

# DISCUSSION ON THE GOVERNMENT RESOLUTION ON THE LIFE INSURANCE CORPORATION INQUIRY

MR. CHAIRMAN: Half an hour is the maximum for you.

SHRI B. SHIVA RAO (Mysore): Mr. Chairman, Sir, I move:

"That the decisions of the Government of India on the findings of the recent inquiry into certain affairs of the Life Insurance Corporation as embodied in Government Resolution No. F. 15/58-HS, dated the 27th May, 1959, be taken into consideration."

Sir, my main purpose in giving notice of this motion is to invite the attention of the House and also of the Government to some general issues of far-reaching importance which seem to me to arise out of this unhappy episode. But before I refer to them, I would like very briefly to deal with one misconception which seems to die hard. Sir, surprise has been expressed in the course of the debate in the other House and outside that the Public Service Commission should have sat in judgment over the report of the Bose Board, a body which was presided over by an eminent judge of the Supreme Court and that it should have been regarded as a court of appeal from the findings of the Bose Board.

Sir, in the first place, I would like to point out that this Board was only a Board of Enquiry. It did not take evidence on oath; and under the Constitution, the report of such a Board must be referred to the Public Service Commission before the Government takes final action. I regret to say that many harsh things have been said about the Public Service Commission in this connection and therefore, I think it will not be out of place for me to say that so far as I am concerned, I pay a very sincere tribute to the Members of that Commission for the objectivity of their approach, for the courage of their convictions, for the

independence of their judgment, for the admirably clear analysis of the various issues that were involved and for the fairness with which the Commission dealt with every issue. Sir, my regret is great that the Government, in its final Resolution, did not see its way to the acceptance, to the unreserved acceptance, of the conclusions of the Commission. I am not interested in Mr. Patel as an individual. But I am interested, and I hope the House is interested vitally, in the treatment that is meted out to a civil servant who has put in 35 years of distinguished service in many fields, a man of unusual ability, great drive and resourcefulness and integrity. It is not good enough to be told at the end of that long period of service: "You may go because although six Members of the Commission have completely exonerated you, one Member of the Commission has said without supporting his conclusions, that you have been reckless and defiant."

Sir, in the past, the Government had been utilising the services of this defiant and reckless civil servant, when complicated problems arose immediately after partition and assets and liabilities had to be divided between India and Pakistan. And this defiant and reckless civil servant was asked to take charge of the situation in the capital when life was insecure and we owe it very largely to his initiative that things did not get worse in the dangerous period following partition.

Sir, with regard to the general issues to which I referred, there are, I think, three. One is as regards the procedure to be adopted in cases of this kind in future. I rule out cases in which there have been allegations of corruption or *mala fides*. In such cases the ordinary law of the land must take its normal course. But there may be cases in which there are no allegations of any corruption or *mala fides*. In this case neither the Chagla Commission nor the Bose Board nor the Public Service Commission have ever suggested that there was any corruption or *mala fides* on

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the part of any individual. Therefore, Sir, the question of procedure has to be determined in regard to all such cases in future.

The second point of general importance seems to me to be the precise relationship between the Minister and his civil servants. And the third is Parliament's responsibility in dealing with reports of the kind that have been placed before us and the manner in which we discharge our responsibilities.

I would like to refer very briefly to a case which attracted much attention in England in the last three or four years, a case which bears a striking similarity to this LIC case in some of its essential features. In that case Sir, which is known as the Crichton Down Case, the Minister of Agriculture had to agree, under pressure from the House of Commons, to the appointment of an enquiry into the conduct of certain officials who were supposed to have misled him into taking an unsound decision. Finally the Prime Minister appointed a single-man commission, a legal authority of standing, to hold a preliminary and *in camera* enquiry into the facts of the case. That Commission reported and I am quoting one sentence from that report:

"the true facts and considerations were not fully brought to the Minister's notice".

The report also says that there was a deliberate reluctance on the part of his officials to invite the attention of the Minister to the financial unsoundness of a particular transaction. But the Commission was satisfied—and here again I quote—

"there was no trace in this case of anything in the nature of bribery, corruption or personal dishonesty".

That, Sir, was the first stage of the enquiry, the *in camera* preliminary investigation. And on the basis of that report, the Prime Minister went to the next stage and appointed a

board of three senior retired officials to hold a formal enquiry. That board held that incorruptibility and efficiency are the two obvious requirements in administration. "In the present case corruption has not been in question, inefficiency has." And then the board suggested that the senior-most official who was most responsible for this transaction should be transferred. That was the punishment meted out to him, that he should be transferred from one Ministry to another, so that his experience and knowledge may not be lost to the State.

What did the Minister of Agriculture do when this report came to his hands? He did not issue a statement from a distance defending himself and sacrificing his officials. The Minister went to the House of Commons to shield his officials from harsh criticism by the Board and also by certain members of the Opposition. He said:

"I, as Minister, must accept full responsibility to Parliament for the mistakes and inefficiency of officials in my Department, just as when my officials bring off any successes on my behalf, I take full credit for them. Any departure from this long-established rule is bound to bring the Civil Service right into the political arena, and that we should all, on both sides of the House, deprecate most vigorously"

Sir, this was the view expressed by the Minister of Agriculture in handing in his resignation.

SHRI BHUPESH GUPTA (West Bengal): Did he write any pamphlet and distribute it? I am just making an enquiry.

MR. CHAIRMAN: Order, order.

SHRI B. SHIVA RAO: From the side of the Opposition came a very remarkable statement from Mr. Herbert Morrison, at one time himself Home Secretary in the Labour Government. Mr. Herbert Morrison said:

"The morale and the efficiency of the Civil Service can be hurt in two ways. It can be hurt by a failure to check something which interferes with its work and it can be hurt by an unjust denunciation of the whole service".

Finally, Sir,—and this is a very important aspect of that debate to which I call the attention of the House—the Home Secretary, I mean the present Home Secretary, whom we call the Home Minister here, laid down certain principles which must apply in all cases, governing the relations between the Minister and his Civil Servants. He said:

"In a case where there is an explicit order by a Minister, the Minister must protect the Civil Servant who has carried out his order. Equally, where the Civil Servant acts properly in accordance with the policy laid down by the Minister, the Minister must protect and defend him."

And then he said:

"But where action has been taken by a Civil Servant of which the Minister disapproves and has no prior knowledge, and the conduct of the official is reprehensible, then there is no obligation on the part of the Minister to endorse what he believes to be wrong, or to defend what are clearly shown to be errors of his officers."

These are the main features of the Crichton Down Case.

So far as the LIC case is concerned—I do not say it in any spirit of criticism of the Government, and maybe I am becoming wise after the event but I would suggest that it is necessary to become wise after the event—I hope that the Government, at least in the future, will lay down a well-defined procedure for dealing with all such cases. What did the Government do when the debate in the other House took place in December, 1957? In the first place, I think,

in order to give the officials concerned all facilities for fair defence, the first step that should have been taken was for Mr. Krishnamachari to have handed in his resignation. To be fair to him, I think he did so, though at what stage I cannot tell, because he himself has not made that point clear. But to be fair to him, Mr. Krishnamachari did offer his resignation at the time of the Chagla enquiry. Unfortunately, the Prime Minister did not accept his resignation and it was Mr. Krishnamachari who appointed Justice Chagla to be the single-man commission. And the report of the Chagla Commission was again submitted to Mr. Krishnamachari. That, I am afraid, prevented all the facts from coming to light.

I will quote one paragraph from the Bose Board's Report on this subject.

"In endeavouring to ascertain the truth . . ."

I am quoting from page 160 of the Bose Board's Report.

"In endeavouring to ascertain the truth, we have been labouring under a great disadvantage. The Chagla Enquiry preceded ours and except for a few witnesses, almost all those that were examined before us had already been examined in the other Enquiry on oath, and having committed themselves to one story on oath, they were tied down to what they had already said and at that time Mr. Krishnamachari was still in office. He had not resigned. So, it is possible that some of those who appeared as witnesses in the other Enquiry were afraid to disclose all that they knew."

Sir, this is a paragraph from the Bose Board's Report. For the rest of the story, so far as the Enquiry before the Chagla Commission is concerned, I shall refer to a paragraph or two from the Report of the Public Service Commission—the summary of Mr. B. K. Nehru's evidence as given before the Bose Board;

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Incidentally, Sir, I doubt very much whether if Mr. Krishnamachari had been in office, Mr. Nehru and Mr. A. K. Roy, the two most important witnesses before the Bose Board, on whose evidence the U.P.S.C. relied very heavily in coming to its conclusions, would have had the courage to come forward and give evidence. That apart, the U.P.S.C.'s Report summarises Mr. Nehru's evidence in the following words:

"Shri Nehru went to Bombay with Shri B. K. Kaul. There they met Sarvashri Patel, Kamat, Bhattacharya, Vaidyanathan and Sachin Choudhury, the Counsel for the L.I.C. in Shri Bhattacharyya's house. At that stage, each one of them had prepared his own statement, and so far as Shri Nehru could remember, there was nothing contradictory in them."

But he had been sent down to Bombay by the Finance Minister in order, as the Commission put it, to help in the presentation of the case, bringing the various people together and having a discussion with them. And what happened in Bombay? All these gentlemen met again the next day, and "it was decided"—these are Mr. Nehru's words

"It was decided that there should be a statement prepared on behalf of the Finance Minister which was prepared by the Counsel."

Mr. Nehru returned to Delhi, not only with that statement prepared by Mr. Sachin Choudhury, extracts from which I shall presently read to the House, but also with the written statements of Mr. Patel and Mr. Kamat. The Minister's reaction is worth noting. He did not like these draft statements. They were too long. Sir, he did not say either then or at any time later that it was inaccurate. His objection was that the draft statement as prepared by Mr. Sachin Choudhury was too long and that it contained too much about Calcutta. The Minister then said,

"... he would like to make a very short statement cutting most of the background as it were and keeping to the essentials. Then he drafted the statement himself which was much shorter."

He kept one copy with himself and gave one to Mr. B. K. Nehru. Half-an-hour later, this was taken back from Mr. Nehru and, therefore, no copy of that shorter draft statement was available to be filed as an exhibit before the Bose Board; but, Sir, even that short draft, according to Mr. Nehru's evidence—and here may I remind the House that Mr. Nehru is a very brilliant officer of the Government of India who is now serving as a kind of roving ambassador in the field of international finance? No one has ever accused him either of lack of integrity or of deviating from the truth—even the short draft contained the statement by the Minister that on two separate occasions the Minister had given his consent to the purchase of these shares. Sir, I shall only read a few extracts from Mr. Choudhury's draft statement, the original statement, copies of which had been given to Mr. Patel, Mr. Kamat and Mr. Bhattacharyya with the impression that they would be the statement to which Mr. Krishnamachari would adhere in giving evidence before Mr. Justice Chagla. Even the shorter statement contained the essence of the longer statement. These are some of the extracts from Mr. Sachin Choudhury's draft, the full text of which is in the Library of the House if anyone is interested in seeing it.

DIWAN CHAMAN LALL (Punjab): Was this draft ever accepted by Mr. T. T. Krishnamachari?

SHRI B. SHIVA RAO: The draft was not accepted by Mr. T. T. Krishnamachari on the ground that it was too long and contained too much about the discussions in Calcutta.

DIWAN CHAMAN LALL: That is not in writing. That is a verbal statement.

MR. CHAIRMAN: He wants to know whether the statement that was too long was a written statement or was merely an oral statement?

SHRI B. SHIVA RAO: It is in Mr. Nehru's evidence.

SHRI T. S. PATTABIRAMAN (Madras): The original is still not there.

SHRI B. SHIVA RAO: The original draft statement is in the library.

SHRI T. S. PATTABIRAMAN: I would very earnestly request Mr. Shiva Rao to go through the records carefully. Even Mr. B. K. Nehru has admitted that the original was not available and that only copies were available. I am very sure about this, Sir.

SHRI BHUPESH GUPTA: So many things disappear, Sir.

SHRI B. SHIVA RAO: These are the extracts from the statement.

"There were nervous conditions in the money market and uneasiness in the business community. After the Budget of 1957, this position deteriorated even more, increasing the business community's uneasiness and apprehension. Some businessmen wished me (TTK) to further strengthen this mood of confidence by some positive and early action to help the Calcutta Stock Exchange. I (TTK) was made aware that there were large bundles of Mundhra shares which were a serious drag on the market. .... In view of the discussions I (TTK) had in Calcutta on the subject of Mundhra's shares and in pursuance of my policy to give assistance to and relieve the stock market, I was agreeable to the LIC giving consideration to Mundhra's proposals."

Then, Sir, comes one of these two admissions to which Mr. Nehru has referred.

"On these considerations it appeared to me (TTK) that the question of accommodation and the form in which it could be granted should be examined by the LIC, Patel and Bhattacharyya. The results generally were communicated to me (TTK)...I (TTK) certified that the arrangement discussed was reasonable and might be finalised."

