but the import of India from Ceylon was in 1931 only about 8 millions. And last year we increased this export to you to 15 millions. But my fear is that owing to certain representations from certain quarters that trade is going to be lost to us. I want you to visualise the situation, when you have an export trade with Ceylon amounting to 80 million rupees and when our export trade with you does not run up to over Rs. 15 millions, whether you should not think that the very large and favourable balance of trade you have in Ceylon is a preference by itself that Ceylon has accorded to you. It does not stand at that ; it is something more. India holds the first place in our imports and any other country comes only behind. I

say, gentlemen, that is a natural advantage which you have and which Ceylon has granted to you. I may say that being your neighbour and at your very threshold, standing at the end and the southernmost part of India, though Ceylon is a small place we have given you preference and received you as our foremost customer in our trade connections. If that is so, when our trade figures with you so far as our exports are concerned, do not exceed more than 15 millions, is it right that by high tariff barriers and by high import duties you should exclude our trade, or rather retard our trade. That is the position which I want you to clearly understand. Our principal produce is really coconut produce. We have one million acres of coconut cultivation in the island. India imports I think about 18 million rupees worth of coconut produce from outside in which Ceylon's share is only 10 millions. All that we say is that we want a fair and a favourable market in India for our principal products for the simple reason that Ceylon is importing from India your rice worth 44 million rupees as against our export of coconut produce of 10 millions rupees to India. We are importing from India rice 44 million rupees worth a year, Dried fish about Rs. 6 millions : and besides onions, potatoes and other vegetables which are included under vegetables on which there are hardly any or no import duties—about Rs. 2,000,000. Textiles is another important commodity which India imports into Ceylon. As a matter of fact in spite of the depression the Indian trade with Ceylon in textiles has not decreased very much : the fall has been very slight—from 12,214,000 yards to 11,168,000 yards. But I must say that the Japanese have increased their trade in spite of the depression ; they have increased from 24 million yards to 40 million yards last year or an increase of 24 million yards. So if you have proper understanding with Ceylon, you can not only maintain your trade but increase it and capture the market which Japan is now catering for. Therefore I hold out that possibility to you that without losing your trade you will be able to improve and strengthen the trade on proper understanding if you show sufficient good-will towards establishing our trade with you. All that we are interested in is coconut produce. That is the only produce and that represents 10 million rupees worth in your Ceylon imports of 15 million rupees as against the Rs. 80 millions worth which we import from India. An argument has been used the force of which I cannot see, that Ceylon has been importing into India a lot of coconut produce and is killing the interests of the producer here. I must remove that misapprehension taking

advantage of the opportunity you have given me. It has been said that India at one time used to export a large amount of cocoanut produce other than that required for her own internal consumption and that export has now fallen and therefore the inference has been wrongly drawn that Ceylon has not only captured your overseas markets but also has been dumping into India. The reason is not that. The reason is that India's consumption of vegetable oils has increased considerably: India is a potential consumer of vegetable oils. As a matter of fact we have one million acres of cocoanut while in India the area is 1,300,000 acres. If the Indian people have not taken kindly to animal fats or other oils, if India prefers cocoanut oil it is because of its purity and quality; and if the taste for cocoanut oil has increased, then India can consume not only the produce of 2 million acres, the combined production of India and Ceylon but of another 8 million acres of cocoanut produce. Therefore it is not competition at all. Our attitude in our expansion of trade is not competitive but supplementary. Take tea for instance. Both India and Ceylon are producing tea. In India there is a cess levied for propaganda purposes in the world market and in Ceylon we have imposed the same. Therefore though tea is produced on a large scale the tendency is to increase the consumption of that particular article by creating a generation which will use it more and more. In spite of the depression, in spite of low prices we are trying to extend the market in tea. That should be the idea towards cocoanut also. Instead of merely making the producer idle by telling him he can have a good price for his produce by a high tariff valuation on imported cocoanuts and high duties, I say they must extend their markets to the north. Travancore and Cochin and the Mysore coast do produce a lot but their aim should be to extend the market more and more. Therefore we have come not in a spirit of competition but in a spirit of supplementing and encouraging the people to consume more and more cocoanut produce. We cannot look with blinkers only at one aspect of the question. The imposition of 25 per cent duty on cocoanut oil and 30 per cent on other produce is not the *quid pro quo* for the very large opportunity which we are giving to you and the large amount of trade you have with us. The reduction of this duty will be to our liking rather than your saying that we will put a high duty and then give preference. That policy of preference can be considered on its merits. But the present duties are prohibitive and they retard the opportunity for extending our principal industry. Again, the cocoanut producer is not the only

man whom you must consider. I am speaking not as a minister of Ceylon but as an Indian. Are you going to give consideration only to the interest of a few cocoanut producers? We are importing 44 million rupees worth of rice from India. If our commodity prices are low and produce is also on a very low level, the circulation of money is very much limited: and we cannot then consume all this rice. All these vegetables and coriander and curry stuffs and all that which we are importing now on a large scale, we cannot afford to import. So it is not the producer of cocoanut alone that should count. I want to emphasise another aspect of the question. It is always said in Ceylon that the Indian is having a powerful position in Ceylon. The import trade of India is in the hands of Indian merchants in Ceylon: the amount of money which he makes comes back into this country for circulation: and therefore if you kill our major industry that trade is bound to suffer. Take again the case of the Scindia Steam Navigation Co. which is trading with us. If you are not going to export our copra and cocoanut produce and bring us rice and other things, I do not know what blessing your Chairman can give in respect of our attitude. In every aspect I say that India has much to gain.

There is another aspect which I shall emphasise in the interest of my constituents the bulk of whom are Indians and on whose franchise I have come. Ceylon employs the largest Indian population outside India and they form 8 lakhs or $\frac{1}{4}$ th of the total population of the island. In the boat on which I was coming to India from Talaimannar, there were 342 Indians who were being repatriated free at the expense of the State because we have no employment for them. I ask you if the policy you are going to create should not be in the interests of these people. Increase of trade with us means more prosperity: and more prosperity means that the Ceylonese will be engaged in cocoanut plantations and keep on Indian labour in the other plantations: but if the major industry is affected then he will have to replace this labour, this large surplus labour which India is not able to maintain herself. The presence of those labourers in Ceylon brings a lot of liquid cash into India and also money in the shape of income-tax from traders to your coffers. Therefore any reduction in the cocoanut duties should not be considered merely from the point of view of a protective duty, because as I said we are not competitive but supplementary. From the point of revenue also you should consider this. After all we

are exporting only 10 million rupees worth of cocoanut produce and if you put 25 per cent. duty on it, what will be the amount which you will lose if you reduce it. It will be a mere bagatelle compared to the whole scheme. As Sir Purshotamdas Thakurdas said yesterday by restoring the salary cut, there was a loss of 55 lakhs. Therefore if you reduce the duty on this Rs. 18 million worth of cocoanut produce you import, it will be a mere bagatelle.

I would like therefore to stress the view that when you have a very favourable balance of trade with us, your attitude in this particular case ought not to be of raising a high tariff-wall in order to protect one kind of industry or say that you will give us preference. In Ceylon the duties are very low: we have no protective duty at all because we are not an industrial country. Our duties do not exceed more than 15 per cent. and as I said, on vegetables and such like that come from India there is no duty and if at all only a very small duty. Therefore, by low duties we are giving you a natural preference: by being next door to you and with large amount of trade we are giving you also a natural preference; and therefore on this one produce alone—and perhaps in the case of arecanuts also—I say you must take a favourable attitude and not be influenced by propaganda in this country which says that Ceylon is competing unfairly with India.

I thank you, gentlemen, once again for giving me this opportunity of being present here: I value it very much and I hope I will be able to continue to value it by accepting more of your invitations in the future. But it will be very much better if you gentlemen once decide to hold your conference in Ceylon and be our valued guests. I am sure we will extend to you the heartiest welcome when you come there. Our desire is for mutual co-operation for the good of both peoples and I am sure that the misunderstanding which may have arisen will be cleared up by this contact and we shall enter into a new era of prosperity and co-operation. I am particularly glad that this session was held at Delhi and that I was able to come and be present here because when I passed yesterday and saw the ruins and the New Delhi, the following lines came to my mind:

My cities are laid in ruins
 My sceptre is long departed
 And a new lord instead

Give me a bard, said Delhi,
A bard of my things to be,
I am living : I am not dead.

I am sure that Indian commerce and industry and your brains and intelligence and exertions will bring back to India the conditions of old and that living India will regain the trade which she has lost. I wish your Federation all success not only in deliberations but also in your essential relationship with Ceylon, a close connection which we very much look forward to and I hope you will give a right willing hand to establish that trade relationship on a more friendly and firmer footing. I thank you, gentlemen, for the opportunity which you have given me.

President : Immediately after the close of the resolution on the World Economic Conference, we have done some constructive work in connection with Ceylon. I do not know whether it was quite an accident that the Hon. Mr. Sundaram mentioned that Vijaya came from Bengal. I was going to commend to our incoming President to bear this in mind, but this close co-operation between Ceylon and India is very essential.

We now come to Resolution No. 14 on the White Paper. With regard to the amendment proposed by Mr. Santanam, I find there is nothing particularly new in it. Our decision about participation or non-participation in the deliberations about constitutional reforms was taken long ago, and it stands as long as the question has not been raised by any of the member-bodies. I therefore request Mr. Santanam to withdraw his amendment.

Mr. Santanam : Sir, I very highly value your appeal to me to withdraw this, and with a view to save unnecessary discussion and in view of the fact that the policy of the Federation was laid down at a time when I had not the honour to be a member of the Federation or come here as a representative, still stands ; and though the resolution that is framed by the Executive Committee on the White Paper and which is put forward for acceptance to-day, is defective in many respects and probably not very happily worded either, still in order that there may be no lack of harmony, I agree to withdraw my amendment especially as I am given to understand that the other amendments are also going to be withdrawn. I only hope that if any speeches are going to be made on the original Resolution, you will give me a chance to speak also.

President: Gentlemen, I am given to understand that Sardar Bahadur Sardar Sobha Singh and others are going to withdraw their amendments. In view of this, gentlemen, I will place before you Resolution No. 14 as proposed by Mr. Sarker before we adjourn for tea.

The Resolution was carried unanimously.

President: We will now take item No. 3 on the agenda—Revision of the constitution; the alterations and additions as finally decided upon by the Executive Committee are given in Appendix B. If you read the note you will find that these amendments have been submitted and re-submitted for the last two years. The amendments as finally drafted have been before all the Member-bodies. No suggestions have been received, and therefore the only thing that remains for us to do is either to take them all *en masse* or to take them item by item. No amendment on this can be moved, and therefore unless there is any explanation wanted, I do not think there is much use in carrying on a discussion. If you desire, I will put them all in one block, or if it is the sense of the House, I will take each item separately. There is one small printing mistake on page 11 which I shall correct.

Mr. J. J. Kapadia (Native Share and Stock Brokers' Association, Bombay): Sir, I desire to make a few remarks before you decide to put these amendments to the vote of the House. I have considered very carefully the position with regard to our bye-laws, and I find there is considerable danger in placing the amended bye-laws to the vote of the House and getting them sanctioned unanimously. The Executive Committee are empowered to frame from time to time bye-laws. These bye-laws, I find from a provision of the rules, are not submitted every time to the vote of the House. The original bye-laws were framed and it has been provided by the Articles that the new bye-laws whenever they are to be framed are to be brought before the House for confirmation. Our constitution is subject to alteration under Article 26, but the byelaws are not subject to the same power of alteration at the hands of the House. My submission therefore is that once you prepare the byelaws and get them sanctioned, they for all time remain the byelaws, and the House will have no power of alteration so far as the byelaws are concerned. I find in the amended byelaws very important provisions regarding the conduct of our meetings. Take for instance

the byelaws which deal with the power of moving amendments. The byelaws make very comprehensive provision with regard to the moving of amendments, and it has been actually laid down that an amendment will not be allowed except with the permission of the Chair. I consider it is a serious invasion on the rights of those present at this meeting. It is the inherent right of the delegates to move an amendment to a Resolution. I find from the byelaws that while a member would be at liberty to move a Resolution, of which notice has been given and it has been included in the classified list of Resolutions, any delegate who wants to move an amendment to that resolution will not have the right to do so except with the permission of the chair. I consider that is a highly objectionable provision. Take a resolution which has been included in the list of classified Resolutions. Somebody who has suggested that Resolution moves it. Am I to take it that if I want to move an amendment to that Resolution, I cannot do so except with the permission of the Chair? To do that, Sir, would be a serious invasion on the rights of members. It is the inherent right of every representative who is present here to move as many amendments as he likes provided those amendments arise fairly out of the resolution. That is the ordinary accepted rule, but if we were to pass byelaws as they stand, there will be difficulties. If permission is given for the consideration of any resolution or resolutions in this manner, it will be competent for any representative to move such amendments as he desires to make subject to the permission of the Chair. Now, Sir, this should not be subject to the permission of the Chairman. If a representative is allowed liberty to move a particular resolution, although it is not included in the regular agenda, but if it is included in the classified list of resolutions, and if according to that, he moves a particular resolution, then I submit most confidently that it should not be within the power of the Chair to refuse a competent amendment. If an amendment arises out of a resolution which the member moves, it is certainly the inherent right of every representative present here to make a competent amendment.