These are the extracts from Mr. Sachin Choudhury's draft and even in the summary, as Mr. Nehru has pointed out in his evidence, the two admissions to which I have drawn the attention of the House were there. Then, what happened? Mr. Krishnamachari went to Bombay to give evidence, and he deviated in his evidence even from his own summarised draft, while the poor officials who were to follow him in the witness box were labouring under the impression that Mr. Krishnamachari would stick to the original statement, copies of which had been distributed to them and their own written statements had been taken away. Mr. Krishnamachari deviated from his own statement; and when he was confronted with the fact by Mr. B. K. Nehru on his return to Delhi, Mr. Krishnamachari said, "I was advised to say as little as possible". Sir, whoever gave that advice...

SHRI D. A. MIRZA (Madras): By whom was he advised to say as little as possible?

SHRI B. SHIVA RAO: I can go only by the evidence as recorded. I have no further knowledge than is contained in the minutes of evidence.

SHRI V. K. DHAGE (Bombay): The lawyers would have advised him.

SHRI B. SHIVA RAO: Whoever gave that advice, gave him wrong advice and a Minister, on oath to speak the whole truth, agrees to compromise with it and say as little as possible. That explains the many occasions on which Mr. Krishnamachari's memory faded whenever inconvenient questions were put to him. Sir, that is not the only

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handicap placed in the way of these officers who were to follow Mr. Krishnamachari in the witness box. Mr. Patel has given a full list of the difficulties he had in preparing his defence. Files disappeared mysteriously when they would have helped him materially to strengthen his own point of view. One file which contained a Top Secret letter which was available to Mr. Feroze Gandhi—a letter written by Mr. Krishnamachari to Mr. Patel—was missing and did not appear until after the Chagla Report had been submitted. There are several other documents which were not made available to Mr. Patel; copies of letters, demi-official and official, addressed to the Governor of the Reserve Bank by the President of the Calcutta Stock Exchange in June 1957; the files of the Railway Board dealing with the request during 1957 by Jessops for payment of salestax; the telegram which was supposed to have been sent by Mr. Sodhani from Delhi on the 13th June, a copy of which was made available to Mr. Feroze Gandhi; the statements of the police authorities in the course of the investigations; analysis of the Balance Sheets of Messrs. Jessops, Richardson and Cruddas and other firms made by the Company Law Administration; diaries which contained the appointments and engagements of the Governor of the Reserve Bank and of his Personal Assistant for the year 1957. Sir, I am not discussing at this stage the question of guilt or the measure of responsibility of the various persons concerned in this. I am only pointing out that even a criminal is entitled to a fair trial and reasonable facilities for his defence. Why should we not extend these facilities to a civil servant of long standing?

Sir, Justice Chagla in spite of lack of evidence on material points came to a conclusion relying mainly on the law of probabilities, and . . .

[MR. DEPUTY CHAIRMAN in the Chair.] he said that he was inclined more to rely on Mr. Patel's version of the case

than either of Mr. Bhattacharyya or of the Finance Minister.

Sir, I do not know how much more time I have. I would like to invite now the attention of the House to some of the pertinent observations made by the Commission in its Report. The Commission said:

"We are satisfied that the facts mentioned above, particularly those emerging from the evidence of Shri Nehru and Shri A. K. Roy, clearly establish that Shri Patel had reasonable grounds for honestly believing that he had the Minister's authority for the transaction. It is significant that at no time did the Minister even suggest 'that I had, in the part which I took in regard to the Mundhra deal (This is from Mr. Patel's statement) gone beyond my authority.' "

And the Commission therefore came to the conclusion—now I am quoting—that—

"the Minister was aware of the antecedents of Shri Mundhra;

in the context of the knowledge that the Minister had and his doings, Shri Patel adequately apprised the Minister about the transaction;

Shri Patel, with good reason, honestly believed that the Minister approved of the deal being entered into; and

the fact that the Minister's approval was not reduced to writing was in keeping with the 'informal' procedure that was followed between him and his Principal Finance Secretary."

These are the findings of the U.P.S.O.

I will conclude with a reference to the action taken by the Government in its final Resolution on the findings of the U.P.S.C. It is well to remember that the Commission, at any rate, the six members of the Commission, men drawn from different walks of life, with considerable experience of

administration and of public life, came to the conclusion that I have read out just now. It is not good enough, I suggest, either for the Government or for the officials concerned that after two lengthy enquiries, first by the Chagla Commission and then by the Bose Board, and a very careful review of the Report of the latter by the Union Public Service Commission, the Government should come to the conclusion that the charges may be dropped in view of Mr. Patel's past service. Sir, I submit that the Resolution should have been a positive one; it should have accepted the conclusions of the U.P.S.C. without any reservations; or if it felt that there was any flaw in the reasoning of the Commission or any defect in the conclusions to which the Commission came, it was the duty of the Government to put into the Resolution the precise reasons which led it to come to a different point of view. The Resolution merely contents itself with saying that there is some force in Mr. Pillai's minute of dissent. Mr. Pillai had charged Mr. Patel with defiance and rocklessness. The Resolution should have stated frankly whether it accepted those charges or rejected them.

And, Sir, may I remind the House—it is with some reluctance that I do so—that before the Commission started studying the Bose Board's findings, before it began to apply its mind to the various issues contained in the Report, the Home Minister in a speech in Madras had completely absolved Mr. Krishnamachari from all blame in the matter. I will offer no comment on that statement by the Home Minister but I will say this that the U.P.S.C. bearing those views of the Home Minister in mind, must have considered its Report not once but several times before submitting it to the Government. After spending four months over the evidence and the Report it came to the conclusion that Mr. Patel had not only not failed in his duty but it was his business to act in the manner he did.

Sir, I referred to the 'Crichel Down' case. There is one paragraph there to which I would like to invite the attention of the House. The Home Secretary in announcing the action that the Government proposed to take in that case said:

"The two requirements of natural justice that have gone back to the beginning of civilisation are that a person who may be punished should know what the complaint is against him and that he should be given an opportunity to meet it. That is the basis of the rule of law throughout the ages. No one, I am sure, would deny it to civil servants."

I only ask that the same consideration be extended to civil servants in this country for the sake of the morale of the Services and efficiency of Administration.

MR. DEPUTY CHAIRMAN: Motion moved:

"That the decisions of the Government of India on the findings of the recent inquiry into certain affairs of the Life Insurance Corporation as embodied in Government Resolution No. F 15/58-HS, dated the 27th May, 1959, be taken into consideration."

SHRI T. S. PATTABIRAMAN: Sir, I move:

"That at the end of the Motion the following be added, namely:—

'and having considered the same, this House records its approval of the said decisions concerning Shri H. M. Patel and Shri G. R. Kamat.'"

MR. DEPUTY CHAIRMAN: The Motion and the amendment are before the House.

SHRI JASWANT SINGH (Rajasthan): Mr. Deputy Chairman, I have heard with great interest the speech of the first speaker and I have no

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hesitation in saying that, on the whole, I totally agree with what Mr. Shiva Rao has stated while moving the motion. This case is a very complicated case and, therefore, to do justice to the whole subject, it will take a very long time. I would, therefore, confine my remarks to only one aspect of the question. We have seen that the Government, from the very beginning, in regard to this affair, has not acted with an open mind. When the Chagla Commission was appointed by the former Finance Minister and as soon as the report went against the Minister, we have seen how irritated and angry the Prime Minister felt. He even remarked that Parliament had hustled the Government to appoint the Commission. Then, Sir, when the Bose Board was appointed and when its report also went against the Minister, how angry the Prime Minister felt, and he felt so badly that a man of his stature did not hesitate to pass certain remarks, which he had to withdraw, when the legal luminaries of this country objected and wrote a letter to the Prime Minister. And, then, Mr. Shiva Rao has already referred to the remarks of the Home Minister, even before the U.P.S.C. had submitted its report in regard to completely absolving the Finance Minister of his responsibility. We have thus seen that from the very start the Government acted with mental reservation. Therefore, as was expected from the very start, the Resolution has rejected the findings in the Chagla Commission Report and the Vivian Bose Report and they have not given any reasons. Similarly, the Resolution, has not stated at all as to what the motive to help Mr. Mundhra was. Also, as was stated by Mr. Shiva Rao, they have not also totally accepted the recommendation of the U.P.S.C. as far as the main civil servant Mr. Patel, was concerned. It was not incumbent on the Government to accept the Union Public Service Commission's Report, because there have been other occasions where such things have happened. But still in this particular respect wherever it did not suit them,

whether it was the Report of the Chagla Commission or the Vivian Bose Board Report or that of the Union Public Service Commission, without giving any reason they rejected the thing that did not suit them. The Resolution only stresses the constitutional responsibility of the Minister. My submission in this regard would be that I will try to submit before the House, from the findings and from the Report of the Commission, as to how far the Minister has been responsible in this matter. I can fully appreciate the loyalty of the Prime Minister and the Home Minister towards their colleague in trouble, but where it is a question of doing justice, it was desirable scrupulously to observe all the proprieties in the case. We have seen how this question first arose. It arose from a simple Parliamentary question. We also know from our experience how the answers are given to the various questions put by the hon. Members in this House or in the other House. Similarly, this particular question was replied to by the former Finance Minister and his reply was evasive. Both the Bose Board and the Chagla Commission have made certain critical remarks in regard to the former Finance Minister in his dealings in regard to this particular case. All this had not been accepted by the Government because it did not suit them, and their loyalty towards their colleague also prevented them from doing justice to other people. Now, I would like to submit that from the very beginning the Life Insurance Corporation Act and the assumption of office as Finance Minister by Mr. Krishnamachari, more or less, coincided and from the very start Mr. Krishnamachari developed a different approach from the one which Mr. Deshmukh had. Sir, here I would like to quote what the Bose Board on this particular issue said. The Bose Board has said from the very start how Mr. Krishnamachari started on this point so far as the L.I.C. was concerned. Here the Report says, on page 27: "Mr. Krishnamachari, when



he took over, had not the slightest intention of carrying out the direction of the Act or of honouring Mr. C. D. Deshmukh's assurances in Parliament". Again, at another place, the Report says that the other restrictions on the power of Government to handle these funds as they pleased for purposes of investment were just as many thorns in the flesh of Mr. Krishnamachari and two of the officers. So, it is so clear how, from the very start, Mr. Krishnamachari took an independent line as far as the investment of the funds of the L.I.C. was concerned. Then, Sir, it is also on record that he took personal interest in the affairs of the L.I.C. and on several occasions gave personal directions even in regard to advancing loans, etc. This is also stated on pages 30—33 of the Bose Board Report. Therefore, in the circumstances it cannot for a moment be possible that he would play a passive part in regard to L.I.C. and the Mundhra deal.

Sir, in this connection I would again submit that the Law Ministry put up a certain proposal about the Investment Board of the L.I.C. The case was put up to the Minister, and I particularly want the House to note what Mr. Krishnamachari wrote in regard to this submission of the Law Ministry. Here on this note in regard to the Investment Board Mr. Krishnamachari writes. Mr. Heernandani was the officer concerned in the Law Ministry and he put up a certain proposal in regard to the Investment Board, and this is what the former Finance Minister, Mr. Krishnamachari, writes on it: "Mr. Heernandani is a poor specimen of a lawyer. I would prefer to leave things as they are and let Mr. Vaidyanathan gamble away than accept his advice." Mr. Vaidyanathan has gambled away. The responsibility has not been taken by Mr. Krishnamachari. He shifted the responsibility on to others. A little while ago, a very illuminating case was put before the House by the previous speaker, Mr. Shiva Rao, as to how in Great Britain,

which democracy we are imitating and copying, they protect their officers, and here a senior Minister, to save his own skin, would not tell the truth, would not take the responsibility on himself but would like his civil servants to do it for him. Here he definitely says that he would not mind if Mr. Vaidyanathan gambles away, but he will not accept the advice of the Law Ministry. Mr. Vaidyanathan has gambled away, and if Mr. Krishnamachari was a responsible man, he should have taken full responsibility for what has happened.

Then, Sir, I would submit that Mr. Krishnamachari was fully acquainted with the antecedents of Mr. Mundhra, and my next attempt will be to show that he had a full part in this Mundhra deal. Then I would like to show that the Bose Report on page 38 has stated that when Mr. Krishnamachari was the Industry and Commerce Minister, he wrote to Mr. C. D. Deshmukh, the then Finance Minister, on the 23rd August 1955 in regard to Mr. Mundhra. All these things are to be noted to see whether he was ignorant of Mr. Mundhra. Here Mr. Krishnamachari as Industry and Commerce Minister wrote to the then Finance Minister, Mr. C. D. Deshmukh, on the 23rd August 1955 as follows: "It seems very strange that despite so many stringent measures in the Companies Act, right at our very nose H. D. Mundhra can do what he likes." He has been under the nose of Mr. Krishnamachari himself and can do anything. "I do think that we must have some reserve powers for Government at least to secure information and to prevent mischief when a large block of shares of any company whose capital and assets are more than Rs. 20 lakhs are to change hands."