Then, Sir, let us go to the next byelaw at page 14. The Executive Committee may bring up a fresh resolution, of which previous notice has not been given. Again, here too the moving of an amendment to such a resolution will not be competent unless the Chair agrees to it. That certainly in my opinion is most

monstrous. If the Executive Committee places in the hands of the representatives a resolution, of which the member-bodies had no previous notice, is it any reason why any representative present here who wants to move an amendment should not be allowed to do so, if the amendment is competent. I submit that very wide powers are being conferred upon the Chair, and jealous as I am of the rights and privileges of the House, I should certainly object to such powers being conferred upon the Chair alone. But the point I point I have raised is most fundamental. Byelaws generally cover matters of internal management I can very well understand byelaws being framed by the Executive Committee for the transaction of the business of the committee, but when byelaws go beyond that, then I consider that the bylaws should form part of our rules and regulations so that it will be competent for the representatives or for the member-bodies to have the byelaws altered as they please. As it is, what is the position? The position is, that the byelaws do not form part of our rules and regulations, and the representatives present here or the member-bodies will not be entitled to alter those byelaws if they wish to do so. In other words, the byelaws not being subject to the same power of amendment as our rules and regulations, they will stand for all time to come, unless the Executive Committee for some reason or other chooses to bring them before the general body for alteration or confirmation. That, Sir, is the fundamental issue which I propose to raise. Under the rules, the byelaws are not subject to alteration at the hands of the member-bodies. They are not, I will show you the rules. Rule 24: It is only when the Executive Committee wants to make certain alterations in the byelaws that they are to be submitted to the general body for confirmation. Whereas in the case of our rules it is the inherent right of any member-body to move for an amendment of these rules provided the member-body proceeds in the manner laid down in the rules and in as much as the byelaws do not form part of the rules it may not be competent for any member-body to suggest any alteration in the byelaws, that is to say, the byelaws are taken out of the ordinary power of the House to amend them and I submit that it is a fundamental issue which the Executive Committee ought to consider.

Mr. Ratilal Mulji Gandhi (Seeds Traders Association & Grain Merchants Association, Bombay): It was my desire to propose certain amendments to the resolutions that have been placed on the

agenda and yesterday I was going to pass on to you the suggestions I had a mind to make. I was, however, given to understand by the Secretary that under the present rules and regulations, I would not be allowed by the Chair to move any amendments. If as you have stated you would be placing all these rules and regulations en bloc how would it be possible for the representatives to criticise or offer remarks on the various rules and regulations? There may be differences of opinion or there may be errors, and mistakes may be detected. For example, if you have determined not even to allow to suggest any change and if you will place all these amendments en bloc, the mistakes that I have detected will go uncorrected. I would not raise a point of order and ask for a ruling but would place this proposition before you. If the House agrees to the suggestions I have made, then these suggestions may be incorporated. I think they would be of advantage to the whole House and prove helpful in considering the rules and regulations that we are framing. Therefore putting aside the constitutional aspect of this question, I would simply request you to allow me to put a few suggestions which I want to put before the House. I think a copy of my suggestions is before you.

Mr. Begraj Gupta (Marwari Chamber of Commerce, Bombay) spoke in Hindi.

Mr. A. D. Shroff (Indian Merchants' Chamber, Bombay): I want to make a pretty long speech but before I do that I should like to know under what rule you have ruled that amendments to the proposed rules cannot be accepted by you. If you are relying on rule 26, that is not a safe rule to rely upon. I think I must address you a few preliminary remarks and tell you that rules of any body and particularly a body like this must be a matter of very close scrutiny and vigilance to every one of us. It is a question of the rights of every member-body and the representatives sent by the member-bodies. The difficulties we have been having during the last 48 hours are really the creation of the nebulous, very vague and unspecific rules under which the Federation has been hitherto working. I very strongly object to the procedure under which no amendment can be accepted. The question of protecting the rights of minorities is a question which is practically given statutory recognition in this country and though our Chairman has been year in and year out urging the acceptance of this very commonplace fact, I really cannot reconcile his public attitude on this matter

with his private attitude in regard to this Federation. The Chairman ought to be the guardian and protector of the rights of minorities, particularly when the minorities are small and insignificant. I hope rules will be so framed that we will not be compelled to repeat our performances of yesterday. As a matter of fact, the Chairman is driving the minority desperate because he refuses to give the minority a hearing.

Proceeding to deal with the more serious aspect of this, if you adopt the attitude which you threatened to adopt, I just want the House to consider to what length of absurdity an irresponsible Executive Committee can go. I use these words advisedly. I am going to prove every word of what I say. You can see this in the proposed amendment which stands last to the following effect: "for the election of office bearers only such representatives of the ordinary members shall be entitled to stand for election to the committee as are actively engaged in trade, commerce or industry." Now, I have referred to every possible dictionary. I do not know what the Executive Committee mean by active engagement in trade, commerce or industry. I would ask the House to give an authoritative interpretation as to the proposed rule. I find that our great legislator Mr. B. Das is a member of the Executive Committee and I find that Mr. B. Das will also be a member of the future committee.

Mr. B. Das: I did not ask you for your vote.

Mr. Shroff: I did not suggest that you were canvassing. Now, I shall explain how this can go to the length of absurdity. Mr. H. P. Mody is a brilliant lawyer and President of the Bombay Mill Owners Association. Under this rule he shall be permanently disqualified from being nominated a member of the Executive Committee of this federation which seeks to represent trade, commerce and industry, thereby perhaps implying that the cotton textile industry of Bombay is not an industry. That is not all. You will have to start making distinctions as to what is trade, what is commerce and what is industry. If I am disqualified to-day as an exchange broker, not actively engaged in trade or commerce or industry, I will only have to open a pan shop to convince the Executive Committee that I am qualified for membership. Just carry it a little further. Take building contractors whom I can describe as merely glorified bricklayers. They would be given prominence and precedence over people like Mr. Mody. That is not right. We

have a novel tribe of people in Bombay. Now, take a man who is a professional director of joint stock companies in Bombay. I do not know what pronouncement the Executive Committee will make. Suppose a man is a director of 50 joint stock companies. Will that be considered as sufficient qualification entitling him under the proposed amendment to be a member of the Executive Committee because he is actively engaged in trade, commerce and industry? I should like to have a very authentic interpretation from the Chairman as to what is meant by this active engagement in trade, commerce and industry. There is something very sinister, I am forced to say, in this proposed amendment and according to my usual want, I want to blurt out what I feel about it. Why I ask was the Executive Committee at this stage of its existence driven to think of an amendment of this character? Why, I ask. Does the Executive Committee realize that the various member-bodies affiliated to this Federation do not, in their rules for membership, insist on such an absurd provision? Do they realize, for instance, that in my constituency, the Indian Merchants' Chamber, not only any body who is not actively engaged in trade, commerce and industry but anybody who takes any interest in trade and commerce is entitled to and eligible for membership? If that is the case, the more logical course for the Federation to take is to ask the member-bodies to change their rules for membership, because particular member-bodies cannot be asked to make a distinction as to whether such and such a person according to the interpretation put by the Executive Committee is actively engaged in trade, commerce and industry. I guarantee that if five or six bodies make up their mind, they will reduce this Federation to an absurd fiasco next year by appointing panwallas and biriwallas as representatives of these bodies who will be nominated to work on the Executive Committees of the Central body representing Indian commercial interests. Well, this amendment shows, Mr. President, the absolute necessity of your accepting amendments to the proposed amendments so that the House may be given a full opportunity of voicing its views regarding the enactment of the future rules which will so vitally affect the rights of everybody connected with this Federation.

I would now draw attention to another rule. "The immediate outgoing President shall be an ex-officio member of the Committee and shall not offer for election for that year." My observation should not be taken to have any personal reference at all. I am

sure Mr. Walchand is influential enough at any time of the history of the Federation to get elected to the Committee. I mean no reflection but what I say is this that in these democratic times, when you want everybody to justify his position in life, when you want every member of the Executive Committee to have won the confidence of the body whose representative he poses himself to be, I cannot understand this proposed amendment, particularly when the general body may have found that the outgoing President was the one who did not enjoy the confidence of the general body. Is the outgoing President who has ceased to enjoy such confidence to be rewarded by being given a fresh lease of life, and is it in accord with the spirit of the democratic times in which we are living? I submit that rules like this ought to be very closely scrutinised before they come on the statute-book of this Federation. There is another rule to which I would like to draw the attention of the House. After rule 5 something is proposed to be added. We are living in days when we are unfortunately getting used to the idea of safeguards and if in any place, at any time the need for safeguards could be justified, I think the safeguard to be adopted in this rule does not need any justification at all. When you seek to expel any member from this Federation under the conditions described above, at least let us be true to our principles and to our understanding of the word "safeguards" and say definitely that the representatives of a certain minimum number of bodies shall have voted on that resolution. It is a very big and tall order to expel a member-body from the Federation. I do not think action of this character would ever arise because it is more likely to lead to the disruption of this whole Federation, but at a time when we are thinking or contemplating such a possibility at all, let us put an additional safeguard into it so that trouble may not be experienced in future. There is another small thing to which I wish to draw the attention of the House. That is 7 (a). I do not know whether the Executive Committee really considered the implications of what they proposed.

Mr. B. Das : May I ask Mr. Shroff a question ? Will he kindly let us know whether your own Chamber suggested an amendment to these bye-laws ?

Mr. Shroff : If Mr. President will allow me, I will read the whole thing if you and the House will have the patience.

President: I thought Mr. Das's question was, "what has the Indian Merchants' Chamber replied to the Federation in connection with these bye-laws which were circulated to them?"

Mr. Shroff: My point is this, that member-bodies should not be expected to send in criticisms of all this. We are not sent here as puppets; we are sent here to voice the opinions and feelings of our member-bodies. Though we do not carry specific mandates on every particular question discussed here in the Federation, it is left to our common sense to raise such issues and to criticise in such manner as we consider best whatever subjects come up before us. It would be impossible to work, Sir, if the Federation expects that we should function merely as a post office or as puppets and you should receive the criticisms and views and everything from the member-bodies direct. If so, then why not conduct the whole thing by correspondence?

Mr. A. L. Ojha: In connection with what Mr. Shroff said, namely that the representatives do not come here as puppets and so on, I do not think anybody can question that but in connection with a question like this I think this was circulated and the member-bodies were asked to give their opinion. . . .

Mr. Shroff: Mr. Das raised the question of the opinion of the member-bodies. He was referring to the last draft. What you are referring to is the circulation of the proposed amendments some months ago on which the Indian Merchants' Chamber did not fail in its duty to convey its views to the Executive Committee. . . .

A Delegate: Mr. President, though our proposals have not been sent in by the member-bodies and they have given us no clear mandate, when you can propose and reject any of the bye-laws, it is our power here also that if you put in any amendment or bye-law which is not acceptable to this House, we can reject it and that power is there and we can reject the whole of the bye-laws. . . .

At this stage some delegates rose to speak.

President: Let Mr. Shroff now proceed.

Mr. Shroff: I am referring to the following clause as an additional clause 7 (c). It is something very small but I do ask whether it did not strike the Executive Committee as to the implications of this. "Each such representative shall have to pay Rs. 20

as delegate's fees along with his nomination." What is the real implication of this, "along with his nomination"? What I am looking at is the question of actual practice and convenience. There is a lot to be said on the other rules and bye-laws. What I submit is this that if you are agreeable, appoint a small sub-committee. There is no immediate hurry about the change of these rules and I think, come to the general body, with something which is more logical and which makes a better appeal to us.

*Mr. Jagmohandas J. Kapadia (Native Share & Stock Brokers' Association, Bombay): Sir, the point has been made in the discussions here that these bye-laws were submitted to member-bodies and their suggestions were invited. I find from the preamble to Appendix X that when the bye-laws were in the stage of a draft, they were circulated to member-bodies and their suggestions were invited. We do not know what suggestions the 23 member-bodies have made and we do not know whether among those suggestions were the suggestions and objections which my friend, Mr. Shroff, has dealt with. If out of the 23 member-bodies who have made their suggestions, an "X" member-body has suggested that the power to expel a member which is being brought into operation is one which ought not to be brought into operation, is it not fair that an amendment should be allowed on that point? We have not before us the suggestions of the member-bodies. The procedure adopted by the sub-committee is this. A draft is prepared. It is circulated among member-bodies. Twenty-three member-bodies send in their suggestions. The sub-committee considers the suggestions and the Executive Committee, in view of the suggestions made, prepares certain bye-laws and then they submit the bye-laws and alterations to the House for consideration. That being so, I submit that it is the inherent right of the representatives present here to move such amendments as they like to the alterations and the bye-laws and therefore it is not right to say that, we having circulated the bye-laws and alterations and you, not having sent in suggestions thereon, shall not be entitled to move any amendment.