Then again, on the 17th February 1956 the Governor of the Reserve Bank wrote a letter to the Principal Finance Secretary, Mr. Patel, which was shown to Mr. Krishnamachari, the then Commerce and Industry Minister, giving information of Mr.

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Mundhra's activities. These are worth noting. Here what does this letter of the Governor of the Reserve Bank which was shown to Mr. Krishnamachari say? It says: "Mr. Mundhra's activities in the recent past particularly in so far as they concern breaches of foreign exchange regulations and his rapid acquisition of controlling interest in large industrial concerns", etc. On the 7th May 1956 Mr. Mazumdar, Director of Company Law Administration, showed this letter of the Governor of the Reserve Bank to Mr. Krishnamachari, and on that Mr. Krishnamachari noted: "No further action on this is needed at present, but we should continue to watch the activities of Mr. Mundhra."

Then, Sir, as long ago as 23rd April 1956 Mr. Deshmukh, the then Finance Minister, had noted adversely against Mr. Mundhra and had stated that we should never go in for any investments in Mundhra concerns. This is on page 41 of the Bose Report. Sir, it will now be seen that Mr. Mundhra was in constant touch with Mr. Krishnamachari and was discussing Life Insurance Corporation investments with his concerns. On various dates Mr. Sodhani and Mr. Mundhra saw Mr. Krishnamachari. They saw him on 23rd September, 1956. These are in the report of the Board. Then between 27th April and 7th May, Mr. Mundhra had discussed the position of the Corporation's affairs as a whole with Mr. Krishnamachari when the Chairman of the State Bank of India was also present. Similarly, Mr. Mundhra has seen the Finance Minister on the 18th June at Calcutta and on the 23rd June at Bombay at the Reserve Bank. Mr. Sodhani, Mr. Mundhra's agent in Delhi, seemed to have seen Mr. Krishnamachari on the 13th June, and he sent the following telegram to Mr. Mundhra in Bombay. In this telegram it was stated: "Life Insurance Corporation prepared to purchase Jessops and B.I.C. Ordinaries at negotiated prices. Necessary instructions

being issued from this end. Please phone." Thus it would be seen that it was an unbusinesslike and bad deal entered into by the Corporation to purchase certain shares in six concerns of Mr. Mundhra. What was the result? The result was that the Corporation lost Rs. 10 lakhs in this deal, and consequently Mr. Mundhra gained Rs. 10 lakhs. Then, Sir, Rs. 50 lakhs of the L.I.C. money were locked in Mr. Mundhra's concerns which were not likely to pay any dividends. Then, in three cases Mr. Mundhra was paid more than he had actually asked for, and in some cases higher rates were also given than what he had expected, and there was an agreement with the L.I.C. and Mr. Mundhra under which the L.I.C. was to purchase further shares worth Rs. 1.25 crores, which shares were not in existence. This is in the Chagla Report on page 11.

All these things could not possibly have been done just to oblige Mr. Mundhra. There must have been at least some motive for this extraordinary help extended to Mr. Mundhra to get him out of his serious financial trouble. As far as the officers are concerned, I read very carefully the Chagla Report and the Bose Board Report. I have not anywhere seen any motive of corruption or otherwise illicit financial gain made from Mr. Mundhra by these officers. As far as the Union Public Service Commission is concerned, they of course have exonerated, and quite rightly too, but as far as their report is concerned no motive has been attributed . . .

MR. DEPUTY CHAIRMAN: Are you putting up only one speaker?

SHRI JASWANT SINGH: More, if there is time. Otherwise I am the only speaker. How much time is left, Sir?

MR. DEPUTY CHAIRMAN: Twenty minutes.

SHRI JASWANT SINGH: I will try to finish soon.

Now, this Bose Board naturally, when so much profit was given to Mr. Mundhra, tried to search for the motive as to why all this generosity was being shown by the Government to this great man, Mr. H. D. Mundhra, because nobody will do anything, much less our Government, to help any particular business man. Therefore certainly there must be motives when crores and crores of rupees are indiscriminately being thrown in this manner and the Bose Board after sifting all the evidence, have come to the conclusion that as far as they are concerned, two motives appear to be clear to them. What were the motives? The first was that this assistance was to be a *quid pro quo* for the donations given by Mr. Mundhra to the Congress Party funds and an attempt to fulfill the promises made to him about the Kanpur Mills. The report says that Mr. Mundhra very generously and very kindly came to the help of the Congress which was collapsing, by giving Rs. 1½ lakhs to the U.P. Congress and Rs. 1 lakh to the Central Congress Party. Also when the workers of the Kanpur Cotton Mills were going to strike, Mr. Morarji Desai and Mr. Manubhai Shah had long conversations with him both at the house and office of Mr. Manubhai Shah and prevailed upon him that the concern should be kept going, that elections were coming and they may have an adverse effect on the Party. Mr. Mundhra was incurring a loss of Rs. 25 lakhs a year. He obliged the Congress, Mr. Morarji Desai and Mr. Manubhai Shah. Assistance was promised. Therefore the Commission came to the conclusion that this *quid pro quo* was for the monetary help which Mr. Mundhra gave to the Congress Party to the extent of Rs. 2½ lakhs and for political obligations, for not allowing the mill to close.

**SHRI P. D. HIMATSINGKA** (West Bengal): It may happen in any other mill when they try to run it,

**SHRI JASWANT SINGH**: I am just quoting what is in the report. If you

intend to say that this is not wrong, well, that is a different matter. I am just quoting what the report says. Mr. Morarji and Mr. Shah had a long discussion with him and they prevailed upon him to keep the concern going. He was incurring a loss of Rs. 25 lakhs a year and he had to be rewarded for that loss. This is what the report says. I am quoting from the report.

Then, Sir, all these things were fully known to the former Finance Minister. Where could he give this help from? He was controlling the L.I.C. from the very beginning he took charge of the office of Finance Minister. He was completely controlling the Life Insurance Corporation and naturally, the policy of Mr. Deshmukh did not suit him and he did not follow it from the very start. Therefore he had naturally to turn to the obliging milch cow under his control and that obliging milch cow was the Life Insurance Corporation. In this connection, I would respectfully submit that it is difficult for me to understand how the civil servants can be involved in an assurance given on behalf of a political party by the Minister in return for the subscription to party funds or for having obliged them politically. Particularly in regard to the case of Mr. Patel, he has put in 35 years of meritorious service and he is one of the most brilliant I.C.S. men amongst the Indian and British officers that ever took charge of affairs in our country and if it is accepted that they should involve him as Principal Finance Secretary in the political affairs of the Congress Party also, well, then no credit is given to his long, long and valuable services which he has rendered to this country.

Mr. Mundhra is well-known to me. I have seen him from his childhood. He comes from my town. I know his whole family. His family is very religious. If a needy person goes to him for seeking help, I can assure you, Sir, he would not give even Rs. 5. But if anybody is in authority and if he has to get some work from him, well, Mr. Mundhra will pay crores of rupees. I know his habits.

SHRI B. K. P. SINHA (Bihar): Is it from your personal experience as Minister in Rajasthan?

SHRI JASWANT SINGH: It is not my personal experience, because I do not belong to any Party. If I belonged to the Congress Party, that would have been possible.

Now, Sir, what happened? Mr. Mundhra naturally would not give anything merely for the sake of giving. He wanted help and he did get very good help. He was in serious financial difficulties. The Board asked him as to why he did this and he admitted—it is on record—that it was the promise for such an assistance; in regard to the Kanpur Cotton Mills, he was having a loss. The Government asked him to allow it to run. He was incurring a loss and therefore, financial help was promised to him. This is clearly stated in his evidence before the Board. Again, when the Board asked him about the funds, he said that he had faith in the Congress. I do not know since when he developed his faith in the Congress. I can definitely say without any fear of contradiction, if the Congress has been following the directions and programmes set out before it by Mahatma Gandhi, he has faith in what the Congress does not have faith, and therefore his statement in regard to his faith in the Congress programme cannot be believed by anybody who knows him personally, particularly a man like me who has seen him since his childhood. He is a financial wizard, I can say definitely, and if the Prime Minister makes him the Finance Minister one day, I can assure you that the difficulties in regard to internal and external finance in respect of the future Five Year Plans will disappear. He is a real genius and a wizard in financial matters and this is worth trying.

Finally, I will submit that India will not produce a bigger Finance Minister than Mr. C. D. Deshmukh. If Mr. Mundhra has a chance and if he gets into contact with any person and he wants to get something done by him,

that man simply cannot help. Mr. Mundhra has a peculiar, wonderful and an extraordinary charm and he tried the same game with Mr. Deshmukh, and I can definitely say with authority . . .

SHRI AMOLAKH CHAND (Uttar Pradesh): When you say it with definite authority, is it from your personal experience also?

SHRI JASWANT SINGH: What personal experience? I could not know because I have never been . . .

MR. DEPUTY CHAIRMAN: It is time.

SHRI JASWANT SINGH: My friend's interruption I have not followed; therefore I need not reply to him. But what I wanted to say was this, that he tried the game which he tried with Mr. Krishnamachari, with Mr. Deshmukh also, and with great difficulty Mr. Deshmukh agreed to see him. And within the two minutes that he had with Mr. Mundhra, Mr. Deshmukh came to know of him, because Mr. Deshmukh was a man who had foresight; he knew what man he was talking to, and asked him to get out of his room within two minutes, and in spite of the pressure brought on him a number of times to give an interview to Mr. Mundhra, Mr. Deshmukh completely refused, and he had written a note that no investment of any kind is ever to be made in the concerns of Mr. Mundhra. Therefore, Sir, all this goes to show that right from the beginning till the end Mr. Krishnamachari was in the know of these things. He has taken the initiative from the very beginning; he was in constant touch with Mr. Mundhra at every stage; he has been discussing with him L.I.C. affairs and L.I.C. deals and to save his skin he wants to throw the responsibility for the deal on the officers, officers of the kind of Mr. Patel who also, in his own way, is one of the best officers in the Indian Civil Service that the country had ever produced. It is my view that excepting Mr. Krishna-

machari nobody else is responsible for this bad deal and he must face the consequences.

**SHRI LAVJI LAKHAMSHI** (Bombay): Mr. Deputy Chairman, Sir, at the outset I find myself in complete agreement with what Mr. Shiva Rao had expressed in the opening remarks of his speech with regard to the U.P.S.C.

Sir, this L.I.C. deal with Mr. Mundhra has been subjected to various discussions, enquiry and scrutiny by very able people. Questions were asked with regard to this deal twice. A two-hour discussion took place in the Lok Sabha. Thereafter the Chagla Commission was appointed, thereafter the Bose Board, then the U.P.S.C. and ultimately came the Government Resolution, and now we are discussing this deal.

In the course of these various enquiries and discussions I believe millions of words have been used. All these words have been used; yet we find the remark and the opinion from the two inquiry bodies that so little has been said. One thinks, Sir, that language is a vehicle to convey thoughts. Here the language or the mastery over the language was utilised to withhold facts, to withhold the conveyance of ideas or conveyance of truth. Nevertheless, Sir, one does find one fact clearly established, namely that in this deal there was no question, no allegation and no finding that any *mala fides* can be attached or attributed to any one concerned.

**SHRI AMOLAKH CHAND:** Quite right.

**SHRI LAVJI LAKHAMSHI:** None of the commissions or enquiry bodies or the U.P.S.C., who are very independent persons, have come to the conclusion that there were any *mala fides*; there was no corruption whatever involved in this deal. If at all there was anything, as the hon. the Home Minister has suggested, there was at best or at worst an error of judgment.

Now, Sir, in the other House there was a debate and no one has suggested that there were any *mala fides* or corruption involved anywhere. Once we accept that position, Sir, then the question arises with regard to this particular deal as to what really we are enquiring about. In these great volumes, the mass of evidence that has been produced, once before the Commission and another time before the Board, we find that a lot of extraneous and irrelevant matters are also brought on record, were allowed to be brought on record—not that that matters very much—particularly one extraneous matter to which my hon. friend Mr. Jaswant Singh has referred, an extraneous and completely irrelevant matter, and that is the payment of contribution to Congress funds.

**SHRI JASWANT SINGH:** Is it not so? I would like to . . .

**MR. DEPUTY CHAIRMAN:** No interruptions please; let him go on.

**SHRI LAVJI LAKHAMSHI:** I shall just show how it is extraneous and how it is irrelevant, the matter on which the whole assistance theory is based—not that this particular question of donation or contribution to any party or to anyone cannot be discussed, but whether it was relevant to the particular enquiry at issue. There were three officers concerned against whom the enquiry was being conducted. How was that relevant, contribution to a political party's funds? There was no evidence whatsoever to show that the political party, meaning the responsible Ministers and responsible persons in position in the political party invested these L.I.C. funds simply because funds were paid to the Congress Party. There was no allegation whatsoever, no piece of evidence whatsoever. What I submit is this that, just as Mr. Jaswant Singh's attention was detracted from the real matters at issue by bringing in this extraneous evidence or irrelevant piece of evidence on record, similarly, unnecessarily so many people waxed eloquent over it. We can also wax elo-

[Shri Lavji Lakhamshi.]

quent over the donations to the various parties. Mr. Jaswant Singh, it appears, had a very personal experience of Mr. Mundhra.

SHRI JASWANT SINGH: Certainly.

SHRI LAVJI LAKHAMSHI: I am sure as a Minister he has had also a personal experience, as he said that persons in position can always extract money from him. (*Interruptions.*)

Then, when Mr. Jaswant Singh was no more a man in authority, I think he has also had the experience that Mr. Mundhra pays no one when he is not in a party. One can always wax eloquent about other parties; about other parties also one can say. But this is an extraneous matter. I am not going to take up my time with regard to that. It has been clearly established, Sir,—again I am reiterating—that no *mala fides* or corruption is alleged against anyone.

Then, Sir, the question arises as to what really is the matter. The L.I.C. invested very large amounts in the shares of the companies in which Mr. Mundhra was the controlling party.

SHRI JASWANT SINGH: It was also agreed to pay him another Rs. 1.25 crores in regard to shares which did not exist.

SHRI LAVJI LAKHAMSHI: Now, Sir, the question really falls into three parts. First of all, who was responsible for the decision to invest moneys, such a large sum of money of the L.I.C. in these Mundhra concerns? What procedure was adopted in investing this money, and whether the price paid was proper or improper? These are the three parts. These three main questions have been by-passed by bringing in this extraneous or other extraneous matters. I shall first take up the last two points. With regard to the price paid, much has been said, particularly in the two-hour discussion in the Lok Sabha. With regard to the procedure I must submit that once the decision has been taken to

invest large amounts in the shares of a particular concern, then I fail to see how really a different procedure than the one adopted in this case could be usefully adopted. Everybody knows that investment of a very large sum in the share market particularly from the L.I.C. is bound to disturb the share market. If we go into the open market, maybe so many shares are not available or maybe, on the contrary, we will be handicapped because scrips are not available as much as we want. Suppose you want one lakh shares worth crores of rupees; they are not easily available in the market. Nobody is prepared to bargain with you. Therefore you get them in dribbles and when you get in dribbles, you are bound to pay higher prices. It will be unbusinesslike if we adopt this procedure. I would again say that once we come to the conclusion that a very large amount, in the interest of the L.I.C., should be invested in the shares of public concerns in the private sector, once that decision was taken, the other follows logically that the procedure that was adopted was proper and that was by negotiation only, because the L.I.C. was purchasing shares almost of such dimensions which gave, if not fully, almost the controlling interest in these various concerns. Therefore, I do not find anything wrong with the procedure.

Regarding the prices I have my own doubts although many other gentlemen, hon. Members of this House as well as of the other House, have expressed their opinions to the contrary. Personally I feel that in regard to the prices paid and particularly in view of the procedure followed when the decision had been taken, we cannot quarrel with the prices because, my friend Mr. Jaswant Singh suggested, already there is a loss of Rs. 10 lakhs. I say 'No'. Because we have not sold the shares yet. Loss has not yet been sustained. . . .

SHRI JASWANT SINGH: Higher prices have been paid by you and so you will lose . . .

**SHRI LAVJI LAKHAMSHI:** Yes possibly, if you go to the market. If we unload all these big shares somebody will have to bear the loss at that time. I am, as a matter of fact, told that if by negotiations we still to-day want to sell the shares, maybe there will be a profit. There is going to be no loss because the concerns of which we have purchased the shares are very important concerns, concerns having huge contracts from the Government. But that is apart. Therefore the question really is as to who is responsible for taking this decision of firstly making very large-scale investments in the shares of public concerns in the private sector, and that too of this Mundhra. In this case, I must submit that although Mr. T. T. Krishnamachari, the then Finance Minister, denied all his knowledge about it, I find from the evidence that he in fact knew and he and he alone must be the person who sanctioned the purchase or sanctioned the idea of entering into the share market for the purchase of the large amount of shares and that too from Mundhra.

**DR. W. S. BARLINGAY (Bombay):** What is the evidence for this?

**SHRI LAVJI LAKHAMSHI:** I am coming to it. I am challenged here. In the papers it is reported that the hon. Mr. Feroze Gandhi—to whom goes the credit of bringing to light all these facts which he has done in the public interest, not only this but also other things he has brought out creditably—has also suggested the same thing that there is no evidence whatsoever. I would say that when he says that there is no evidence, what he means is, no evidence other than oral evidence given by various persons, because the oral testimony has been given. The oral testimony is there of no less a person than Mr. A. K. Roy, who, I understand on retirement, is tipped to be the Auditor and Comptroller General of India. He has given oral evidence. Mr. B. K. Nehru has given oral evidence. Mr. Patel has given oral evidence. Oral evidence is

there but it is said that witnesses may lie. Witnesses may not tell the whole truth but the circumstances do not tell a lie and I would point out the circumstantial evidence to show that Mr. Krishnamachari knew about this thing and knowing Mr. Krishnamachari as we do, for a man of his ability, of his vigour and initiative, mere knowledge with him does not count. He either sanctions or does not sanction, particularly when he knows the antecedents of Mr. Mundhra.

**DR. W. S. BARLINGAY:** It is a surprising conclusion from a lawyer.

**SHRI LAVJI LAKHAMSHI:** As a lawyer I am coming to this conclusion. I am not quite in agreement with you. As a lawyer of some experience I might tell you that circumstantial evidence is there on record to suggest it. Firstly, Mr. Krishnamachari has published a statement very recently and in paragraph 11 of that he suggests that so far as the policy of investment of L.I.C. was concerned, he was guided by one principle, namely, that the L.I.C. investments, if they are in Government Securities, need bring in only some returns but in other cases they must bring 5 per cent. return and for that reason, he disallowed some of the proposals for investment in certain public sector concerns. As a matter of fact he put up more interest in the case of the I.F.C. As a matter of fact, with a view to earning that 5 per cent. return he directed that shares of Tatas and ACC must be purchased. While making that statement he also thereby gives us to understand that he was very much on the scene and so far as L.I.C. investments were concerned, he was directing the investments in the purchase of shares in Tatas and ACC. He was turning down the purchase or investment in certain things, sanctioning some and was not sanctioning others. Therefore he was not the person, if anything with his knowledge in business, who would only say 'Look into it'. Mr. Feroze Gandhi defended this word 'look into it'. This was in connection

[Shri Lavji Lakhamsi.]

with the meeting at Bombay on the 22nd or 23rd, I forget the date. It was brought to his notice that Mundhra shares were being negotiated. He said 'Look into it'. Mr. Krishnamachari with his vigour and initiative, his expressing this 'Look into it' should not be equivalent to the innocuous 'Look into it' used by the hon. Prime Minister in connection with General Thimmayya, as suggested by Mr. Feroze Gandhi. This 'Look into it' was a very much formidable 'Look into it' with fore-knowledge about a thing and not a 'Look into it' of a mere casual remark.

SHRI T. S. PATTABIRAMAN: You forget that so far as . . . (Interruptions) evidence goes, even Mr. Patel did not go as far as you say . . .

SHRI LAVJI LAKHAMSHI: Mr. Patel may not have before the Chagla Commission . . .

(Interruption.)

I am not defending Mr. Patel. If you say that he is guilty, by all means sack him. I am not defending Mr. Patel at all but when I see that the Minister—and I agree entirely with Mr. Shiva Rao—lets down his officers, whether what he has done . . .

SHRI P. N. SAPRU (Uttar Pradesh): Mr. Krishnamachari came first in the witness box.

DIWAN CHAMAN LALL: What about the officers letting down the Minister?

SHRI LAVJI LAKHAMSHI: Quite right. Then punish them. I am also partisan for none. From what evidence I have been able to recall I speak. I may tell you that I am a great admirer of Mr. T. T. Krishnamachari. He is a great economist, he has done great service. As a matter of fact he has taken our budgets outside the normal grooves and he has brought nearer the establishment of the socialistic pattern of society. All

credit goes to him but what I say is this that Mr. Krishnamachari, not that he wanted to disown even, got nervous at a certain stage. That is all that I say. Nothing else. It was a question of nervousness. Very intelligent people sometimes get more nervy than ordinary people. There is another thing also.

[THE VICE-CHAIRMAN (SHRI DAHYABHAI V. PATEL) in the Chair.]

THE VICE-CHAIRMAN (SHRI DAHYABHAI V. PATEL): Your time is up.

SHRI LAVJI LAKHAMSHI: Two minutes only, Sir.

PANDIT S. S. N. TANKHA (Uttar Pradesh): Let us have the evidence.

SHRI LAVJI LAKHAMSHI: Another instance I can give and it is that Mr. Mundhra on the 7th May 1957 records at the B.I.C. Board of Directors' meeting that he met along with Mr. Bhattacharyya the Chairman of the State Bank, Mr. T. T. Krishnamachari and discussed with him the whole matter. And this is something recorded on the 7th of May which is much prior to the deals that were entered into, very much prior to the controversy that has come about. That cannot be a lie. That he did meet him is a fact. This shows, Sir, that the prior knowledge of Mr. T. T. Krishnamachari was there. It is also reported that Mr. B. K. Nehru prepared the long statement and that statement was shortened and it was said that there was the approval for this deal by the Finance Minister.

PANDIT S. S. N. TANKHA: The prior knowledge was that Mr. Mundhra was not reliable.

SHRI LAVJI LAKHAMSHI: Pardon me, I am talking of a record made on the 7th of May 1957, prior to the Mundhra deal.

And here, Mr. Patel who had advised Mr. C. D. Deshmukh against any Mundhra shares or . . . (Time bell



rings.) I will finish in a minute, Sir. Mr. Patel had advised Mr. C. D. Deshmukh that he was not a reliable man, because he was likely to artificially put up all these things in the share market, and as such we should not deal with such a man; how could he suddenly change his opinion of the man? There is no charge of *mala fides* against Mr. Patel and the Report also says there is no charge of *mala fides*. But then, why did this man all of a sudden change his opinion? Sir, the answer or the key to this question lies in the statement of Mr. Krishnamachari himself. Mr. Krishnamachari is of the strong opinion that persons do not matter. He says, "I am not buying Mundhra. I am buying the shares of Mundhra. Mundhra may be a bad man, but if the shares are good there is nothing wrong in buying them, in a good company, even though they may belong to Mundhra." So the very first principle that we should not deal with Mundhra is given the go-by by no less a person than Mr. T. T. Krishnamachari. It was not Mr. Patel who did it.

DIWAN CHAMAN LALL: That is all right.

SHRI LAVJI LAKHAMSHI: If that is right, then it follows immediately as a corollary of it that Mr. Krishnamachari knew about it and he was very much responsible for the deals and for the prices. Mr. Krishnamachari on the 4th September, to a question whether the moneys of the LIC were invested in private enterprises, replied, "No". Certainly they were invested, but a technical reply was given. Again on the 29th November an unsatisfactory and evasive reply was given to another question. And then there were the discussions and the final statement where Mr. Feroze Gandhi brought out all the facts about the prices, that the prices were paid on a Sunday and that in some of the cases the prices paid were higher than asked for etc.; these made him nervous. So

he would not give out anything. There is something very wrong. Really he has sanctioned it as a policy and said "you may deal with Mundhra. You may look into it". But then what is the procedure? There is no other procedure you can adopt in the stock exchange. The stock exchange is such a delicate matter and it is so sensitive that whenever you make big purchases, there are bound to be ups and downs. So no other procedure could be adopted except that of negotiations and in the case of negotiations there is likelihood of a little discrepancy of prices here and there, if you agree that there is no *mala fide*. Ask any individual person. Ask Mr. Himatsingka. Ask Mr. Babubhai Chinai. They will tell you that if they invest money in large sums, there is likelihood of a little loss here and there. So I do not find fault with the prices. Personally I think Mr. Krishnamachari felt that the prices had been paid which were rather very bad. He agreed with Mr. Feroze Gandhi's suggestion. Therefore, he became nervous. And today this is the result of his disowning this. What happened? These voluminous reports have come. If he had stated in Parliament that day and frankly admitted and said, "I am of this opinion. I disagree. Mundhra I can deal with. This investment had taken place and I decided the price-part of it". That would have been all right and such big enquiries would not have taken place.