At this stage some delegates rose to speak.

President: We have had five or six gentlemen who have spoken in regard to the point that has been raised. . . .

* Not corrected.

A delegate: In regard to the point that has been raised by you in the beginning and as it has been stated by Mr. Das that these rules and regulations and bye-laws have been circulated to member-bodies, that may be so, but here is the question of the constitution and it is a technical question. Now the representatives may not have been appointed when these bye-laws were circulated to member-bodies. The representatives were appointed and nominated by the various bodies only 8 or 10 or 15 days ago and when the representatives might have received this agenda, they might have tried to study all these things and after a few days they might have detected certain errors and thereafter they can only put forward suggestions before the meeting. So this is a question of the constitution and this is the explanation with regard to a technical point about the circulation of these suggestions and not sending replies to the respective member-bodies.

Mr. H. P. Bagaria: Mr. President, I find I am in the unfortunate position that when these rules were submitted to my Association I did not take the trouble of going through them, but now that I have read them I find there are many objectionable things and I cannot vote for them. Therefore I would suggest that as there is such a difference of opinion on this question and it is a vital question, there is no harm in postponing the consideration of this. In the meantime the member-bodies might submit any suggestions they may have to make. Then they may be considered again.

Mr. R. K. Sidhwa (Karachi Indian Merchants Association): On this issue, Sir, our own Association and also the Indian Merchants' Association have been addressing you for a number of years on the question of amendments being allowed by a member at the annual general meeting. Mr. Shroff has just now raised the issue and Mr. Das has referred to that and another member-body has also raised the issue. I would like to point out that our Association addressed a letter to you on the 23rd December, 1931, on this subject. I would for the information and the benefit of the House read, Mr. Chairman—if you will just remember that this is a very important matter and if you will kindly pay more attention to it—a portion of that letter. What I was stating is this that our Association has already addressed a letter on this matter and I would like to know what is the decision that the Executive Committee

has taken on it. For the benefit of the House I will read that letter. It is dated the 23rd December.

"With regard to rule 11 and bye-law 6 my Committee suggest the following conditions. If a member-body has after receipt of the agenda written to the Federation insisting upon the consideration of a Resolution already sent by the member-body and rejected by those responsible for drawing up the official programme of the business, the same shall be allowed to be considered at the meeting of the Federation after the conclusion of the official business provided one-third of the members present at the Annual Meeting vote in favour of its consideration."

This was the suggestion put by our Association and it was amplified by the following remarks which have been submitted to you, and they are these :

"In connection with the last suggestion my Committee wish to point out that several member-bodies are not represented on the Executive Committee of the Federation who is responsible for the drawing up of the agenda. It is therefore likely that the object and purpose underlying the rejected Resolutions, however important from the point of view of the mover, may be lost sight of by the Executive Committee. My Committee would therefore urge that the right of a member of ventilating a public grievance or of expressing views on a matter concerning the general welfare for the trade should be respected, and with that view it be provided that if a member-body insists on a particular Resolution sent by it which has been rejected for being put on the agenda, such Resolution be taken up in the Annual Meeting if a fair number of the members present are in favour of its consideration."

I should like to know what your committee has done in this matter before I say anything further on this issue.

President : I should like first Sir Purshotamdas to address a few words. We will then revert to the subject if necessary.

Sir Purshotamdas Thakurdas (Indian Merchants' Chamber, Bombay) : Sir in the speeches which have been made on this subject it would appear that there is a feeling in the minds of at least some who addressed the House that the Executive Committee consists of persons,—at any rate the Executive Committee which has put forward these,—of persons who have conspired to take away the liberties of the delegates present at this function. The frankest and perhaps the most straightforward statement was made by Mr. Bagaria when he confessed that his body did not give any attention to this

until perhaps his own attention was drawn to it here. Sir, this matter has been before the Executive Committee of the Federation for two years and a little over. I may tell you that the Executive Committee two years back immediately after an annual session appointed a sub-committee from amongst itself to go into the various amendments which struck them, which may have been indicated, and which they could gather from other members. Those two members of the Executive Committee were Mr. D. P. Khaitan and Mr. Master. I think, Sir, I can say that the sub-committee had very little communication with any of the Presidents of the two years. Mr. Khaitan has vast knowledge of such associations and such institutions and Mr. Master is a person who had taken part in previous years regarding the safeguarding and the vindication of the rights of members-bodies. They prepared their report ; that was sent out to the member-bodies and the member-bodies were asked to express their opinions. Those opinions after they were received from the member-bodies were again gone into by the Executive Committee, perhaps at more meetings than one and certainly for more than two or three hours at each meeting.

Mr. Sidhwa : What was the result ?

Sir Purshotamdas : The result is what is in your hands. After that the Executive Committee prepared the draft. The draft was sent out to the member-bodies with the agenda and the member-bodies were informed that if they had any suggestions to make, any amendments to propose, anything further to say, they might inform the office before a certain day. Now, Sir, as you yourself said, or some one said here in the course of the discussion yesterday, this Federation is a Federation not of individuals but of bodies. The bodies range from the southern-most point to the northernmost point and the east to the west. The requirements, the outlook and the desires of all these bodies coming from various parts of India are not identical ; and whilst it may be that the delegates when they come here, some of them may think alike, if this Federation has to work,—and I am speaking now with the utmost earnestness,—it can only work on the opinions expressed by the member-bodies, and with all due deference I may say that it cannot work on the opinions expressed here by the delegates when their member-bodies are asked to intimate their views in writing beforehand.

Mr. Shroff : Are you referring to the Indian Merchants' Chamber ?

Sir Purshotamdas Thakurdas: Not a bit. I am referring to everybody. I therefore feel that in putting forward these amendments as they have been put forward, members present here should give credit for the fullest bona-fides of the two committees for the past two years that they did not influence these two members, Mr. Khaitan and Mr. Master, in any way whatsoever, that they communicated the results of their labours to the member-bodies as soon as those reports were available, and after having considered what was communicated to the Executive Committee as desired by each member-body, they again exercised their discretion and said, "We will embody this; we may not embody this." The final draft was sent out to the member-bodies again in good time. I have not heard a single remark that the time allowed for it was short. If, however, Sir, there is a feeling that the member-bodies have not given that attention to this matter as some persons present here feel they should have, no one quarrels with them.

Mr. Shroff: May I know when these final rules were sent out to the member-bodies?

President: Will the Secretary please say?

Secretary: The agenda was sent to all the member-bodies as well as to the representatives of the member-bodies on the 25th March 1933 under certificate of posting.

Sir Purshotamdas Thakurdas: Sir, these were sent out in accordance with the requirements of our existing bye-laws. It is quite conceivable that you want longer notice. It is quite conceivable that you do not think that that notice has been adequate for the purpose of giving that consideration to these bye-laws which you require. Then the whole question is, do not consider these today. Let these be considered again by the member-bodies and let them write in again their views as per various amendments which have been submitted to you, Sir, and let us consider after that. But what I feel is that after the labours of our friends Mr. Khaitan and Mr. Master, labours which have been undertaken in the best interests of the Federation as they conceived them,—and I do not know of more respected members of this Federation,—to think that something is atrocious and something is bad, that is something which could not have been meant by the members who made those insinuations. There is no hurry about it. You are dealing with 45 bodies spread over the length and breadth of India. These things must

take time. It has taken two years. You want one year more, by all means have it. It is your property and there is no question of rushing anybody about it, and I have not heard the President say yet that he wants these rules to be considered and passed today. All the President has done is to put the matter on the agenda for your consideration. I therefore very earnestly appeal to members here not to be carried away by any sort of ideas that anybody here either in the Executive Committee or the President or the Vice-President is anxious to take away a single right which anybody may think is the cherished right of a particular body.

One word more and I have done. The President and the Vice-President of today are not to be the President and Vice-President for ever. The members of the Executive Committee of today have no lien on it and can only be there so long as members choose to elect them. Therefore the vindication of the rights of the member-bodies is the anxiety as much of my friends who have spoken as of those who have had the good fortune or the bad fortune to be on the Executive Committee for the past two years. I do therefore feel that if Mr. Bagaria will move that, Sir, you might very usefully take the sense of the House and adjourn further consideration of it on the clear understanding that all that the Executive Committee can do is to write to the various member-bodies and say that this was adjourned in order that their views will be ascertained again, and although, Mr. President, you will not be in the Chair next year, I am sure Mr. Nalini Ranjan Sarker the incoming President will give the fullest weight to all that has been said here.

President: We have dealt with it for a long time. It seems that what the House wants the House will get.

Mr. H. P. Bagaria: I move:

"That the consideration of the question of revising the constitution of the Federation be postponed to the next Annual Meeting."

Mr. Santanam: I have to make a suggestion. You might postpone it with the request that when the member-bodies send suggestions of amendments they may be distributed to all the member-bodies also so that they might consider them. So when these amendments are received they may be circulated and the member-bodies will be in a better position to consider them.

Mr. P. S. Sodhbans : I want to say one thing not as a member of the Executive Committee but as a representative of the Indian Chamber of Commerce, Lahore. These rules were considered by my Committee and they authorised me to move certain amendments only with the idea that amendments are generally moved in the House. Although I said that these rules have been considered by the Executive Committee, they told me distinctly as a representative of the Indian Chamber of Commerce to move the amendment, and so I had to move certain amendments.

The resolution of Mr. Bagaria was carried unanimously.

President : Before going to the next item, No. 4, I ought to mention one small point : the Karachi Indian Merchants' Association had written about a resolution on the Karachi-Bombay broad gauge railway. In the subsequent revision it was dropped. The desire of their representative seems to be that this resolution should be brought to the notice of this House, in view of the latest development that has taken place : there seems to be every chance of that construction being taken in hand by the government. That is the reason why this resolution was not placed on the agenda paper.

Mr. R. K. Sidhva : I would request you to urge the Commerce Member that the further survey of this matter should not be delayed unnecessarily : it has already been fully surveyed and it should be expedited.

President : You would like the Federation office to write?

Mr. R. K. Sidhva : Yes.

President : I now put the item No. 4, adoption of the annual report, to the vote of the House.

Mr. J. J. Kapadia : On a point of information, Sir, I understand this is the report of the proceedings of the Executive Committee : I find an item with regard to 'foreign capital'. May I know whether it was a statement made at the request of the Committee by you or whether it was made by you on your own behalf? If it was made before consulting the Committee I submit it should not go into the report.

President : Statements on important questions like these, it has been the practice to make and subsequently to report them to the Executive Committee where they are confirmed.

Mr. J. J. Kapadia : If it is confirmed I have no objection.

Mr. G. L. Mehta : As regards the report submitted by the representatives of the Federation at the Round Table Conference is it proposed to issue a statement after the Act is enacted by the Parliament?

President : The question was discussed and the minutes circulated to member-bodies. This did not happen during the year 1932, for which year this is the report.

Mr. A. C. Khosla : Has the Federation appointed any representative for countries other than Germany?

President : No.

Mr. A. C. Khosla : Can we not dispense with this representative also when we have not got money?

President : When the time comes for renewal it will be again brought before the Committee. It was agreed last year that this should be renewed for two years more at the discretion of the Committee.

ANNUAL REPORT & STATEMENT OF ACCOUNTS.

"That the Report of the Proceedings of the Executive Committee for the year 1932 and the Statement of Accounts duly audited be adopted."

Carried unanimously.

ELECTION OF OFFICE-BEARERS FOR THE YEAR 1933-34.

President : Item No. 5 : the result of the election is as follows :
The names of the first twelve successful candidates are :

Mr. Walchand Hirachand
Mr. G. D. Birla
Lala Shri Ram
Sir Purshotamdas Thakurdas
Sheth Kasturbhai Lalbhai
Mr. Chunilal B. Mehta
Mr. Amrit Lal Ojha
Mr. B. Das
Mr. Ebrahim G. Currimbhoy

Mr. P. S. Sodhbans
Lala Padampat Singhania
Mr. S. S. Gangla.

The President has been elected uncontested—Mr. Nalini Ranjan Sarker (applause) and the same is the case with the Honorary Treasurers—Messrs. D. P. Khaitan and R. L. Nopany.

Mr. R. K. Sidhwa : I would like to make a statement on a subject making the position of some of us who did not participate in the election yesterday, and I have been authorised. . . .

President : I am sorry I cannot allow a statement to be read on events or whatever that has happened yesterday or any other day in the House. I am sorry I cannot allow it.

Mr. A. D. Shroff : The House is entitled to know the scrutineers' report.

Secretary : The Report of the Scrutineers reads thus :

"On opening the Ballot Box we found 55 voting papers, all in order. The result of the scrutiny is given below in order of the number of votes secured by the candidates.