DR. A. N. BOSE (West Bengal): Mr. Vice-Chairman, about a year and few months back, when the purchases of the Life Insurance Corporation were exposed in Parliament and when the deals were immediately referred to an examination by a judicial commission, high hopes were raised that the new-born State had taken a great stride towards building up democracy. It was a courageous step for a Minister to have referred for public examination a deal in which his own reputation was seriously involved. But these early hopes received a rude

[Dr. A. N. Bose.]

shock when immediately after the Report of the Commission which gravely compromised the position of the Minister, the Prime Minister came forward in defence of his colleague and gave him a good conduct certificate. Thereafter, the part of the officers in this business was referred for investigation to another board of enquiry. After this board had reported, the matter went up to the Public Service Commission and last of all, to the Government for its final disposal. As a result of all this, ultimately all the accused have been exonerated. Shady transactions had been revealed. It has been established that public money had been wasted, but none have been found guilty. All have acted in good faith. The proverbial mountain in labour has brought forth a mouse. Sir, the people feel bewildered. Expectations were roused among the people that neither the Minister, nor the highest officers of the State, whatever power or position they might hold, cannot escape the arms of democratic justice. These hopes have been dashed into pieces. Sir, of all the literature on this sordid business which has been circulated amongst us, only the enquiry of the Bose Board gives us a thorough and exhaustive picture of the whole business. The Board had to work under great handicaps. Nobody was in a mood to tell the truth. As the Report says:

"We found some of the highest officials of the land shirking responsibility and hiding the truth. We found each trying to wash his hand of a matter that has evoked much public criticism and each trying to throw the blame on the other. The Minister blames the Principal Finance Secretary and the Secretary blames the Minister and a colleague who holds a high office; the colleague shifts the onus to a co-worker, the Managing Director of a large national institution in which both hold high and responsible office and the Managing Director,

in turn, blames each of the others. All these gentlemen and a Governor of the Reserve Bank, as well as the Chairman of the State Bank of India give differing and mutually contradictory versions of the same incident. Men of standing in the business world give us childish explanations to cover up something of which they are either frightened or ashamed. We have not been told the whole truth".

This was what the Prime Minister regretted immediately after the Chagla Commission had presented its report and that stands true even to this day, after the recommendations of the Public Service Commission and the Resolution of the Government. At the same time, Sir, there was no doubt about the fact that shady deals had been made, that there was impropriety in the transactions and that there had been loss of public funds. "No one pretends," as the Bose Board Report goes to say, "that it was a proper business transaction for even the defendants say that if high level policies and Government directives had not been involved, they would not have entered into it or, at any rate, they would not have done so, if they had known the facts that have now emerged." So, Sir, there is no doubt about the dubious transactions, the shady deals and the loss of public money. The question is about the fixing of the responsibility and that is a far more difficult task because every important actor of this drama is trying to shift the blame on to others. The Chairman says that he was acting under the directions of the Finance Secretary; the Finance Secretary says that he was acting under the orders of the Minister and so on it goes. Hence, the Bose Board had to go into the whole matter. They could not possibly confine themselves strictly to the officers. The very case shows that that was impossible because if you want to go into the case of the Finance Secretary, the Minister is dragged in; the Finance Secretary is

proved innocent, if he acts under the orders of the Minister and so, the Minister has to be dragged in. Sir, the Union Public Service Commission and the Government have regretted that the Bose Board went outside the terms of reference and they have cast some reflections also in that the Board has brought in motives. Sir, that is too legalistic a view of this thing. Any board of enquiry must go into the whole business, must enquire into the how and why of the case and must probe into the motives because it is the motives that throw light on the actions. If it was wrong on the part of the Board to have gone into the motives or to have gone outside the terms of reference, the Union Public Service Commission and the Government too have committed the same mistake in that they have brought in the Minister. What business did the Government Resolution have with the conduct of the Minister? What did it have to do with his conduct? Why do they bring this in paragraph ten, absolving him of all responsibility? He was not within the terms of reference. Why did they go into the motives of the Finance Secretary? Why did the Public Service Commission and the Government Resolution say that there was no *mala fide* on the part of the Finance Secretary, that there was no personal gain? I say, Sir, that motives have to be enquired into and there cannot be strict hide-bound and limited terms of reference confining an enquiry only to the conduct of the officers. On the whole, Sir, in spite of the hard language used, in spite of the occasional digression from the main thing, it is the Bose Report which gives us a consistent and a convincing account of the whole story.

Now, Sir, to come to the story. In April, 1957, when the Finance Secretary was Chairman of the Corporation, he purchased fifty thousand shares of Jessops without the advice of the Investment Committee, not through brokers but directly and at a higher price than the market rate. The

second transaction was in June, 1957, when shares from six Mundhra concerns were purchased in desperate hurry, offering much higher prices than even Mundhra himself had asked for, the margin being Rs. 66,250. Then, in September, 1957, further shares were purchased from Jessops and Richardson & Cruddas, when Mr. Kamat was the Chairman, under the instructions from the Finance Secretary. Now, the question is this: How were those purchases made? Under what terms were they made, under what authority and, who were responsible for those purchases? Sir, the Life Insurance Corporation Act provides, in section 19(2), for an Investment Committee with four experts included in it to see that the investments are made according to sound business principles. According to the Act, the Corporation is an autonomous body. Section 21 of the Act entitles the Central Government only to give broad directions of policy as regards investments, not the right to select the investments but to give broad directions of policy and even that must be communicated in writing, not verbally. Now, what was done? Government exceeded the limits of the Act. They went into the minutest details of every investment and did not give any directive in writing. The Investment Committee and the Executive Committee of the Corporation were shunted aside; they were deprived of their functions; their functions were usurped by the Chairman and the Managing Director and from them by the Finance Secretary himself. The Finance Minister says that he did not know that the Investment Committee was by-passed; the Finance Secretary says that he knew it perfectly well and the Secretary acted under the orders of the Minister. The Secretary says that the policy was decided at a high level and that this new policy was initiated by the Minister himself. The Minister, reversing the policy of his predecessor, Mr. C. D. Deshmukh, decided to control the funds of the Life Insurance Corporation and so it was

[Dr. A. N. Bose.]

decided at a high level that the funds would be administered by the Government, not by the Corporation, not by the Executive Committee or the Investment Committee, as provided in the Act.

Now, what is there to justify this action? To justify this shady deal, to justify the purchase of spurious shares, a fiction had to be created and the fiction was a crisis in the Calcutta Stock Exchange. There was nothing in the press to suggest that there was anything serious there. Even the Minister himself could not agree that there was a crisis in the market and even the Governor of the Reserve Bank does not testify to it.

PANDIT S. S. N. TANKHA: The hon. Minister has stated that there was a crisis.

DR. A. N. BOSE: But how they came to the conclusion is given here on page 81 of the Bose Report:

"The whole fabric is built up on a casual statement of Mr. Chaturvedi in Calcutta which in turn is based on Mr. Mundhra's unverified statements;"

SHRI J. S. BISHT (Uttar Pradesh): What page is it?

DR. A. N. BOSE: Page 81. And it says here:

"...and to all that is added a high policy directive given in this off-hand manner. It is significant that not a single broker has been called to say that he was about to sell or was threatening to sell. The whole fabric rests on Mr. Mundhra's unverified assertion."

And then on page 84 it is said:

"This is very much like 'The House that Jack built.' Mr. Kamat relies on Mr. Patel and does not think any verification is necessary because Mr. Patel is 'in a very important position'; Mr. Patel relies on Mr. Chaturvedi because he holds a responsible position as Chairman of the Calcutta Stock Exchange; and Mr. Chaturvedi appears to rely on Mr. Mundhra who was his close personal friend. So the whole edifice is built, brick by brick, on Mr. Mundhra's unverified assertion that he is in trouble with his brokers."

That is how this fiction stands. Here comes the question of motive. Why was this transaction made? Sir, who has benefited by this transaction? Obviously, it is only one man, Mr. Mundhra. And incidentally it happens that this gentleman had obliged the party in power by stopping the closure of the Kanpur Cotton Mills, stopping the closure at a huge personal loss of Rs. 25 lakhs a year and this also stands uncontradicted that he made a donation of Rs. 2½ lakhs in two instalments to the party in power. I doubt whether any friend opposite will claim that Mr. Mundhra was a philanthropist, that he was a disinterested person completely devoted to public good without caring for his own profit, I doubt whether any of my friends opposite will make that claim. Then why did he make these offers? Why did he incur this heavy loss? It just fits in with the story that all these financial experts made a deal which led to a huge loss of public money to repay his generosity. And nobody denies either part of the story. How do they fit in? How do you account for these without connecting these two incidents? Sir, on this I shall again quote from the Bose Report. On page 59 it is stated:

"First, Mundhra shares were totally banned;"

That was when Shri C. D. Deshmukh was the Finance Minister.

"next Jessops were purchased; and then, in this telegram, Jessops and B.I.C.; and by the time we come to the 24th of June, it is almost anything that Mr. Mundhra can reasonably offer to bring the figure up to a crore and a quarter of rupees."

The Finance Minister denies that he issued any instruction to his Secretary. All that he admits to have said is that the matter may be looked into and that he had also urged caution. Sir, there are two grave objections against the plea of ignorance given by the Finance Minister. First of all, his answer to the question in Parliament where he categorically stated that the investment was worthwhile and that if the Stock Exchange was relieved, that was only incidental. He tells before Parliament that this was a good business transaction, a financially sound transaction, and later on in this apologia he comes forward with the plea that the Minister could not possibly go into the matter when he has to answer about a hundred questions a week. Sir, it is strange that such a serious matter could not be looked into by a Minister like him and that Parliament could be hoodwinked with a draft prepared by his Secretary. The Bose Report rightly says on page 150 that the Finance Minister seeks to avoid disclosure of the facts in Parliament.

The second objection against his plea is that he took no step against his Secretary after the deals came to light, after he was in possession of facts. Again here in this apologia his argument is that repudiation is not a normal administrative process and that it has to go through a long chain of procedure. Sir, there are ways of reprimanding an officer without going into this long chain of procedure. He could have written a note of censure somewhere in the files. When he could do the same thing against officers

like Messrs Kamat and Vaidyanathan in very strong language, nothing prevented him from putting something on record to show that he disagreed and gravely disapproved of these deals. The Bose Report finds the Finance Secretary guilty of all the charges, finds him guilty of abuse of authority, interference in the autonomy of the Corporation, influencing the Chairman of the Corporation, negligence in fixing the prices of the shares, impropriety of the transactions and causing loss to the Corporation. By implication the Finance Minister is also indicated although his part was not open, although he did not openly and formally commit himself. It is clear from the Report that he could not absolve himself of the responsibility.

Then comes the Report of the Public Service Commission. It completely upsets the apple cart. Its finding is that the Finance Secretary and the Chairman of the Corporation acted rightly in the purchases of June, that these purchases were the best under the circumstances, that there was a real threat to the Stock market of Calcutta and that if Mr. Mundhra was relieved that was only incidental. The Commission further finds that the Secretary acted under the orders of the Minister and it further goes on to record that the Finance Secretary has to implement the policy of the Government, that he has nothing to do with the provisions of the Act, nothing to do with the strictures of Parliament, that he is entirely bound by the orders of the Minister, that he did nothing improper, that the transactions were not against sound business principles and that he had the formal orders of the Minister who was aware of everything from beginning to end, who was aware of the antecedents and the bad reputation of the person he was dealing with and who was also aware of the prices that were being offered for the shares. The only fault found in the Union Public

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Service Commission's Report is regarding the price in June, that those prices were not fixed with care and caution, for which the Chairman is censured. Thus, the findings of two eminent Judges, who examined a large number of witnesses, who went into a mass of data and evidence, were set aside in this short summary report. The whole thing was upset. But the strangest part of the whole series is the Resolution of the Government. This Government Resolution comes as a fitting climax to this fantastic and sordid story. It says that the transactions were against business principles and against propriety. But who did it? Who did the transaction which was against business principles and against propriety? Certainly not the Minister. The Minister had his certificate from the Prime Minister at the very beginning. And then the Government Resolution has to counteract the comments of the Union Public Service Commission against the Minister. Unfortunately, to absolve the Minister is to indict the Secretary, and to absolve the Secretary is to indict the Minister. But here the Government Resolution performs the astounding trick of reconciling these enigmas and absolving both. The Minister was not at all concerned with the business and the Secretary acted in good faith—not for personal gain. So, we come to this that there is the guilt, but nobody is guilty. A grave offence has been committed, but nobody is the offender. To the ordinary lay public all that comes out of all this is that oral instructions and hints were given by the Finance Minister to his Secretary. He did not commit anything to writing, but hints and instructions were given. The Secretary was wanted to execute the policy which was communicated and he was allowed to improvise any means he likes to implement that policy. Then, the question that will come from the common man is: Why did the Finance Minister, who is known as an efficient man, a man with personality, a man with a sound knowledge of finance,

should enter into these dubious deals or allow his Secretary to enter into these deals, knowing fully well the man he was dealing with and the companies which this man was controlling? This also leads to the only suggestion, the suggestion of assistance theory. Nobody has denied that this man made a contribution of Rs. 2½ lakhs to the Congress Party. Nobody has denied that the stopping of closure of the Cawnpore Cotton Mills inflicted a loss of Rs. 25 lakhs on him. The only thing that has been pleaded from the other side is that other parties also are receiving donations. It is just like this. When you accused somebody of theft, the thief said that the others were also stealing. And then, what gifts are the other parties receiving from businessmen, I do not know. And I have never heard of any gift received from any quarter, from any businessmen by any political party besides the Congress, of any amount rising up to six figures...

SHRI B. K. P. SINHA: It is only from foreign countries that disinterested aid comes.

DR. A. N. BOSE: I am not speaking about foreign countries. That you can discuss with the other friends.

THE VICE-CHAIRMAN (SHRI DAHYABHAI V. PATEL): Please wind up.

DR. A. N. BOSE: Yes, Sir, I am not so much concerned with the actual fixation of guilt for its own sake. If fixation of guilt is necessary, it is only to avoid repetition, to deter the commitment of such deeds in future. Unfortunately that purpose has not been served. There are issues which are even more important than the fixing and the finding of the guilt. The whole business raises issues of great constitutional and administrative significance. First of all, the appointment of the Finance Secretary as Chairman of the Life Insurance Corporation puts the man, however loyal and conscientious he might be,

into a dilemma as to whether he should serve the Government or should serve the Corporation. When the interests conflict, should he be loyal to Government or should he be dutiful to the Corporation? And then, another point raised is whether the Act is to be honestly and scrupulously observed by the Minister or whether the Ministry can circumvent the Act, which was obviously done in this case, and, when it is done, whether the Parliament should be hoodwinked or taken into trust. It appears occasionally as if the Question Hour in Parliament is a battle of wits, as if the interrogators are out to extract the maximum information from the Minister and the Minister is out to hide, to withhold as much information as possible, particularly when the prestige and the interest of his department are concerned. I think these questions are very ominous to the future of democracy. If the Minister answers question with *suppressio veri and suggestio falsi* and if the solemn assurances given in Parliament by a predecessor can be set aside by another Minister of the same Government, and if the strictures laid down in the Act can be circumvented by a Minister by enunciating a new policy, I am really afraid about the future of our democracy. I think that all the labours and all the acrimonies roused by this business would have served their purpose if we would be careful in the future and avoid a repetition of such things, such tempering with the Acts and such dubious treatment of Parliament by the Ministers. Thank you.

SHRI P. N. SAPRU: Mr. Vice-Chairman, I would like to speak briefly on this motion. In discussing this motion we are really flogging a dead horse. Government have very rightly, in my opinion, accepted the findings of the Union Public Service Commission. Many harsh things have been said about the Union Public Service Commission. I would like to point out that under the Constitution, the Government was bound to consult the Union Public Service Commission.

I think they had to make a reference under the relevant article of the Constitution in regard to this matter. I think it is right, wise and proper that Government should attach the highest importance to the views in regard to service matters of the Union Public Service Commission. It is the constitutional adviser of the Government in these matters, and I am glad that Government has adhered to the convention of going by the recommendations of the Public Service Commission in this matter. I think, Sir, this convention is essential in the interests of preserving the morale of the public services. I do not say, Sir, that we should pamper our public services, but we should show to them that we mean to be fair to them and that they can rely upon our support if they discharge their duties in an efficient and honest manner.

Now, Sir, having said that, the Public Service Commission has to be consulted in regard to all disciplinary matters, I would like to say that I have a very high regard for Mr. Justice Bose. I think he is one of our great jurist, and he is a man of sturdy independence and high integrity. But I would say that there is no law or no rule or no convention which requires that the opinion of a Judge, if he happens to be the presiding authority of a Board, should be invariably accepted by the Union Public Service Commission. The Service Commission has to exercise its own judgment in this matter. It has to act according to its light. Therefore, the Public Service Commission had to exercise its mind on the matter before it. Now, it follows from this that the Public Service Commission cannot be blamed for venturing to differ from the views of a body which had a Supreme Court Judge as its Chairman. It could not regard the findings of the Supreme Court Judge on this body as binding on itself. It could not abdicate its functions.

The Public Service Commission, I may point out, Sir, is not composed entirely of service members. It has

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an element drawn from non-official life also, and it has a service member of very high integrity and ability as its Chairman. Government would have been justified in disregarding the opinion of the Public Service Commission if, in all the circumstances of the cases, it could be said that its opinion was perverse or so unreasonable that no reasonable man would accept it as reasonable. Of course, I may just draw an analogy from one's experience of juries and jury trials. Courts do not set aside the verdict of the jury unless they think that that verdict is perverse or so unreasonable that no reasonable body of men could give that verdict. That is the attitude which Government has adopted, and I think, therefore, the Government has set in this matter a right precedent.

I have read with care the Bose Board Report, the Chagla Commission Report and much of the evidence that was tendered before these bodies. That evidence makes very painful reading. The evidence of Mr. Krishnamachari makes very painful reading. The evidence of Mr. Iengar and Mr. Bhattacharyya makes very painful reading. I am surprised, Sir, that in the last part of their resolution reference should have been made to the evidence of Mr. Bhattacharyya and Mr. Iengar and the injunction should have been laid down that courts or advisory boards may not comment upon the evidence of persons who give evidence before the Commission or the Board. I think, sir that that is a quaint rule to lay down.

Then, Sir, I would like to say a few words on certain aspects of this controversy. Both the Chagla Commission and the Bose Board have taken the view that the whole truth has not come out, and the Bose Board has taken the view that the principal actor in this drama was Mr. Patel. But may I point out that they have not acquitted Mr. Krishnamachari in regard to his responsibility for it? There are certain pages and passages

in the reports which show clearly that in their opinion the transaction had been concluded even before the Bombay meeting, the Bombay meeting only put a sort of coping-stone on it. There are pages in the reports where they have criticised Mr. Krishnamachari. They have gone to the extent of disbelieving him, and it is a serious thing for a man occupying a highly responsible or a dignified position to be disbelieved by two courts or two Judges. Now, Sir, I think their assessment of Mr. Krishnamachari's evidence, whatever Mr. Feroze Gandhi may say, is unanswerable. On the 31st August 1957 I am omitting all reference to what happened before the 31st August—on the 31st August Mr. Krishnamachari had to finalise the answer to certain questions. He said in his evidence that his intention was to leave it to the Deputy Minister to answer. But he also said that he actually indicated the way in which the question should be answered. The actual shape of the answer was his. He had Mr. Patel's note about them. Mr. Patel had advised him to disclose the facts. That should have put him on his guard. He should have looked into the pad. He had at one time two Ministers of State and one Deputy Minister to advise him. But he felt he could do without them. He thought he could behave like a dictator and do as he pleased. Therefore, it occurs to me that it was his bounden duty to look into the pad, and if this transaction had not had his support or approval, then what was the obvious thing for him to do? He should have sent for Mr. Patel and told him: "Look here, I am not happy about this. How is it that this thing has occurred? You know what my views are. You know what the views of the Ministry are. Well, you had only a casual talk with me. How did this happen?" Nothing of the kind. He comes to the House when questions are put and answers questions and now says "I was answering questions on the spur of the moment". In fact he makes a speech later. The matter is again taken up by the House



on the 29th of November and then on the 16th December, and it cannot be said that he was frank with the House. I venture to assert with some confidence that if his evidence is placed before a body of 100 judges taken from all parts of the world, the painful conclusion they will come to is that the man is not frank, that the man is one upon whose word no reliance can be placed. If that is so, it is a serious matter.

**SHRI T. S. PATTABIRAMAN:** No question of 31st August and 19th September as you allege. It was on different dates.

**SHRI P. N. SAPRU:** I have read the thing. My friend has read the thing. You may answer this question in a technical. . . (*Interruptions*).

[**MR. DEPUTY CHAIRMAN** in the Chair.]

**SHRI T. S. PATTABIRAMAN:** 4th of September....

**SHRI P. N. SAPRU:** The writing is on 31st August. The question was to be put on the 4th September. May I just say one word? There were two witnesses before the Bose Board. I am not going into the technicalities of the law with regard to 2 P.M. their evidence. But from a broad commonsense point of view, I do not understand why the evidence of either Mr. B. K. Nehru or Mr. A. K. Roy should be discarded. They had nothing to gain by coming forward to support the point of view of Mr. Patel. They know what the point of view of the official world was in regard to Mr. Patel. Why should they come forward with those statements? And if Mr. Roy is to be believed, then on the 24th or 25th of June, Mr. Krishnamachari knew all about the transaction. I submit that in the face of this evidence, it is a tall order to ask us to believe that Mr. Krishnamachari was a very virtuous person who has been the victim of a Secretariat plot. Mr. Deputy Chairman, there are certain things which Gandhiji has left to us. He has left to us a tradition of honour; he has left to us a tradition

of truthfulness and he has left to us a tradition that we must eschew evil in every way. I do not think that it adds to the prestige or the glory or the credit of our Party to come to the rescue of Mr. Krishnamachari just because he was one of us. I am not suggesting for a moment that Mr. Patel, if I am to discuss the evidence, is completely blameless. Certainly, he has shown over-enthusiasm. But I have a lot of sympathy for Mr. Kamat. I know he is a man of integrity and the only evidence which impressed me in the case was that of Mr. Kamat.

May I, before concluding say a word about this assistance theory? I am very sorry that this assistance theory was advanced by Mr. Justice Bose. All industrialists have contributed to party funds. But before a court or a body declares even tentatively that this is the motive of the thing, it should have some evidence to that effect. The case was never put, as lawyers call it, to the witnesses who came before it. It was a case which had never been examined by any party and therefore, fairness demanded, that the Board should have put that case, if that was the thing which was operating in their minds.

There are many other things which can be said about this transaction. Happily, there is one great merit about the Report of the Union Public Service Commission. It says that the transaction was proper and all agree that there was no *mala fide* about it. Mr. Vaidyanathan has gone. He was responsible for this price fixation. If we accept that theory, then it becomes unnecessary to speculate as to what happened before or after the transaction. I think my friend, Mr. Lavji, was very right when he said that Mr. Krishnamachari was nervous when he was answering questions in the House. One mistake leads to so many other mistakes. Therefore, I would wind up by saying that we should accept this Report and we are thankful to the Union Public Service Commission for it.

**SHRI B. D. KHOBARAGADE** (Bombay): Mr. Deputy Chairman, Sir, I have carefully read the advice of the Union Public Service Commission and the Resolution of the Government on the deal which was entered into by the Life Insurance Corporation. I regret that I do not agree with the findings of the U.P.S.C. and I cannot approve of the Resolution of the Government based on it. The Resolution, in my opinion, amounts to an impudent and dishonest effort to convert the most sordid, squalid and scandalous deal into an honourable affair and to hail the villain of this drama as hero. Sir, I may point out that the Resolution itself is self-contradictory because it has been accepted by the Government that the transaction in question was not entered into in accordance with business principles and was also opposed to propriety on several grounds. That is the finding of the Government, and at the same time, in the same Resolution, the Government says, "Mr. Patel's appreciation of the situation was correct and that the remedy proposed by him was required in the public interest." Well, Sir, I am rather unable to understand how a deal can be improper as well as justified. If we have got any sort of justification, then it may be said that the whole deal is proper. But when you are saying that the deal is improper, then with any amount of justification, it cannot be said that it is a proper deal. Therefore, when the Government is saying that the deal is improper and at the same time, that there was proper justification, I am not able to understand this contradiction. It is strange how the U.P.S.C. has arrived at this conclusion that the whole deal has been justified in the interests of public and for saving the Calcutta Stock market from some economic crisis. What is the opinion or conclusion of the U.P.S.C.? It says,

"While it would possibly have been argued that there existed no immediate danger to the Calcutta Stock Exchange arising from the

Mundhra drag, the officers concerned were fully justified in coming to the conclusion that the threat to the market had not passed"

So far as this transaction is concerned, we have got three or four reports before us. We have got the findings of the Chagla Commission; we have got the findings of the Bose Board of Inquiry. We have got the U.P.S.C.'s advice. If we take all these into consideration and compare all those documents, what is the conclusion that we can draw? In my opinion, the advice of the U.P.S.C. can never be compared with the voluminous reports of the Chagla Commission or of the Bose Board. In my opinion, the reports of the Chagla Commission and of the Bose Board of Inquiry are the work of intellectual giants when compared to the report of the U.P.S.C. which is the work of pigmies. There is no doubt about that.