The names of the first twelve successful candidates are :

1. Mr. Walchand Hirachand ...	...	...	54 votes.
2. Mr. G. D. Birla ...	...	...	53 "
3. Lala Shri Ram ...	...	...	52 "
4. Sir Purshotamdas Thakurdas ...	...	...	52 "
5. Sheth Kasturbhai Lalbhai ...	...	...	48 "
6. Mr. Chunilal B. Mehta ...	...	...	48 "
7. Mr. Amrit Lal Ojha ...	...	...	45 "
8. Mr. B. Das ...	...	...	43 "
9. Mr. Ebrahim G. Currimbhoy ...	...	...	41 "
10. Mr. P. S. Sodhbans ...	...	...	37 "
11. Lala Padampat Singhania ...	...	...	32 "
12. Mr. S. S. Gangla ...	...	...	30 "

ELECTION OF HONY. AUDITORS.

President : It is proposed :

"That Messrs. Roy & Roy, Calcutta, be appointed the Hony. Auditors of the Federation for the year 1933."

Carried unanimously.

VOTE OF THANKS TO THE PRESIDENT.

"That this meeting of the Federation records its warm appreciation of the services rendered to the Federation by its retiring President, Mr. Walchand Hirachand, and for his able administration of the affairs during his period of office."

Mr. N. R. Sarker (Bengal National Chamber of Commerce, Calcutta): On behalf of the Federation it is my pleasant duty to move a vote of thanks to our outgoing President, Mr. Walchand Hirachand for the able manner in which he has piloted the ship of the Federation during the most troublesome year of economic stress and political unsettlement which India has ever seen. I hope the members will bear me out when I say that your stewardship of the Federation, Mr. President, has been marked with great success and your contribution to it is not a small one. You have been one of the founders and promoters of the Federation and you have not spared any pains to serve it and make it successful in every way.

I take this opportunity of expressing my gratefulness to you all for having done me the honour of electing me your President for the coming session. Believe me, these are not conventional or formal words. I am sincerely grateful to you. The Presidentship of the Federation is the highest honour to which an Indian businessman can aspire. And I take it that the honour is not done to me personally but to the province also to which I belong. Gentlemen, while I am thankful to you all for the honour done to me, I am also aware of the heavy responsibility which it will devolve on me as your President. Gentlemen, I am conscious of my limitations, but if sincerity of purpose and single minded devotion to a cause help me to serve well, I can assure you that I shall endeavour my best to serve you well. It is with your help and co-operation that I shall try and discharge the duties that will devolve on me as your President. (Applause).

Lala Padampat Singhania (Indian Sugar Mills Association and Merchants' Chamber of U. P.): I beg to second the Resolution so ably moved by Mr. Sarker.

Mr. A. D. Shroff (Indian Merchants' Chamber, Bombay): I very gladly associate myself with this Resolution, but I must say one word. I think for the better working and for the more harmonious co-operation of all the elements that constitute this great

body, I am bound to suggest that future Presidents will take a lesson out of the proceedings of this Federation and will appreciate that the greatest good of the greatest number is a principle which is as true of this session of this Federation as it is outside this hall. They will also take a lesson that the greatest strength of the Chair in any body lies in the carrying the greatest number of the House with him. If that be the guiding star of the future presidents of the Federation, I am sure this Federation will evolve itself into a great exemplary body, a body which will establish traditions for itself, and which may well be emulated by bodies outside.

Mr. Begraj Gupta supported the Resolution and spoke in Hindi.

Mr. Sarker : The Resolution has been moved, seconded and supported and I request you to pass it will acclamation.

The resolution was passed unanimously with acclamation.

Mr. Walchand Hirachand : I have to thank you, gentlemen, for the kind words in which you have passed this Resolution. It would not have been possible for me but for your wholehearted co-operation to conduct the affairs of the Federation, which is an all-India body, in the way in which I have been able to do.

Now, before we conclude, we have to thank the scrutineers (Mr. J. N. Sen Gupta, Secretary, Bengal National Chamber of Commerce, Calcutta and Mr. A. H. Maru, Actg. Secretary, Indian Merchants' Chamber, Bombay) for the work they have done for us. We have also to thank the Delhi University authorities for allowing us to use these premises for conducting our deliberations.

Before I bring the proceedings to a close, I should like to make a short announcement that the meeting of the new Executive Committee will be held in the next room within five minutes.

The proceedings of the Sixth Annual Session of the Federation then came to a close.

APPENDIX "A"

LIST OF MEMBER-BODIES OF THE FEDERATION OF INDIAN CHAMBERS OF COMMERCE AND INDUSTRY WITH THEIR REPRESENTATIVES.

Names of Members.	Names of Representatives.
1. The Ahmedabad Millowners' Association, Ahmedabad.	1. Sheth Kasturbhai Lalbhai. 2. Sheth Maneklal Mansukhbhai. 3. Sheth Nanddas Haridas. 4. Sheth Thakorelal C. Munshaw.
2. The Baroda Millowners' Association, Baroda.	1. Raj Ratna Sheth Chimanlal' Girdharlal Zaverchand Laxmichand. 2. Sheth Trikamlal Girdharlal. 3. Sheth Shantilal G. Parikh. 4. Sheth Anandlal Hiralal.
3. Bihar & Orissa Chamber of Commerce, Patna.	1. Babu Kedar Nath Goenka. 2. Mr. B. Das, M.L.A. 3. Babu Balkrishna Das. 4. Rao Bahadur D. D. Thacker.
4. Bengal National Chamber of Commerce, Calcutta.	1. Mr. Nalini Ranjan Sarker. 2. Sir Hari Shankar Paul, K.T. 3. Mr. S. C. Majumdar. 4. Mr. P. C. Coomar.
5. Bengal Jute Dealers' Association, Calcutta.	1. 2. 3. 4.
6. Bombay Bullion Exchange, Ltd., Bombay.	1. Mr. Chunilal Bhaichand Mehta. 2. Mr. Laxmandas Harakhchand Daga. 3. 4.

Names of Members.

7. Bombay Shroff Association, Bombay.
8. Burma Indian Chamber of Commerce, Rangoon.
9. Buyers & Shippers Chamber, Karachi.
10. Deccan Merchants' Association, Bombay.
11. Delhi Hindustani Mercantile Association, Delhi.
12. Delhi Factory Owners' Federation, Delhi.
13. East India Jute Association Ltd., Calcutta.
14. Grain Merchants' Association, Bombay.

Names of Representatives.

1. Mr. Kalyandas Bhaidas Shroff.
2. Mr. Mohanlal Ambalal Parikh, B.A.
3. Mr. Kantilal Maganlal Zaveri.
4. Mr. Mangulal Trikamlal.
1. Mr. Ranchhordas H. Gandhi.
- 2.
- 3.
- 4.
1. Mr. Jamshed Nusserwanji.
2. Mr. B. L. Thakore.
3. Mr. Manooobhai Doongarsay.
4. Rao Bahadur Shivrattan Mohotta.
1. Mr. S. V. Lalit.
2. Mr. P. M. Bhagwat, B.A., LL.B.
3. Mr. S. R. Sardesai.
4. Mr. S. S. Gangla.
1. Lala Ram Pershad.
2. Seth Lachmi Narain Gadodia.
3. Mr. A. C. Khosla.
4. Seth Ghansham Dass.
1. Lala Shri Ram.
2. Sardar Bahadur Sardar Sobha Singh.
3. Mr. Raj' Bans Bahadur.
4. Mr. M. G. Bhagat.
1. Mr. Hanumanprasad Bagaria.
2. Mr. P. R. Shrinivas.
3. Mr. C. S. Rangaswami.
- 4.
1. Mr. Ratilal Mulji Gandhi.
2. Mr. Nandlal Kilachand.
3. Mr. Haridas Velji.
4. Mr. Lakhmsey Ghellabhai.

Names of Members.

15. Gwalior Chamber of Commerce, Lashkar, Gwalior.
16. Indian Chamber of Commerce, Calcutta.
17. Indian Chamber of Commerce, Coimbatore.
18. Indian Chamber of Commerce, Lahore.
19. Indian Chamber of Commerce in Great Britain, London.
20. Indian Insurance Companies Association, Bombay.
21. Indian Insurance Institute, Calcutta.
22. Indian Life Assurance Offices' Assn., Bombay.

Names of Representatives.

1. Mr. J. P. Jhala.
2. Lala Ramjidas Vaishya.
- 3.
- 4.
1. Mr. A. L. Ojha.
2. Mr. G. D. Birla.
3. Mr. D. P. Khaitan.
4. Mr. G. L. Mehta.
1. The Hon'ble Mr. R. K. Shanmukham Chetty, M.L.A.
2. Mr. P. S. G. Ganga Naidu.
3. Mr. V. Palaniswami Naidu.
4. Mr. B. A. Padmanabha Iyer.
1. Lala Harkishen Lal, B.A., BAR-AT-LAW.
2. Mr. Sukhdev Lal Tuli.
3. Sardar Gurdial Singh Salariya, BAR-AT-LAW.
4. Lt. Sardar Prem Singh Sodhbans.
1. Mr. Fakirjee Cowasjee.
2. Mr. A. R. Siddiqi.
3. Mr. M. A. Master.
4. Mr. N. M. Muzumdar.
1. Mr. J. C. Setalvad.
2. Mr. K. S. Ramchandra Iyer.
3. Mr. Vijaysiah Govindji.
4. Mr. B. K. Setalvad.
1. Mr. I. B. Sen.
2. Mr. G. Sanyal.
3. Mr. S. C. Roy.
4. Mr. Amalendu Sen.
1. Pandit K. Santanam.
2. Mr. K. C. Desai.
3. Mr. S. B. Cardmaster.
4. Mr. Byramji Hormusji.

Names of Members.	Names of Representatives.
23. Indian Merchants' Association, Chittagong.	1. 2. 3. 4.
24. Indian Merchants' Chamber, Bombay.	1. Sheth Mathurdas Canji Matani. 2. Sir Purshotamdas Thakurdas, Kt. 3. Mr. A. D. Shroff. 4. Mr. Ebrahim G. Currimbhoy.
25. Indian Mercantile Chamber of Ceylon, Colombo.	1. 2. 3. 4.
26. Indian Mining Federation, Calcutta.	1. 2. 3. 4.
27. Indian National Steamship Owners' Association, Bombay.	1. Mr. M. A. Master. 2. Mr. Shariff Hassam. 3. Mr. Abdul Bari Chaudhury. 4. Mr. Jamnadas M. Mehta.
28. Indian Produce Association, Calcutta.	1. Babu Rameshwar Lal Nopany. 2. Babu Shrinivas Poddar. 3. Pandit Sarju Prasad Sharma. 4.
29. Indian Salt Association, Bombay.	1. Mr. Hoosainbhoy A. Lalljee. 2. Mr. Kapilram H. Vakil. 3. Mr. Jamshed N. R. Mehta. 4. Mr. J. F. Kotewal.
30. Indian Sugar Mills Association, Calcutta.	1. Lala Padampat Singhania. 2. Sardar Kripal Singh. 3. Lala D. R. Narang. 4. Lala Jaswantrai Churamani.
31. Indian Tea Planters' Association, Jalpaiguri.	1. Mr. Nalini Ranjan Ghose. 2. 3. 4.

Names of Members.

32. Jute Balers' Association, Calcutta.
33. Karachi Indian Merchants' Association, Karachi.
34. Maharashtra Chamber of Commerce, Bombay.
35. Marwari Association, Calcutta.
36. Marwari Chamber of Commerce, Bombay.
37. Marwari Traders' Association, Calcutta.
38. Mysore Chamber of Commerce, Bangalore.
39. Native Share & Stock Brokers' Association, Bombay.
40. Nattukkottai Chettyars' Association, Rangoon.
41. Seeds Traders' Association, Bombay.

Names of Representatives.

1. Sjt. Harakhray Lodha.
 2. Sjt. Danchaud Chopra.
 3. Sjt. Mohanlal Kathotia.
 4. Sjt. S. G. Bararia.
-
1. Mr. Soonderdas Dharamsey.
 2. Sardar Partapsingh J. Sethi.
 3. R. B. Shivrattan Mohotta.
 4. Mr. R. K. Sidhwa.
-
1. Mr. Waichand Hirachand.
 2. Mr. M. L. Dahanukar.
 3. Mr. G. S. Marathey.
 4. Mr. G. S. Mhaskar.
-
- 1.
 - 2.
 - 3.
 - 4.
-
1. Raja Bahadur Govindlal Pittee.
 2. Syt. Begraj Gupta.
 3. Syt. Keshavdev Nevatia.
 4. Syt. Sagarmal Loyalka.
-
- 1.
 - 2.
 - 3.
 - 4.
-
1. Mr. S. G. Sastry.
 2. Mr. Devarao Shivaram.
 3. Mr. M. V. Subbiah.
 4. Mr. S. L. Mannaji Rao.
-
1. Mr. Jagmohan J. Kapadia.
 - 2.
 - 3.
 - 4.
-
- 1.
 - 2.
 - 3.
 - 4.
-
1. Mr. Ratilal Mulji Gandhi.
 2. Mr. Chhotalal Kilachand.
 3. Mr. Gordhandas Jamnadas.
 4. Mr. Nandlal M. Bhuta.