**SHRI P. D. HIMATSINGKA:** In size?

**SHRI B. D. KHOBARAGADE:** I am not referring to the size. I am comparing these recommendations and reports.

**SHRI N. M. LINGAM** (Madras): What is your yardstick about intellect?

**SHRI B. D. KHOBARAGADE:** I do not want any interruption.

Let us see in what way the problem has been approached by the different Boards. The Vivian Bose Board has approached the problem with an open mind. Whenever it was possible to give any benefit of doubt, it has given it to Mr. Patel also. So far as the Calcutta meeting of the 18th June, was concerned, the Bose Board has come to the conclusion that there were contradictory reports and therefore no version should be accepted, and that the benefit of doubt should be given to Mr. Patel and it accepted the version of Mr. Patel. Therefore, if we go into the Report of the Bose Board, we will come to the conclusion

that it had an open mind and the Board wanted to find out who were the persons responsible for this deal. If we see the Report of the U.P.S.C. it seems that they had already arrived at some conclusion, and that they wanted to find out how to justify those findings and conclusions. And in arriving at conclusions and findings they have suppressed certain facts and they have only mentioned those facts which are favourable to Mr. Patel. I am rather very sorry to note that the U.P.S.C. have not referred to the questions or problems that have been referred to in the Bose Board of Inquiry Report. What about the telegram of the 13th June that was sent by Mr. Sodhani to Mr. Mundhra? What about the rumours that were prevalent from the 17th June to 25th June, that Mr. Mundhra was getting about Rs. 1.25 crores? What about the press reports that there was no such Mundhra drag and the flooding of the market by Mundhra shares would not create any crisis? There were no such reports as alleged. What about the pattern of movement of Mr. Patel and Mr. Mundhra? We find from the Report that the movements of Mr. Patel and Mr. Mundhra have synchronised in Delhi, Bombay and Calcutta. What about Mr. Bhagwati? Mr. Bhagwati was Mr. Patel's counsel, and when he was asked about any press reports which mentioned that there was some sort of crisis in the Calcutta Stock Exchange market, Mr. Bhagwati had to admit that there was no such press report prior to the 17th June, or 25th June also. So all those facts which are relevant to the issue and which conclusively drive at the guilt of Mr. Patel, all those facts have been conveniently omitted and ignored by the U.P.S.C. And what do we find? They have blindly accepted Mr. Patel's version everywhere and exonerated him. Sir, I wonder, having gone through the U.P.S.C. Report, whether the U.P.S.C. was acting as a counsel for Mr. Patel or it was sitting in judgment over Mr. Patel. If it was acting as an advocate pleading the case of Mr. Patel, I must admit that it has done

superbly well. But if it was sitting in judgment over Mr. Patel, then I must submit that it has miserably failed in that respect.

What is this Mundhra drag? The U.P.S.C. wants to justify the whole black deal on one ground, that it was justified because of the prevalent rumours in the market that the Mundhra shares were being thrown away at distress prices and the market was flooded with them and there would be some sort of crisis. Now who is this Mundhra? In a judgment Justice Tendulkar made reference to Mr. Mundhra and said that Mr. Mundhra adopted a "thoroughly dishonest attitude" and a "thoroughly dishonest conduct." What about Mr. B. Rama Rau of the Reserve Bank? He wrote to Mr. Patel on the 17th February, 1956 saying that the shareholders of Osler were defrauded by Mr. Mundhra. Mr. Ramnath of the Reserve Bank reported to Mr. Patel about the manipulation in the accounts of some bank. This information was with Mr. Patel all the time, when he entered into this deal. From all those reports, can any sane person, who would like to invest his own money in share, have any connection with Mr. Mundhra? Apart from that, Sir, Mr. C. D. Deshmukh, the former Finance Minister, himself has "advised against investments in any Mundhra concern," not that the concerns were bad from the financial point of view but because of Mr. Mundhra's association with these concerns. And what had Mr. Patel to say? He had deposed before the Inquiry Board:

"What I recommended to the Finance Minister was that it would be unwise to invest in shares of companies whose management is in the hands of Mr. Mundhra. One cannot wholly approve of it. That was the reason. If you ask me whether that consideration was still operative in June, 1957, then I would answer you and say, 'Yes'."

That was the answer given by Mr. Patel before the Bose Inquiry Board.

[Shri B. D. Khobaragade.]

Even on the 25th June he considered Mr. Mundhra an outcast and said that nobody should have any dealings with him. In spite of these things, what did we find in April, 1957? Well, we can presume that in May or June there was some sort of crisis, but what about April when some shares were purchased by L.I.C. from Mr. Mundhra? Of Course, there is no doubt that this transaction was put through according to the advice of the Investment Committee. But what about the direction that was given by the Finance Minister that we should have no connection whatever with Mr. Mundhra? Was that direction to be flouted just because they wanted to help Mr. Mundhra?

And, Sir, what is the story of the Mundhra drag? Was there really any drag? I have already referred to press reports and in all the press reports they have stated that at that time there was no drag and no crisis. I would just quote a few newspaper comments before you. The "Indian Finance" of the 22nd June says:

"It is certain that the investment outlook is one of ascending prices."

There is no reference to any crisis.

"Prices were never more attractive."

What about the "Commerce" of the same date, Sir? It says:

"The downward trend witnessed in shares last week has proved to be a short-lived affair. The markets thus begin to look up again."

Now the "Indian Finance", the "Commerce" and the other papers which gave reports, all arrived at one conclusion that there was no such crisis. So we have to accept the version of Mr. Mundhra and Mr. Chaturvedi and believe that there was such crisis. Mr. Chaturvedi was the person responsible for mentioning this Mundhra drag to Mr. Patel. And who is Mr. Chaturvedi? Mr. Chaturvedi is an old associate of Mr. Mundhra, who

had enjoyed a tour, a stay and a holiday in England at the expense of Mr. Mundhra.

SHRI BHUPESH GUPTA: And travelled to Bombay at his expense also!

SHRI B. D. KHOBARAGADE: Yes, I was coming to that also. On the day that transaction was put through at Bombay, his air fare was paid by Mr. Mundhra. Mr. Patel believed the version of this man only and came to the conclusion that there was some sort of crisis. All right; he believed that there was a crisis. Did he try to find out the truth? Did he verify the facts? What steps did he take? While he swindled away public money amounting to about Rs. 1.25 crores, what action did he take from the 18th June till the 24th June, during those six days? When there was such a great crisis in the Calcutta Stock Market, what action did he take? He did not take any action. He did not bring this question to the notice of the hon. Minister till the 22nd or the 23rd, when he met him in Bombay. Well, is this the way of dealing with a critical situation? Did he think about it? Did he apply his mind to the problem? Well, he has admitted that he had no solution whatsoever to this problem. Solution was not found by Mr. Patel, but by Mr. Mundhra himself. He came and offered the solution saying, "Please buy my shares and relieve me and relieve the Calcutta market." So, with all these things we come to the conclusion that there was no crisis at all. We have only to believe the word of Mr. Mundhra and Mr. Chaturvedi. There were rumours in Bombay and Calcutta on the 17th June that Mundhra was able to get a sum of about Rs. 1½ crores from the L.I.C. Shri A. D. Shroff, Shri K.R.P. Shroff, Shri Esplen, all of them were eminent financiers and business people. They have said that there was no Mundhra drag.

(Time bell rings.)

Only about three or four minutes I shall take, Sir.

MR. DEPUTY CHAIRMAN: Just two minutes.

SHRI B. D. KHOBARAGADE: I have to refer to only one or two points. I say that if we take into consideration all these facts, we come to the conclusion that the whole deal was a shady deal. And apart from that, Sir, we have to consider what the conduct of the people before the deal and after the deal is. Well, it has been quoted at length by some other Members. And the main complaint of Mr. Justice Vivian Bose had been that "we have not been told the whole truth." And if we go through the pages of Vivian Bose Board's Report, we also come to the conclusion that nobody has come forward to tell the truth. Why? If the deal was not improper, why did no one come forward with that fact? That telegram which was sent on the 13th June was suppressed, and it was dramatically produced in the other House by Mr. Feroze Gandhi. When Mr. Krishnamachari was asked questions in the other House, he gave evasive answers. When the question was raised in the Executive Committee of the L.I.C., the Chairman and the Secretary of the L.I.C. suppressed facts and gave evasive answers to Mr. Hashem Premji. What do all these facts drive at? I think, Sir, that the whole Mundhra deal appears to be like an unwanted illegitimate child. Having procreated it, everybody concerned with it is shirking the responsibility of paternity, and striving hard to disown the baby.

(Time bell rings.)

I will finish, Sir. I shall just cover one small point only.

SHRI P. D. HIMATSINGKA: He is trying to cover the baby.

SHRI B. D. KHOBARAGADE: It is disowning a baby. Now, Sir, if the deal was proper, if it was justified on the ground that they wanted to relieve the Stock Market of some crisis, I think everybody would have come forward and taken the credit saying,

"Well, there was a crisis in the stock market and I have thus solved the problem." As it appears, nobody comes forward; everybody is shirking his own responsibility.

In conclusion, Sir, I would only say this—this is of very great importance. So far as the U.P.S.C. is concerned, it should have applied its mind and come to the conclusion without fear or favour. In my opinion the UPSC have not come to this conclusion fairly. That is my thinking. They must have some motive for arriving at this conclusion; otherwise they must have some apprehensions about the attitude of the Government towards this problem. These days we are expanding our public sector and we will have to appoint more Government officials, who will always be coming in contact with big business magnates. Therefore in the interests of tax-payers, we want men of integrity in the services. The U.P.S.C. should have independently thought over this problem and arrived at proper conclusions and punished the culprits. I must express ultimately my thanks to one Member of the U.P.S.C. Mr. Pillay, who was bold enough to think independently and submit a Minute of Dissent. He rendered a service to millions of citizens of this country.

DIWAN CHAMAN LALL: Mr. Deputy Chairman, I have listened to this debate with a great deal of anxiety and perturbation for the simple reason that I do not think this House should set itself up as a final court of appeal in such matters. Two enquiries have been held by two very great men, one the Chief Justice of Bombay who is now our Ambassador in Washington and the second by an equally eminent former Judge of the Supreme Court assisted by very able men, one of them, there is no doubt about it, with an international reputation. Ordinarily the matter should have ended there but under the Constitution all disciplinary matters referring to the civil services have got to be referred to the Public

[Diwan Chaman Lall.]

Service Commission and quite rightly the Ministry referred these matters to the Public Service Commission. Whether we think rightly or wrongly about the decision of the Public Service Commission, there is no doubt that the finality has been reached. In my opinion—and I make no bones about it—the U.P.S.C. is not enjoined by the Constitution to give a finding. It is enjoined merely to fix the quantum of responsibility for the punishment that is to be meted out to any official. In this case the U.P.S.C. has gone a little beyond the constitutional requirements of the case, namely, they have gone into the findings and given their own findings in regard to this matter. Be that as it may, my hon. friend Dr Sapru, who is not present here at the present moment, said a little while ago that it looked like flogging a dead horse. Having said that, he promptly put on his spurs and took a whip in his hand and started flogging all the dead horses that are visible in this sorry business. That is why I am so astonished that a wise, balanced and experienced Member of this House like my hon. friend Mr. Shiva Rao, for whom I have got the greatest affection and admiration should have stood up as if he were arguing a case before a Third Class Magistrate about a criminal. He was trying to defend whom? Trying to defend Mr. Patel. Mr. Patel does not need my learned friend's defence. In the course of defending Mr. Patel, I am very sorry that he cast certain aspersions, if you like to call it, on Mr. T. T. Krishnamachari and I would like to say, although I am averse to the discussion of any such matters in this House except the principle that arises out of this business and I shall come to that in a minute, nevertheless, because my friend Mr. Shiva Rao mentioned this particular matter, I would like to deal with it in a minute or two. What is it that Mr. Shiva Rao says? He talks about a document. A document prepared by whom? Prepared by the Counsel of the—if you will pardon my using that expression—accused, handed over to

the Minister with the request that he should make that as his own case. Is that a document on which any person should rely? Is that a document that a wise man like Mr. Shiva Rao should trot out before this hon. House and ask this House to accept? Accept it as what? As a document in justification of those very people who have asked their lawyer to prepare it for them. It has nothing whatever to do with Mr. Krishnamachari, nothing whatsoever. You will recall in this very connection that Mr. Krishnamachari gave his evidence. When he gave his evidence, not one single question was put to him about this very document. Why not? And should my hon. friend Mr. Shiva Rao come to this House and ask us to rely upon or to accept in any manner whatsoever a document of this nature, regarding which even the propounders of that document, the makers of that document, felt shy to ask. Mr. Krishnamachari a single question?

There is another point that my friend raised. I am sorry that he raised it again and that is in regard to the alleged approval given by Mr. Krishnamachari. I am not arguing a case. I am merely saying that I am averse to these things but these things have been mentioned and that is why I am trying to put the record right. Where is that approval? Now he was asked. There were some casual mentioning to the Minister and on this has been built up the whole edifice of Ministerial approval of this particular act. But what are the facts? The Bose Board very rightly remarked when they asked this question of Mr. Patel: "Did you take that, namely, the statement made by Mr. Krishnamachari in a hurry 'look into the matter', Did you take that 'look into the matter' or 'Take up this matter with the L.I.C.', as one of the witnesses had said, as approval or sanction of the Minister?" Mr. Patel says: "I took that to mean that I should put the proposal to the L.I.C. pointing out to them the

policy implications and asking them if against the background of that policy implication, they would be prepared to consider purchasing shares which seemed to us also, in that very brief discussion, to be the only practical proposition quite apart from anything else."