Names of Members.	Names of Representatives.
42. Sholapur Merchants' Chamber, Sholapur. (Not functioning)	1. 2. 3. 4.
43. Southern India Chamber of Commerce, Madras.	1. Kumararajah M. A. Muthiah Chettiar. 2. Mr. V. K. Chetty. 3. Mr. V. Ramdas Pantulu. 4. Mr. S. M. Choudhri.
44. Southern India Skin and Hide Merchants' Association, Madras.	1. Mr. M. Jamal Mahomed Sahib, M.L.A. 2. Mr. M. Mohamed Ismail. 3. Mr. Mohamed Musthan Sheriff Saib. 4. Rao Saheb T. S. Kachapikesa Mudaliar.
45. Southern India Textile Association, Coimbatore.	1. Mr. B. A. Padmanabha Iyer. 2. Mr. P. S. Sathappa Chettiar. 3. Mr. C. V. Venkataramana Iyengar. 4. Mr. K. N. C. Pattuck.
46. Telikanta Brokers' Association, Calcutta.	1. 2. 3. 4.
47. United Provinces Chamber of Commerce, Cawnpore.	1. L. Rameshwar Prasad Bagla, M.L.A. 2. Mr. I. D. Varshanie. 3. Mr. H. G. Misra. 4. Mr. Girdharjal.
48. Merchants' Chamber of United Provinces, Cawnpore.	1. Lala Padampat Singhania. 2. Mr. Gur Prasad Kapoor. 3. Mr. Ram Ratan Gupta. 4. Mr. Jang Bahadur Mohrotra.
49. Godavari Chamber of Commerce, Coconada.	1. Mr. B'Givinda Rao. 2. Mr. Chittoory Rangiah. 3. Mr. M. R. Pantulu.

Ex-Officio Representatives.

1. Sir Chunilal V. Mehta, K.C.S.I., Bombay.
2. Mr. J. C. Ghose, Jalpaiguri.

APPENDIX "B"

OFFICE-BEARERS FOR THE YEAR 1933-34.

President

Mr. Nalini Ranjan Sarker.

Vice-President

Sheth Kasturbhai Lalbhai.

Members of the Executive Committee

1. Sheth Walchand Hirachand (Maharashtra Chamber of Commerce, Bombay.)
2. Mr. G. D. Birla, (Indian Chamber of Commerce, Calcutta.)
3. Lala Shri Ram, (Delhi Factory Owners Federation, Delhi.)
4. Sir Purshotamdas Thakurdas, Kt., C.I.E., M.B.E., (Indian Merchants' Chamber, Bombay.)
5. Mr. Chunilal B. Mehta, (Bombay Bullion Exchange, Bombay.)
6. Mr. Amrit Lal Ojha, (Indian Chamber of Commerce, Calcutta.)
7. Mr. B. Das, M.L.A. (Behar & Orissa Chamber of Commerce, Patna.)
8. Mr. Ebrahim G. Currimbhoy (Indian Merchants' Chamber, Bombay.)
9. Mr. P. S. Sodhbans, (Indian Chamber of Commerce, Lahore.)
10. Lala Padampat Singhania, (Indian Sugar Mills Association Calcutta, and the Merchants Chamber of United Provinces, Cawnpore.)
11. Mr. S. S. Gangla, (Deccan Merchants' Association, Bombay.)

Hony. Treasurers

1. Mr. D. P. Khaitan, (Indian Chamber of Commerce, Calcutta.)
2. Mr. R. L. Nopany, (Indian Produce Association, Calcutta.)

(165)

Co-opted Members

1. Raj Ratna Sheth Chimanlal Girdharlal, Baroda.
2. Kumar-Raja M. A. Muthiah Chettiar, Madras.
3. Rao Bahadur Shivrattan Mohotta, Karachi.
4. Sheth Mathuradas Vissonjee, Bombay.
5. Mr. A. D. Shroff, Bombay.

Secretary

Mr. D. G. Mulherkar.

Office Address : 20, Strand Road, CALCUTTA.

Telegraphic Address : "Unicomind", Calcutta.

**FEDERATION OF INDIAN CHAMBERS
OF
COMMERCE AND INDUSTRY**



REPORT

**OF THE REPRESENTATIVES OF THE FEDERATION
ON THE ROUND TABLE CONFERENCE**

1932.

**PHOENIX BLDG., BALLARD ESTATE,
BOMBAY.**

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We beg, as representatives of the Federation of Indian Chambers of Commerce and Industry at the second session of the Round Table Conference, to submit our Report.

2. In the terms of the Resolution of the Committee of 16th May, 1930, the Federation decided to withhold its co-operation from the Conference unless it was attended by Mahatma Gandhi or had his approval, and accordingly this Federation did not participate in the work of the first session. It was only after the conclusion of the Gandhi-Irwin pact that it was decided by the Committee at its Meeting of 5th April, 1931, that the Federation should be represented at the Conference and that in the event of their representation being limited to three seats at the Conference, the undersigned should form their nominees for the purpose.

3. At the same meeting the Committee discussed the question of giving their representatives a mandate and decided against that course. While the discretion of the representatives was not fettered in that manner they were desired generally to follow the lead of Mahatma Gandhi at the Conference.

4. The Federation, through its President, pressed for greater representation, but Lord Irwin the then Viceroy thought that no useful purpose could be served by our submitting any further names; and the correspondence closed with the submission of our names and the tacit consent to our nomination conveyed on behalf of His Excellency by his Private Secretary on 14th April, 1931.

5. What transpired between this date and 4th August, 1931 when the personnel of the second session of the Conference was announced remains a mystery. The Government went back upon the understanding arrived at with Lord Irwin and chose to invite Sir Purshotamdas Thakurdas alone as the representative of the Federation. The Committee refused to accept this position. On 6th August, 1931, they sent a telegram to the Private Secretary to His Excellency the Viceroy inviting attention to the previous correspondence on the subject, and in the absence of any reply to this they decided at a meeting held a week later that

“In view of the failure of the Government to nominate all the three persons agreed upon, the Committee have no option but to come to the decision that they must instruct their nominee not to proceed to the Round Table Conference unless the agreed representation is given. If any agreement is arrived at at the R. T. C. in the absence of the representatives of the Federation, such agreement will not be binding on the Indian mercantile community.”

to know more. Mr Birla supplied him with all such information as he asked for. Gandhiji took the earliest opportunity to protest against the manner in which action had been taken over the head of the Legislature. This resulted in the Secretary of State arranging a meeting of a few Indian delegates at the India Office at which Sir Henry Strakosch tried to explain the nature of the crisis and justify the action that had been taken. Gandhiji said he was not convinced that what had been done was the right thing but he would suspend judgment for the present.

14. To this meeting Mr. Birla was not invited, although invitations were not confined to members of the Federal Structure Committee. It may however be mentioned here in passing that Mr. Birla was invited to attend the meetings of the Federal Structure Committee until Sir Purshctamdas Thakurdas got to London with a watching brief only and this, he did not see his way to accept. The discussion was resumed on the 6th October when another meeting took place at the India Office, attended both by Sir Purshotamdas and Mr. Birla. Sir Henry Strakosch was the official spokesman while Mr. Birla put forward the Indian point of view.

15. Sir Henry Strakosch said that India had the choice of three courses, to link the rupee to gold, or, to link it to sterling, or to let the rupee find its own level. The first was ruled out by the same considerations as compelled Great Britain to go off gold—the instability which gold had been exhibiting as a measure of value or the heavy fall in prices which had occurred with all its consequential evils. Now what would happen if the rupee were left to take its own course? In the absence of any policy to keep it stable at any point there would be a wholesale flight from the rupee with the result that exchange would decline to its silver value. This would mean a constant disturbance of budgetary arrangements, the setting up of the “vicious spiral of inflation” and the inevitable ascent of prices. The best course therefore was to link the rupee to sterling. The analogy of England did not apply as she was a creditor country with enormous assets while India was a debtor country with very large obligations in sterling, both on Government and private account. Then again there was the possibility of Great Britain stabilising her currency, after the worst of the crisis was over, in terms of commodities; and other countries including India, finding it to their advantage to hitch their currencies to sterling rather than to gold. While developing his last point, Sir Henry referred to Mr. Birla's pamphlet on “The Present Depression and Monetary Reform” with the first part of which he wholly agreed; and argued that allowing the rupee to find its own level would give us neither a stable exchange nor a stable price-level for which Mr. Birla had pleaded.

16. Mr. Birla began by explaining that the views expressed in the pamphlet were his personal views and that not all who opposed the Govern-

ment's action in linking the rupee to sterling agreed with his suggestion that stability of prices is a better thing than stability of exchange. They were not there to plead for stabilising the price-level but for leaving exchange alone ; and for purposes of the present discussion, the two questions should not be confused, though even from the point of view of the stability of the price-level, which Sir Henry favoured and which of course meant a much higher level than the present, it would be necessary to devalue the rupee or bring exchange down.

17. Coming to the points which Sir Henry had urged in favour of linking the rupee to sterling, Mr. Birla said he entirely agreed we could not keep on to gold as we had practically no gold left in the Reserve. But then it was equally true that we had no sterling left, and their obligation under the law, unless some miracle happened, would subject the authorities to the necessity of doing either of the two things-selling silver in a hopelessly bearish market or of borrowing sterling and thus adding to India's foreign liabilities. Sir Henry was right in saying that India was a debtor country, but that made it all the more desirable for her to increase her productivity and her export-surplus, for which a devaluation of her currency, that is, the raising of the internal price-level was essential. Mr. Birla did not at all share Sir Henry's apprehension that the rupee, if left to itself, would fall as low as its bullion value. There had been so much contraction of currency in recent years that the amount in circulation hardly sufficed for the requirements of trade, so that even half of it came to be tendered for conversion into sterling, the resultant stringency will counteract the tendency of the rupee to fall and exchange could not possibly go below 1/- or 11d. gold. Then again there was the fact that India was able except in abnormal times to maintain a favourable trade balance. Admitting for argument's sake that the real value of the rupee was as low as 6d. or 7d. there could be no justification for maintaining it at the present high level. But the rupee could be saved from inconvertibility only by abandoning the policy which caused a dissipation of such resources as we had and by adopting the one which had the support of an overwhelming mass of Indian public opinion.

18. The discussion was resumed on 16th October at the same place. Sir Purshotamdas had given notice of certain questions which he wanted to raise, one of them being how the India Office decision to link the rupee to sterling could be reconciled with the clear recommendation of the last Currency Committee to the contrary. Sir Henry Strakosch replying said that what the Commission had in mind was the possibility of Britain alone going off gold and that the premises upon which they had advocated the adoption of a gold standard by India had been completely falsified by events,

19. Referring to Mr. Birla's letter published in the 'Manchester Guardian' * he said that there was nothing singular in the fact mentioned by Mr. Birla that whereas the articles which India exports had registered a fall of about 36 per cent, the articles which she imports had registered a fall of only 16 per cent. India's exports consisted mainly of agricultural products and it was as true of the rest of the world as of India that raw products had fallen more heavily than manufactured goods. From this Mr. Birla differed and showed with the help of index numbers from 1924 to 1931 that India had suffered more than any other country.

20. Being questioned by Mr. Birla as to what had actually been done, Sir Henry admitted that the rupee was pegged to sterling only at the lower point so that there was nothing under the law to prevent the rate going above 1s. 6d.; but he said that the question was only of academic interest and that for all practical purposes the provision made by the Ordinance sufficed.

21. Sir Purshotamdas thereupon raised the question of the Government's undertaking to purchase gold which remained what it had been and came to this that they would pay only Rs. 21/- odd per tola even though the market price might be more than Rs. 25/-. The result of this policy was that large quantities of "distress" gold were being exported from the country instead of finding their way to the Currency Reserve. Sir Henry said that this was no disadvantage and all that was happening was that since India could not induce the world to accept other things in discharge of her debts she was sending out gold.

22. Mr. Birla said that the only way to enable India to discharge her liabilities was to give an impetus to her export-trade for which a totally different financial policy must be pursued.

23. Reverting to the question raised by Sir Purshotamdas he reminded Sir Henry of the urgency of the Reserve Bank for co-ordinating currency and credit in India and asked if it was not desirable that Government should acquire all the gold that might be available and thus enable India to have such a Bank without any undue delay.

24. Sir Henry Strakosch said that he himself had strongly supported the establishment of a Reserve Bank for India, but in the existing circumstances he could not see how this could be done.

25. Sir Purshotamdas referring to the effect of the phenomenal fall in prices upon the prime grower showed how in some instances he was not even

able to get his cartage and generally speaking we had come to a point where the distress had become almost unbearable. "From that aspect," he said "what objection can there be to letting the rupee be divorced from sterling in order to see if the grower can get a better return in rupees?..... Sir Henry Strakosch said the world might not want India's raw materials, but the world does want any country's raw materials at the current prices, and they are fixed or quoted in gold. If then, you allow the rupee to find its own level, what harm can happen to India?"

26. Sir Henry said the world was stocked full of raw materials and the consumption of goods was likely to diminish, though this did not dispose of Sir Purshotamdas' argument that for whatever the Indian grower was able to sell, he would realise a better price with a depreciated than with an appreciated rupee.

27. But according to Sir Henry, the raising of the price-level would damage all rupee creditors and recipients of salaries and wages, while the people to benefit would be the debtor class and the employers of labour. It was suggested by Sir Purshotamdas that the list of those benefited by a fall in the exchange-value of the rupee must include the entire agricultural population. Gandhiji at this point had something to say about the condition of the agriculturist and he put two specific questions to Sir Henry Strakosch (i) Will not the cultivator's position be considerably improved if for one maund of wheat he got Rs. 3/- instead of Rs. 2/-, and (ii) Why the Government refused to pay him the bazar price of gold?

28. Sir Henry said that such advantage as the cultivator had from a rise in prices was purely temporary, that it lasted only so long as the various adjustments had not been made. As regards the second question he said, "Why should the Government single out gold and protect the seller of that commodity alone against the rapacity of the middlemen?"

29. The explanation did not satisfy Gandhiji. Sir Henry had spoken of adjustments which ultimately offset the advantage of any rise in prices. Gandhiji said that the Indian peasant was not an employer of labour, that he was his own labourer and "therefore the figure wage that may be demanded by the labourers of your imagination does not affect him at all Today you are thinking of a gradual adjustment. All that would be quite good for a man who has some savings and who is a kind of humble capitalist, but the peasantry of India have no capital to fall back on; they have only their crops, and therefore it is the immediate present that matters."

30. A discussion followed and it was eventually suggested by Gandhiji that Sir Henry Strokosch should prepare a table in accordance with his ideas, to show the correctness of the policy which Government was pursuing and he would prepare a table of his own as to how India will fare with a rise in prices which a drop in the rupee would imply.

31. The last of these discussions took place on the 29th October. This time it was confined to Gandhiji and your representatives among the delegates. Messrs. Shah and Joshi also were present. The discussion was joined by Sir Basil Blackett also who opined that a rise in prices at this stage would be in the best interest of India and that he would like very much to see a rise of about 40 per cent. But he would not suggest how this could be done. Sir Purshotamdas Thakurdas and Mr. Birla explained the Indian case. It was suggested that the rupee should be left alone until we had enough gold to stabilise it at, say, one shilling. This remedy, however, did not commend itself to the India Office experts. Nor had it been expected that it would.

32. The net gain from the discussion was that Gandhiji and many of our politicians who had attended the meetings were convinced that in asking for the rupee to be left alone the Indian commercial community were asking for something which was in the best interests of the masses and Gandhiji told the Secretary of State after the third meeting that his verdict must go against him in the matter. So far as the Secretary of State was concerned he appeared to have definitely made up his mind not to change or modify the policy he had forced on the Government of India and the discussions were apparently held more with a view to show courtesy to Gandhiji than to benefit from the Indian point of view expressed there.

COMMERCIAL DISCRIMINATION.

33. The questions of financial safeguards and racial discrimination naturally engaged our special attention. The representatives of European community in India initiated negotiations with Gandhiji to come to an understanding with him on the question of the rights of their community under Swaraj and we had to come into the picture rather prominently as representing the Indian point of view on the subject.

34. The attitude taken up by Gandhiji right at the commencement of the informal talks was that he would be no party to racial discrimination as such. The lead given by him was accepted by us and such negotiations as proceeded between Gandhiji and your representatives on the one side, and, Mr. Benthall and Sir Hubert Carr on the other, had for their object the de-

vising of a formula which while having such a provision as its cardinal feature would make it amply clear that it meant no restriction or abrogation of her right to favour or handicap nationals and non-nationals on economic grounds.

35. This of course meant that we entirely repudiated and dissociated ourselves from the position reached at the first session when

"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 and firms trading in India and the rights of the Indian-born subjects."

36. Sir Tej Bahadur Sapru and Mr. Jayakar themselves admitted that the resolution was vague and susceptible of improvement. To our own minds it was something worse than vague and crude, as, it amounted to an assertion of equality between the British community and Indian-born subjects, even in the economic sphere where the conditions were so unequal and it took away the right of the future Government to pass any legislation even when its object was to protect the weak against exploitation by the strong.

37. After Gandhiji had had his first talk with Mr. Benthall, Mr. Birla was invited to join the discussions. Sir Purshotamdas had not yet arrived. Mr. Benthall and Sir Hubert Carr placed before them a formula. Gandhiji accepted the principle that there should be no racial discrimination, but Mr. Birla while agreeing with him thought that it did not make adequate provision for the protection of such concerns as might require protection in the national interest against stronger concerns, in all probability British. Mr. Benthall agreed that so long as certain concerns were subsidized not on racial but on economic grounds there could be no valid objection, but that cases requiring such subsidies would be few and far between. Gandhiji thought otherwise and cited instances from South African history to prove his point. Sir Hubert Carr said that the question of subsidies would arise only in regard to trade and not in regard to concerns, but both Gandhiji and Mr. Birla disagreed. Eventually it was decided that the formula should have adequate provision of the kind insisted on by Mr. Birla.

38. The question of inquiries into old contracts and leases was next discussed. Both Mr. Benthall and Sir Hubert Carr vehemently opposed the demand at first. In reply to their contention that where a transaction was proved to have been put through because of fraud or corruption the common law would prevail, Gandhiji said that the new convention was suspending the common law. They said that there was no desire on their

part to secure a suspension of the common law and it was agreed that for all practical purposes the common law should prevail and where the Government had reason to believe that certain transactions had taken place in a corrupt or fraudulent manner it would have the right to investigate such cases and take necessary action.

39. The case of the Indian mercantile marine was specifically cited during the discussion and Mr. Birla got the impression that the British delegates were not averse to the development of such a marine, that they saw the justice of our case and had little sympathy with the tactics employed by the Inchcape Group.

40. We discussed the position at other meetings. Sir Purshotamdas had now arrived and joined the discussions. Though there was general agreement on the principle of non-discrimination on racial grounds, that by itself did not satisfy the British group. Towards the last sittings, a wider formula was produced by Mr. Benthall and Sir Hubert Carr which was not acceptable to us without amendments which they in their turn would not accept. The question had not advanced beyond this stage by the time the Conference came to an end.

41. These negotiations with the European Group continued for weeks. We realised that we had to work under serious handicaps. In any case we had not the same advantages as the other side. They had not only a well-equipped Secretariat of their own but all the other possible channels of information and advice were open to them. Mr. Benthall in a speech which he is reported to have made at a meeting of Calcutta Royalists said that they had the benefit of invaluable advice not only from eminent Professors and men like Sir John Simon and Lord Reading but from "all the principal law officers of the Crown, the India Office and the Foreign Office." Our resources were obviously nothing as compared with these. We cannot say that the talks which the European Group had with us preserved an even tenor. The course of events elsewhere had its reaction even on these negotiations and both their pace and intensity varied with the varying fortunes of the Conference.

42. Our own attitude was as reasonable as firm. We did not press for racial discrimination but at the same time we made it amply clear that we would not agree to anything which curtailed or restricted India's right to pursue the economic policy which she considered to be in the best interests of the country irrespective of the fact whether those adversely affected by it were nationals or non-nationals. We cannot do better than quote the following from the speech delivered by Sir Purshotamdas Thakurdas on Commercial Discrimination at the meeting of the Federal Structure Committee:—

"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."

We are committed to nothing more or less than this.

43. The negotiations could not be completed in London and each side is yet to say its last word on the subject. Meanwhile let us be clear in our own minds as to what we really want or should have in the matter of the right to discriminate.

Do we simply want that we should have a right to protect our industry, where it is being strangled by powerful non-national concerns or to foster it where in the absence of direct aid and encouragement it is impossible for it to grow? Or do we want that we should have a right to discriminate for the purpose of ousting all non-national interests from India simply because they are non-nationals? If our object is the former then we are convinced that it would never be necessary for India to have recourse to discrimination on racial grounds; but if what we want is the latter then we confess that we did not strive for it in London. We did not so strive because we ourselves do not believe in the latter ideal or object. We sincerely believe that we can say the same of the Indian mercantile community.

44. If we contend that the legislature should have full powers to make discrimination even on the ground of race, colour or creed we do not ask for anything to which there is no parallel in other constitutions in the British Empire, nor do we put ourselves out of court in other parts of the Empire where Indians still continue to suffer from the effects of the colour bar. But by taking up such an attitude we do go against both Gandhiji and the Congress who want no racial discrimination. This is what Gandhiji said at the Conference:—

"I want to associate myself completely with the British merchants and European houses in their legitimate demand that there should be no racial discrimination. I, who had to fight the Great South African Government for over 20 years in order to resist their colour-bar and their discriminating legislation directed against Indians as such could be no party to discrimination of that character against the British friends who are at present in India, or who may in future seek entry. I speak on behalf of the Congress also. The Congress too holds the same view".

45. Do those who insist on racial discrimination as such seriously believe that they have any chance of success in a fight in which the weight of the Congress is against them? Both as a matter of creed and policy they should drop that part of their demand if they have not already dropped it.

"India for Indians" is a phrase embodying a noble sentiment, but only if it excludes all thought of exploitation of the masses by either nationals or non-nationals. Any narrow interpretation of it would mean in the language of Gandhiji the exclusion of even an Andrews or of a Mira Behen from the service of India as it would mean their expropriation for no other fault than their British nationality? We do not think the country would be prepared to endorse such an interpretation and such a demand.

46. We could, if we wanted to, certainly make out a strong case even for such discrimination. Sir Purshotamdas in his speech at the Federal Structure Committee said that the worst sinner in this respect had been and was the Government of India itself, which had been exercising discrimination against Indians in a variety of ways ever since it was established. But two wrongs do not make a right and there is a good deal in Gandhiji's exhortation that we should never disfigure our statute-book by placing upon it any thing amounting to discriminatory legislation based on colour or race.

47. By setting our face against racial discrimination we do not deprive ourselves of our right to protect our interests, if and when necessary, through the machinery of the law. Gandhiji instanced the British India Steam Navigation Company as a monopoly which had already assumed dangerous proportions and said:—

"Every one of us knows what money can buy, what prestige can buy and when such prestige is built up which kills all the saplings.....it then becomes necessary to lop off the tall poppies. Tall poppies ought not to be allowed to crush these saplings. That is really the case on behalf of the coastal trade."

48. We do not think it will ever be beyond the power of the legislature to give protection on economic grounds to industries of the kind referred to above which may really be deserving of it.

There are well-known weapons in the legal armoury of advanced nations to be used against associations aiming at monopolies. We need only instance the American Trust Laws. In the words of Lord Sankey, key industries can be protected and unfair competition penalised without the use of discriminatory measures. Indigenous industries may also be encouraged by a system

of bounties or subsidies with such conditions as the legislature may think fit to attach to the grant. The conditions prescribed in the recommendations of the External Capital Committee have been generally accepted by our opponents.

49. What Mr. Benthall, however, demanded in his speeches was much more than our willingness to forego the right of racial discrimination. To quote the words of Sir Purshotamdas Thakurdas from the same speech:—

“The result of what Mr. Benthall required struck me, at any rate, as indicating ‘you shall not touch any thing which any Britisher is interested in, and we want provision for it from now.’ I wish to submit that that is a tall order.”

50. Mr. Benthall has since claimed that the substance of their demands was granted at the Conference. He knows that there are portions of the Report of the Federal Structure Committee on Commercial Discrimination from which several of the members expressly dissented. Gandhiji himself had some criticism to offer of the way in which these reports were drawn up. Speaking at the plenary session he said:—

“I would first of all say a few words in connection with the Reports that have been submitted to this Conference. You will find in these Reports that ‘So and so is the opinion of a large majority; some, however, have expressed an opinion to the contrary’ and so on. Parties who have dissented have not been stated. I had heard when I was in India, and I was told when I came here, that no decision or decisions will be taken by the ordinary rule of majority.”

51. The report as drawn up by Lord Sankey begins with a confirmation of the Resolution of the first session and then says:—

“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.”

We need hardly say that we go no further than this so far as the point of discrimination is concerned.

Mr. Benthall and Sir Hubert Carr were told by their advisers that

“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.”

52. This explains why the Report recommends a clause prohibiting both "Legislative and administrative" discrimination. As to that, we may observe that we never agreed to the inclusion of administrative discrimination within the scope of the prohibitory clause. Nor did we accept the view expressed in the Report that—

"Where the Governor-General or a Provincial Governor is satisfied that proposed legislation, though possibly not on the face of it discriminatory, never-the-less 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 Purshotamdas speaking at the plenary session called such provisions and expressions "efforts to overdo the discrimination part and to over-safeguard it." Explaining our attitude he said—

"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 or 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."

53. When the report was under discussion in the Committee no one except Sir Purshotamdas Thakurdas and Mr. Joshi dissented from the view that administrative discrimination should be on a par with legislative discrimination.

Mr. Jayakar, however, made his attitude clearer at the plenary session when he said:—

"Unfortunately the Report was very hastily accepted, if I may say so, my Lord Chancellor, but that was nobody's fault. We were running against time. Consequently a few things have crept in which may require revision. Sir Cowasji Jehangir referred to one, namely, administrative discrimination. These will have to be revised."

54. We take this opportunity to say that both Sir Cowasji Jehangir and Sir Pheroze Sethna made useful contributions to the debates on this matter, and the former, in particular, uttered an emphatic protest at the

plenary session against the portion of the report dealing with administrative discrimination.

55. The resolution of the Committee of the Federation passed on the 16th October expressed the view that "the future Legislature of the country should have unfettered powers, if necessary in the interests of the country, to discriminate against non-nationals."

The phrase "in the interest of the country" has a very wide scope. It may justify discrimination not only against non-nationals but also against nationals, and this is exactly the position which we have taken up. Should those discriminated against happen to be non-nationals it cannot be called an act of discrimination because such action is taken not on racial but on economic grounds. This is the essence of our commitment.

FINANCIAL SAFEGUARDS.

56. On the question of Finance, your representatives stood for its complete transfer, subject only to such safeguards as are ordinarily involved in a constitution and as may be proved to be in the best interests of India. In the Federal Structure Committee Sir Purshotamdas Thakurdas made it clear that "Nothing but a completely responsible minister, 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." The Report of the Committee correctly interprets this attitude when in referring to the objections taken to the recommendations of the first Round Table Conference it says:—

"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 Legislatures 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 Member in the discharge of his duties."

57. As part of the machinery to which the day-to-day administration of finance was to be entrusted we favoured the establishment of a Reserve Bank with the express stipulation that it was to be created by an act of the Indian Legislature and was to be in no way under either Whitehall or the Bank of England.

58. Mention must be made here of the new proposal that there should be 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." The sponsors of the idea were not quite agreed whether it should or should not remain in existence after the Reserve Bank has been established. The details of the proposal were given by Sir Tej Bahadur Sapru, who said:—

"As regards the appointing authority, I should vest the power in the Governor-General, who should exercise that power upon the advice of or in consultation with his Ministers.....So far as the tenure of office is concerned, you can have three years or five years. Further than that I should give this statutory Finance Council the power to call for any information or any facts or figures relating to currency and exchange, with which it shall deal, from the Finance Department. With regard to things that may happen — if the Finance Council gives advice to the Finance Minister and the Finance Minister accepts that advice there is an end of the trouble. If the Finance Minister, however, refuse to accept their advice, I should make it obligatory on him to lay before the Legislature the opinion of this expert Financial Council, and I should give further power to this expert Financial Council to have its views properly represented, through one of his agents, in the Legislature, and that would not by any means be inconsistent with the character of responsible Government. You can find instances in various constitutions where experts are allowed to present their view of the matter without having the power to vote. When the Legislature has dealt with the question, or has refused to accept the opinion of the Finance Council, then the Governor-General comes in, and he comes in in the ordinary constitutional manner in which he comes in in any other case in any other Dominion. I should give the Governor-General the power of veto. I should give the Governor-General the power to reserve a Bill for the pleasure of the Crown. I should even have the power of dis-allowance vested in the Crown in England."

59. Our own view of the matter was that the Council was not such a necessity and this had the support of Lord Reading, among others. His Lordship observed:—

"The view I took at the earlier stage was that currency and exchange be dealt with by the Reserve Bank which should be established on non-political lines, and which, when established, would have the management of currency and exchange. That does not mean for one moment that it fixes the ratio. The ratio would be fixed by the Legislature, as it is now by the

Act of 1927, that fixed it. But the management of the currency and exchange are quite different things, and the object of entrusting them to a Reserve Bank is that you may be enabled, by means of a non-political body consisting of experts, charged with the duties and also having the necessary powers, to preserve the stability of exchange and currency, and thus to maintain and even enhance the credit of India; and so far as I can see there is no way of dealing with that except by means of this Reserve Bank. Whether some temporary provision may be made by introducing a Council, assuming that you have once established your constitution, and that Council may be consulted and may express its views, I shall not go into at this moment, because it does not seem to me that that is an essential part of the management of the Currency, although it may be very useful, as it certainly often is, to bring others in who may have their views in order that they may expound them and put them before those who are responsible."

60. What determined our attitude in connection with the proposal was the necessity we felt of carrying delegates like Sir Tej Bahadur with us as far as possible in our endeavour to reach a settlement securing the substance of Indian demands. Provided that the proposed Council remained a purely advisory body, the appointments rested solely with the Cabinet and that it was not made to serve the purpose of a clog in the financial wheel, we were ready to give the proposal our best consideration. Nothing was finally settled by the time we departed, and in the Federal Structure Committee Sir Purhotamdas made it quite clear that we did not stand committed to any detail of the scheme.

61. The discussion on Financial safeguards did not proceed beyond the preliminary stage because of Sir Samul Hoare's suggestion for postponement coupled with a warning that if the Conference chose to discuss the safeguards then and there, they would have to be of a much more rigid character than otherwise.

62. London at the time was more or less panicky. No one, not even the leaders of the Labour party with whom we discussed the matter, thought that we could achieve anything by pressing our points at that moment. We tried as suggested to get into touch with City Financiers but we failed to secure anything more than one meeting only where we had a preliminary talk only.

63. Some prominent financiers and others in touch with City opinion told us that it would be impossible in the absence of adequate safeguards to secure a renewal of the loans amounting to about £67,000,000 that will be maturing in the next seven years. The City would not lend except on its own terms

and we must face the fact of determining the extent to which it is necessary for India to satisfy the City financiers about India's financial stability.

64. In the course of our discussions we pointed out to those connected with City financial houses that the Governor-General should not occupy a better position than that of a debenture holder in respect of reserved items like loan services and military finance and that he should step in only in case of default. So long as we made the stipulated payments no one should have any right to interfere. We proposed this arrangement to last only for the transition period, but it was pointed out by the other side that intervention in case of default might be somewhat too late. Gandhiji therefore suggested a formula but the position to our mind requires something more than merely making provision for the satisfaction of our creditors.

65. As Mr. Birla remarked in his speech at the plenary session, more than 80% of our revenue is to be earmarked under the proposed arrangement for military finance, debt service, etc., and where more than 80% of the revenue is so mortgaged little latitude is left to the Finance Minister in the arrangement of taxation. While therefore we would be quite ready to provide legitimate safeguards, in our opinion no safeguard that does not unduly encroach upon the liberty of the Finance Minister is possible unless the "mortgage" is substantially reduced.

66. Mr. Birla in his speech made a pointed reference to directions in which equity and fairplay demanded a lightening of India's financial burden. He showed how military expenditure had kept piling up since 1913—in about a decade and a half it had registered an increase of something like 100%—and suggested its being brought down to the pre-war figure of 33 crores, if not lower. But mere reduction was not enough; the fact that the Indian army was admittedly maintained to a large extent for Imperial purposes justified a substantial contribution from England towards the cost. Then there was the question of an equitable adjustment between the two countries in respect of India's liabilities, present and past. A strong prima facie case for enquiry had been made out and justice demanded that the whole matter be referred to an impartial tribunal for adjudication and award. "If we attacked only these two items" said Mr. Birla, "we could make a substantial reduction. Then if we could so reduce our mortgage, probably the safeguards would be tolerable."

67. Gandhiji in endorsing the view expressed by your representatives at the Conference said:—

"Three experts from the Federation of Commerce and Industry have in their own manner each in his different manner, told you out of their expert experiences how utterly impossible it is for any body of responsible ministers to tackle the problem of administration when 80 per cent of India's resources are mortgaged irretrievably. Better than I could have shown to you they have shown out of the amplitude of their knowledge what these financial safeguards mean for India. They mean the complete cramping of India."

68. In any future discussion of the question we should see to it that attention and effort are concentrated on the reduction of the "mortgages", as that alone can provide safeguards satisfactory to all concerned.

Mr. Benthall and others saw the point raised by Mr. Birla. It was hoped that it would be possible to arrange for a full and frank discussion of the question between the financiers of the two countries and thus to reach a settlement equitable to both sides. But as mentioned above, London at the time was hardly in a mood to settle this question and we had to rest satisfied with putting forward our points of view as best as we could.

69. Before leaving England towards the end of January this year, Mr. Birla saw the Secretary of State and urged upon him the necessity of tackling the whole question of financial safeguards at the proper point. It made all the difference, he said, whether the safeguards came to 5% or 95% of the whole. Mr. Birla suggested a special committee or sub-committee of financiers to investigate the matter and suggest directions in which it would be possible to reduce the burden which India has to take upon herself. The Secretary of State promised to write to Mr. Birla on this subject though he suggested that Mr. Birla should meanwhile see the Viceroy and the Finance Member and discuss the matters with them.

70. In the last stage of the discussion on Financial safeguards in the Federal Structure Committee, Sir Purshotamdas raised the question of the Statutory Railway Board which formed the subject of a recommendation in the earlier report and he pressed for the acceptance of the view that such a Board would be set up only by an act of the legislature. The chairman said that the matter had not yet been discussed and they would have to leave it for future discussion without saying anything about it in the present report. Sir Tej Bahadur Sapru in reply to Sir Purshotamdas said that as the report of the first plenary session showed they had all objected to the Statutory authority being created at all and that the committee in making the present report was not committing itself to any opinion on the subject. 1

CONTROL OF THE ARMY IN INDIA.

71. At 11, King Street, in the vicinity of St. James's Palace, where we met from day to day for an exchange of views and informal discussions, we considered a scheme framed by the Liberal Leaders, with a view to discover a basis of compromise on the question of Army control. Gandhiji also was present and took part in the discussion, though he did not commit himself to any definite scheme it could be seen from the trend of the discussion that he was not averse to a reasonable compromise on the question. So far as your representatives were concerned, they promised to co-operate in this endeavour to reach a compromise provided the scheme was modified in the light of the criticisms which had been expressed at the meeting. The matter, however, made no progress.

The scheme is as under:—

I. The member in charge of defence shall be chosen from among the Indian elected members of the Federal Legislature and shall be generally responsible to the Governor-General.

II. 1. Having regard to the new political structure of India and to the necessity of enabling India to undertake the defence of the country by her own national army within the shortest time consistently with the safety of the country and bearing in mind the necessity of effecting substantial economy in military expenditure, a mixed committee of military experts and Indian public men shall be immediately appointed for the following purposes :—

- (a) to submit a report embodying a programme of Indianisation and the steps to be taken to give effect to it,
- (b) to make recommendation regarding the economies in military expenditure that can be immediately effected and within a given period of years,
- (c) to submit a scheme for the gradual substitution of Indian troops for the British troops now serving in India,
- (d) to recommend the steps that will have to be taken to throw open the ranks of the army to all classes in India,
- (e) to recommend further the immediate steps that have to be taken for the establishment of an Indian Sandhurst,

(f) and lastly to adjudicate on the claims of the Indian Government regarding the non-liability to pay :

- (i) capital charges,
- (ii) National Health Insurance charges,
- (iii) Unemployment contributions.

2. The process of Indianisation referred to above shall be further expedited when the present size of the army is reduced.

3. The report of the committee on all the subjects referred to above will be submitted to His Majesty's Government and will be considered by a joint conference of representatives of His Majesty's Government and nominees of the Round Table Conference and the decisions arrived at by the joint body will be treated as an integral part of the new constitutional structure for the time being.

4. There will be quinquennial examination of the policy followed during the preceding period, with reference to the policy of Indianisation, the substitution of Indian for British troops and the financial requirements of the army by a committee consisting of representatives of the British and Federal Governments.

III. The Federal Government shall have control of the policy of Indianisation of the army and of the establishment and maintenance of the necessary military institutions and shall be subject to the Federal Legislature in this behalf.

IV. The expenditure of the army shall be provided for on a contractual basis periodically according to the method suggested above.

V. No portion of the Indian army shall be employed outside India except with the sanction of the Federal Government.

THE CONFERENCE.

72. We are aware of the general opinion in India that the Conference was a failure. We also know that some have put forward a different estimate, and a different valuation. If the main purpose of the Conference was to complete the constitutional picture outlined at the first session or at least to facilitate progress by getting rid of questions which had proved a stumbling block, all we can say is that its record proved a bitter disappointment. Important questions were left either untouched or undecided and

attention was deliberately diverted to peripheral details to the neglect of the centre. Incidentally, of course, the Conference gave delegates from India opportunities to establish valuable personal contacts and to secure a considerable amount of publicity for the correct Indian case. But to say this is not to admit the success of the Conference itself.

73. Things which really mattered were either not discussed at all or relegated to the fag end of the session when a ceremony of discussion was hastily gone through and the so-called conclusions embodied in the Committee's Reports. This was the procedure adopted in the case of Defence, External Relations, Commercial Discrimination and Financial Safeguards. Sir Purshotamdas Thakurdas, your representative on the Federal Structure Committee, had some thing to say about this aspect of the matter in his speech at the plenary session:—

“ 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.”

74. There was a good deal of truth in Mr. Wedgwood Benn's spirited remark that the Government seemed anxious to bring the whole thing to an end “with a Bradshaw in one hand and a stop watch in the other.” But apart from the question of time which was allotted to a discussion of vital questions like these, what was seriously lacking was willingness on the part of the Government to reach a settlement with those who represented real Indian opinion at the Conference. What was manifest all throughout was a desire to put things off and even to break the Conference up by political manoeuvring.

75. No concrete proposals were ever placed before the Conference nor was there any satisfactory response to appeals that the Government should tell the conference how far they were prepared to go.

76. For about two months the Federal Structure Committee was occupied with consideration of details of second rate importance. Indeed at one time it looked as if the Conference was to be wound up without even a mention of questions like trading right and financial safeguards.

77. We might refer in this connection to the attempt, or at least, to the serious intention, in high circles, to go back to the Simon Commission Report and to cover the break-up of the Conference with a grant of Provincial Autonomy without any responsibility at the centre. Mr. Benthall is reported to have said:—

“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 Moslems 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.”

78. But for the united front presented against the move by an important section of the Conference with which your representatives whole-heartedly co-operated, the reactionaries would have succeeded. The letter of protest originally addressed to the Premier was signed by all three of us and on a subsequent occasion when a debate was initiated by Prof. Lees-Smith on the subject in the Federal Structure Committee, Sir Purshotamdas while regretting that we had no opportunity of signing the statement made by some of the delegates the previous day expressed our complete agreement with it and told the Committee, on behalf of Indian commerce, that India would never be satisfied with mere provincial autonomy and that it was sure to prove a disastrous course of action to take.

The opposition led to a change in tactics, the final result remaining the same. The Conference ended as it began with words which could mean everything or nothing at all.

THE COMMUNAL ISSUE.

79. And here we may say something about the communal deadlock which contributed no less to the failure of the Conference. Its composition never inspired any hope that it would be able to visualise the good of the country as a whole and close the communal rank; still Gandhiji persevered to the end in his attempt to find a solution and bring all on a common platform. Your representatives gave him their unstinted co-operation and help in that direction. Both of your Hindu representatives take this opportunity to pay their tribute to the earnest work done by Mr. Jamal Mahomed who despite ill health spared no pains to bring about an honourable compromise. The Liberals also strove hard for a satisfactory settlement and their attitude in this matter was all throughout admirable.

80. The London atmosphere, however, was anything but favourable to a settlement of the question. From the very beginning the Communal issue was thrust to the forefront so as to take precedence over the determination of the Constitution itself. People did not know what exactly they were going to have and naturally could not measure the sacrifice at the time when they were urged to make in the common cause.

81. But even as things were, much more could have been achieved if communalism were confined to the Moslem camp. Unfortunately there were Hindu and Sikh communalists too. Some of them were more logical than patriotic while others could see nothing beyond their community or province. They rendered Gandhiji's task impossible. We would like to state our bitter experience that communalism did the greatest disservice to India's cause, and appeal to all concerned to join in a sincere effort even at this hour to get these differences out of India's way. We wish to quote here the remarks of Mr. Herbert Edwards in his book "A year on the Punjab Frontier" which he published in 1850. He was mainly responsible for the subjugation of the Bannu Valley which had defied Sikh arms for twentyfive years, but had been peacefully annexed by the Government of India to the Punjab without a shot being fired. He says in the preface:—

"This book is simply what it professes to be — the result of a busy year, on an important frontier, in a country and at a crises which have excited the national attention of Englishmen. In writing it, the object I have in view is to put on record a victory which I myself remember with more satisfaction than any I helped to gain before Multan—the bloodless conquest of the wild valley of Bannu. It was accomplished, not by shot or shell, but simply by balancing two races and two creeds. For fear of a Sikh army, two warlike and independent Muhammedan tribes levelled to the ground, at my bidding, the four hundred forts which constituted the strength of their country; and for fear of those same Mohammedan tribes, the same Sikh army, at my bidding, constructed a fortress for the Crown, which completed the subjugation of the valley."

Surely, the leaders of the various communities, Hindus including the depressed classes, Moslems and Sikhs, do not wish such a tragedy to happen again regarding the question of an all-India constitution and we trust that Indians as a whole will benefit by the disclosures made by Mr. Benthall in his statement to the European group in India (Appendix "D").

82. Attempts have been made to fasten the blame for the failure of the Conference on Gandhiji. Nothing could be a grosser lie or calumny.

We had the privilege of coming in close contact with him in London and of enjoying his confidence even though to a small extent. We can say from our personal knowledge that he was all along anxious for peace if it could be had on reasonable terms not excluding a compromise.

83. His very first speech at the Conference in which he formulated the National Demand was according to the "Manchester Guardian" sensational for its moderation. And all the time he was there, he was nothing but moderate in his demand and willing to go to the farthest extent to meet those with whom he was negotiating.

84. Time and again he made his attitude clear in the plainest of terms. We could give several extracts from his speeches to prove our point, but one will suffice. "While I withdraw not one word of the speeches that I had to make at the Federal Structure Committee", he said at the plenary session, "I am here to compromise; I am here to consider every formula that British ingenuity can prepare, every formula that the ingenuity of such constitutionlists as Mr. Sastri, Sir Tej Bahadur Sapru, Mr. Jayakar, Mr. Jinnah, Sir Mohammad Shafi and a host of other Constitution lists can weave into being. I will not be baffled. I shall be here as long as I am required because I do not want to revive civil disobedience. I want to turn the truce that was arrived at at Delhi into a permanent settlement. But, for Heaven's sake, give me, a frail man of 62 years gone, a little bit of a chance. Find a little corner for him and the organisation that he represents." The appeal fell on deaf ears for the time being and he had to return in Mr. Benthall's words "empty-handed".

MR. BENTHALL ON THE CONFERENCE.

85. Whilst this Report was being drafted we happened to see in the newspapers of Calcutta, Delhi and Bombay full copy of a resume of Mr. Benthall's general remarks that he is said to have made to the Committee of an Association in Calcutta. As Mr. Benthall has not thought it necessary to contradict this as a genuine document from him, we are justified in taking it to contain his latest views on the R. T. C. work in London. We enclose herewith a copy of the said report, and we think that for purposes of record it may usefully be printed with our Report so that the Member-bodies of the Federation may read, side by side, with this Report, the proceedings of the Conference as viewed by Mr. E. C. Benthall, the latest nominee of British Commerce on the Round Table Conference. We need hardly say that this Report coming from Mr. Benthall has pained us especially in view of his attitude in London in conferring with Mahatma Gandhi in private meetings

on approximately a dozen occasions and in expressing a great desire to see the Indian question settled in the correct manner. We are sure that every Indian reader of this statement would make due allowance for the audience which Mr. Benthall was addressing, but the aspersions that he makes against Mahatma Gandhi can hardly do credit to Mr. Benthall, or give a correct guide to his community from a representative of the community to the R. T. C. Mr. Benthall has thought fit to put in Mahatma Gandhi's mouth several expressions which we have no hesitation in challenging as purely imaginary fabrications. Two of your Delegates, Sir Purshotamdas Thakurdas and Mr. G. D. Birla were present at most of these interviews, between Mahatma Gandhi and Mr. Benthall or Sir Hubert Carr at least after the 5th October last and these two are in a position definitely to say that they never heard Mahatma Gandhi to say anything like what Mr. Benthall puts in his mouth "that he would humble Hubert Carr to the dust." We could, if we wanted to, deal with each paragraph of Mr. Benthall's statement and comment on it, but that would make this Report unnecessarily long, particularly as we have no doubt that the Indian public will assess at its correct value the mentality which is behind this distorted version. There is, however, one subject referred to by Mr. Benthall, which we consider it necessary to touch upon here. In paragraph 13 of his statement, in the latter part, Mr. Benthall refers to Mr. S. N. Haji's statement at the Burma Round Table Conference that Indians in Burma wanted a guarantee that there would be no discrimination against them by the future Government of Burma. Mr. Benthall says that this demand coming from Mr. S. N. Haji is to his mind 'a beautiful piece of irony'. We may say that we all three of us had long conversations with Mr. S. N. Haji and the two other Indian Delegates to the Burma Round Table Conference and we impressed on them the necessity of Indians in Burma not making any demand of the nature indicated by Mr. Benthall. Mr. Haij and his two colleagues saw the justice of our suggestion, but said that they were bound by the mandate given to them by their electorate in Burma. Even Mahatma Gandhi, we understand, strongly urged the Indian Delegates from Burma not to put forward any demand which would make to Burmans their freedom to administer Burma a restricted privilege. We are sure that Mr. S. N. Haji will, at the right time, explain his attitude on the Burma Round Table Conference, but we mention this here to remove any impression that any responsible party or association in India from the Indian National Congress downwards ever agree with or approve of the attitude taken up by Indians on the Burma Round Table Conference.

86. Mr. Benthall has not added to his public reputation by what he had told his audience. So far as we are concerned, we may say his speech has even shocked us, as all throughout the negotiations the

one distinct impression he made on us was that he was carrying them on without any such reservations as are evidenced by his utterance, and that he did sincerely desire a settlement with us on all the outstanding questions and was prepared to co-operate with us all along the way in a joint endeavour to reach a lasting solution of the Indian problem. A hopeful beginning has been made and it was understood when we parted that the threads would be resumed here in India and the work continue.

Mr. Benthall's speech puts a different complexion on the above impression. It appears that things were not really what they seemed. We would not rebut the criticism, if it is forthcoming, that we were taken in by the mask or make-up and were more than fair to the other side in some respects; but in any case we have this satisfaction that we deceived none by either concealing a card up our sleeve or playing with cards which were not what they pretended to be. In spite of our experience we have had in this instance, we see no reason to believe that all Englishmen, here or in England, endorse Mr. Benthall's opinion or attitude and that India need give up hope of coming to an understanding with British commerce.

OUR GENERAL IMPRESSIONS.

87. We have stated as briefly as possible what we were able to do in London. In fairness to the British Parliament and people it must be recorded that the collapse of the British currency about the middle of September last and the unavoidable necessity of having a fresh parliamentary election, diverted the attention of the British public from the Round Table Conference to their domestic policies and problem. The various cabinet Ministers had their attention completely diverted to the political upheaval, and during the whole of October, it can safely be said that the Federal Structure Committee worked only to mark time. Only members of the House of Lords on the Federal Structure Committee were free enough to either attend or take part in the discussions.

88. We would like to add a few words to record the general impression which we received from the attitude towards India of the man in the street in England. We think that we could say that we did not find him hostile to Indian aspirations. The average Britisher does not dispute that India has every right to self-determination. While the people have every sympathy with Indian aspirations, the fact remains that they have been educated on lines which at times make them entertain apprehensions about our capacity for self-government. There are genuine apprehensions in respect of the communal problem and the capacity of Indians to defend their own

country. In financial circles they further apprehend that there may be a financial breakdown under a new Government. They admit the capacity of Indians to govern themselves but they argue upon the probability that every nation which is new to its responsibilities is likely to make experiments which may lead to disaster. They are therefore very keen about financial safeguards being somewhat rigid during the transition period.

89. While therefore it can be said that the general public if they were properly educated would not be against India's cause, on the other hand there is a very strong party at present predominating in Parliament, which either on account of its ignorance of Indian affairs or from prejudice wants to keep India under subjection. This party really counts at present and to a very large extent the London Press is controlled by it. The general public therefore while sympathetic does not get the right kind of education and is not even assertive enough to influence in our favour those who count. To this party several suggestions are being made to check the political advance of India. They are counting upon the communal trouble and disagreement between British India & Indian India. They also point out that in order to establish a Federation a lot of spade work has to be done, so that it may be years before a constitution can be introduced. All these are more or less dilatory tactics, but, unfortunately, the leading lights of this party are not in touch with Indian realities and we have not the least doubt that disillusionment is in store for them and they will soon realise that the political advance of India cannot safely be checked. But even with this realisation on their part our path may not be quite clear.

90. As we have stated above, genuine apprehensions on various matters are entertained even by those who are India's friends and it would be the duty of those who expect to get political advance by means of negotiation to educate every section of the British public and bring them round to our views. Our efforts therefore to maintain friendship with every section and educate it on right lines must continue. The present Government may be replaced by a radical one in a few years' time, but India must neither minimise nor ignore the importance of the Conservative party.

Bombay,
20th April, 1932.

Sd. PURSHOTAMDAS THAKURDAS.

Sd. G. D. BIRLA.

Sd. M. JAMAL MAHOMED.

APPENDICES

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 depreciated 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 Dadabhoy : 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 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

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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 Thakurdas: 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 to 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 build 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 as 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.