Now I ask my friend, is that approval? These are certain decisions that Mr. Patel arrives at in his own mind about these matters. 'Look into the matter' does not mean that the Minister has given his approval. But then, why go as far as that? Was it not in April 1955 after Mr. Patel himself had put it on record and got the approval of the then Finance Minister that Mundhra's shares should not be touched, that in no circumstances should those shares be purchased—it was a suggestion by Mr. Patel, it was agreed to by the then Finance Minister it is on record that the Minister, Shri Deshmukh said 'I agree'—having done that, exactly a year later who is it that changed the policy? Not the Minister, not the Finance Minister but it is Mr. Patel who at that time was the chairman of the L.I.C. who makes the investment of Rs. 11 lakhs in Mundhra's shares in spite of this injunction which is on record. Is that correct? Is there any challenge at all of that particular statement? Non whatsoever and at that time Mr. Krishnamachari was not in the picture. He was not the Finance Minister at that time. He had nothing whatever to do with these transactions and yet that policy, laid down in writing, agreed to by the Minister, is changed. Changed by whom? By Mr. Patel.

Then another extraordinary thing happens. It happens how? It happens that there is not a single note in regard to this matter by Mr. Patel. When he is asked about this matter, he says: "That is the system of my working. That is how I work." That is rather extraordinary. You will forgive me for referring to a little matter, to what this particular

type of working results in. I hold a from in my hand. On page 13 of the Ninth Report of the P.A.C. for the year 1953-54 you will find a statement by the Committee about a certain transaction and it says:

"No contemporaneous record of the secret conversations and discussions that took place between the Ordnance Consulting Officer attached to the office of the High Commissioner for India in London and the Secretary, Ministry of Defence or the Financial Adviser, Defence Services, when the former came to India had been kept although the discussion involved huge financial commitments by the raising of the price of the stores in question by £1.17.0 per unit."

"This has become all the more necessary in a case where the deal has to be entered into on a non-competitive basis."

And who was the Secretary for Defence at that time? Mr. H. M. Patel. What was the transaction? Mr. V. K. Krishna Menon, the High Commissioner in London at the time had sent a cable to the Government of India saying that the hand-grenades that we needed so urgently from France could be purchased at the price of £6 per unit. Mr. Deputy Chairman, I want you to remember that figure. He advised in that cable that the price was high. But our need was great, and therefore, he advised the purchase of these hand-grenades. The Government of India in their dire need of the time sent a cable saying, "We accept the offer". Immediately this particular gentleman who is mentioned here, this officer, this Ordnance Consulting Officer attached to the High Commissioner in London . . .

SHRI B. SHIVA RAO: Sir, on a point of order. Mr. Deputy Chairman, is all this reference in order when we are discussing the L.I.C. and the Government's Resolution on these papers?

DIWAN CHAMAN LALL: Why is my hon. friend so sensitive about this matter? I am reading from a report which is completely relevant to the point at issue and the point at issue being that no notes were being kept by Mr. Patel, of these transactions, who now comes before the world to say that he was not responsible and that it was Mr. Krishnamachari who was responsible. Is that not relevant? If that is not relevant, then I do not know the meaning of the word relevant. Here is this gentleman (*Interruptions*).

MR. DEPUTY CHAIRMAN: Order, order.

DIWAN CHAMAN LALL: My hon. friend need not be sensitive about this. This is a public matter, and a public matter which involves the Government of India in a loss of half a million pound sterling, not a small matter. And who was the person who involved us in this and kept no note of the secret conversations that lasted one and a half hours in the office? Mr. H. M. Patel, the then Defence Secretary. Now, if this gentleman was capable of doing these things at that time, he was certainly capable of doing exactly the same thing and the same thing he did with regard to this sorry transaction. I am sorry for the man. He was an able civil servant. He did good work during the partition. But that does not mean that you could call for any innocent man's head on a charger because something wrong had been done by this particular civil servant. I would not have referred to this, Mr. Deputy Chairman, but for my hon. friend's reference here, in my opinion, utterly wrong reference and misleading reference, a reference which tried to implicate innocent people and exonerate people who are not innocent in this matter.

Now I do hope that the debate will take another turn after what I have said, that is to say, the House will consider the principles that we should have.

(Time bell rings.)

I am very sorry, Mr. Deputy Chairman, but I should be very grateful for a little more time. I do not usually take more time than is allowed to me, but this is a matter of rather serious import.

The principles that arise for consideration out of this sorry business—and let us consider it to be a dead horse, not worth kicking—are these: First of all ministerial responsibility, secondly the responsibility of the civil servants to the Ministers, and thirdly the responsibility of civil servants to Parliament. These are the great issues that are at stake. And finally the fourth the role that the Public Service Commission should play in such matters. There is no fifth issue, as far as I am concerned. These are the issues and they are of very great import indeed, in a democracy, in a state of affairs, where it is necessary for us to take the Houses of Parliament along with us, the administration along with the Houses of Parliament, in developing economy where enormous sums of money, public money, are being invested in great and big concerns. And whom do we have for all this? We have the civil service which was not meant for these purposes. There are many able men in the civil service. There are many friends of mine in the civil service. But it would be wrong to have the idea that they are capable of putting their hands to anything and everything in the world. They were meant for preserving law and order. Their whole object or training and their whole education was directed towards that particular end. But the whole aspect of administration has changed. It has changed in such a manner that it has to be a government of experts. And one cannot, therefore, except that persons who were trained for a particular job, namely, to maintain law and order, would be capable of putting their hands on other jobs as well, jobs which need scientific training and scientific knowledge. Hence these problems that we are discussing.



In England, Mr. Deputy Chairman, there is no such thing as a public service commission to which the conduct of a civil servant is to be referred. If a civil servant is found wanting, he is dismissed or he is asked to resign. That is what happens in England. Why did we carry the burden upon our shoulders by inserting into the Constitution a provision whereby every such case of disciplinary action has to be referred to the Public Service Commission? There are good men in it. No doubt they are good men. I had a list of them a little while ago here. There are two engineers, two ex-Vice-Chancellors, there is an ex-Speaker and there are two I.C.S. officers. But how do you expect an engineer to discuss matters of this nature? An engineer would be perfectly within his rights in discussing a technical engineering matter. But you are entrusting the Constitution to these gentlemen. You are entrusting your whole administration to these gentlemen. You are entrusting the judicial findings to these gentlemen. How do you expect them to discuss these judicial findings? After the Chagla Commission had reported, after the Bose Board had reported, after these judicial findings have been arrived at, an engineer comes along and says: "This is all wrong. I am right, and you are wrong." It may be that he is right. It may be that what the Union Public Service Commission has said is right. I do not know. I did not have the time, I must confess frankly, Mr. Deputy Chairman, to go through these volumes and volumes of evidence which Mr. Feroze Gandhi took five months to study. But I have read enough and I have considered enough as a lawyer and still I do not know and I cannot say whether one is right or the other is right. It may be that the U.P.S.C. is right. But these are matters of very great importance. We cannot leave the destiny and the future of this country in the hands of the U.P.S.C. Nor can we leave it in the hands of the civil servants. We cannot leave it in their hands. We have got to find ways and

means, Mr. Deputy Chairman, of finding methods of work which would be modern.

For instance, in Great Britain—you will forgive me, Mr. Deputy Chairman, if I take a couple of minutes more . . .

**SHRI AMOLAKH CHAND:** You may go on.

**MR. DEPUTY CHAIRMAN:** He is not in the Chair.

**DIWAN CHAMAN LALL:** Sir, in England, Lord Attlee wrote an article and there was the Crichton Down Case to which reference was made by my hon. friend Mr. Shiva Rao. What happened?

What happened in that case was exactly what happened here, but the Minister resigned. He was in no way involved in this thing. These are matters which are to be dealt with by the Secretaries but the duty of the Secretaries is not to mislead the Minister. The loyalty and the ability and the frankness and the truthfulness of the civil servants dealing with their Ministers has to be guaranteed. A tradition has to grow up. No such tradition has grown up here because our own system of democratic Government is very young. Therefore, we have to look into such matter. When Mr. T. T. Krishnamachari resigned, he did absolutely the right thing, Mr. Deputy Chairman. He was right because he took the right constitutional course because although his officers had failed him, nevertheless, who had his constitutional responsibility to this House and he discharged that as an honest man. May I beg of you, Mr. Deputy Chairman, to ask the Central Government to appoint a Commission to go into matters relating to the civil servants? The Commission that was appointed in 1911 was the first one. Thereafter came the Lee Commission which did not deal with the services

[Diwan Chaman Lall.]

but dealt with only the emoluments of the Europeans and it gave passages to grand-mothers and great grand-mothers because they had been dependent on the particular civil servant. The time has now come for us to hold another enquiry—not the enquiry which my hon. friend's Ministry held. That is not sufficient—a high-powered enquiry into the civil service of our country, its connection with Parliament, its duty towards the Ministers and its relationship with the developing economy of our country.

DR. H. N. KUNZRU (Uttar Pradesh): Mr. Deputy Chairman, we have a variety of material before us in order to enable us to judge what conclusion we should come to with regard to the responsibility, both of the Minister and the civil servants connected with what is popularly known as the 'Mundhra Deal'.

SHRI BHUPESH GUPTA: Scandal.

DR. H. N. KUNZRU: You will remember, Sir, that when this matter first came to light Mr. Justice Chagla, Chief Justice of the Bombay High Court, was asked to enquire into the matter. He received a great deal of evidence and came to the conclusion that the whole truth had not been told. Yet, on the material available to the Chagla Commission, it came to the conclusion that the Minister's responsibility for the Mundhra deal could not be gainsaid. I do not go into it in detail because my hon. friend, Shri Shiva Rao, has already referred to it but I should like to make one or two brief quotations from it in order to make what I have said clear. Mr. Chagla said,

"I would prefer to accept the positive evidence of Mr. Patel and Mr. Bhattacharyya, especially as Mr. Patel's version is strongly supported by the probabilities of the case and also by certain subsequent events to which I would draw attention".

And then he goes on:

"It is very difficult to believe that when the Minister was in Bombay and easily available, and when Mr. Patel was 'advising' the Corporation to enter into the largest transaction it had so far entered into in its history and that too with a man whose antecedents Mr. Patel knew, he would act on his own responsibility without obtaining the approval of the Minister. Why should Mr. Patel act on his own responsibility with regard to so unusual and doubtful a transaction?"

Again, Sir, Mr. Chagla has observed that even if the Finance Minister had not given his approval to the purchase of the Mundhra shares, his subsequent conduct showed acquiescence in the deal. He says, referring to certain documents,

"... the importance of these documents lies in the fact that whether the Minister was aware of what Mr. Patel had done on the 24th June or not when he did come to know of these transactions, he never repudiated the action of Mr. Patel. Therefore, clearly there is acquiescence on the part of the Minister in the part played by Mr. Patel in bringing about the transaction of the 24th June. The lack of repudiation on the part of the Minister would go to support Mr. Patel's story that the Minister had approved of the transaction in Bombay of the 24th June."

Sir, these are the conclusions of Mr. Justice Chagla. Now, what did the Government do when it received the report of the Chagla Commission? I shall not go into those matters that were discussed in connection with the appointment of a Board of Enquiry to consider the conduct of Shri Patel, Shri Kamat and, I believe, Shri Vaidyanathan, but I should like to point out that in the Resolution that Government brought forward in both

the Houses of Parliament, asking for approval for the appointment of a Board of Enquiry, Government had accepted the findings of the Commission only on the point that the transaction was not a proper transaction. I pointed out the inadequacy of the Resolution and said that if Government wanted to know the whole truth which should have been the principal anxiety, it should give a free hand to the Board of Enquiry and ask it to find out as to who was responsible for the Mundhra deal but this did not commend itself to Government. Had the Government really accepted the findings of the Chagla Commission in full, it could never have appointed any Board of Enquiry at all but when it appointed a Board of Enquiry, it should have allowed the Board to go into all matters. When a Board was appointed in spite of the verdict given by Mr. Justice Chagla, it really meant that another body was going to be appointed to reverse the decisions. Now, you cannot make any Board of Enquiry to sit in judgment on the Chagla Commission's Report with its hand tied behind its back. It was asked only to look into the conduct of certain civil servants. Now, Sir, this Board, which according to its own admission received much the same evidence that Mr. Justice Chagla had done, reversed Mr. Justice Chagla's decision. It held that the Finance Minister had no responsibility for the purchase of the Mundhra shares in certain transactions.

SHRI P. N. SAPRU: Where has the Bose Board said that? It has never been said.

DR. H. N. KUNZRU: The Bose Board has come to the conclusion...

SHRI P. N. SAPRU: No; no; it has not.

DR. H. N. KUNZRU: Well, it holds Shri Patel and Shri Kamat responsible . . .

SHRI P. N. SAPRU: It has not . . .

DR. ANUP SINGH (Punjab): By implication.

SHRI P. N. SAPRU: Let me tell you . . .

DR. H. N. KUNZRU: You need not tell me anything at all. I will tell you what the facts are. I shall come later to what I have to say about Shri Krishnamachari. With regard to the point raised by my hon. friend, Mr. Sapru, I think the Bose Board of Inquiry said that they were not concerned with the investigation of facts with regard to Shri Krishnamachari. It goes further and disbelieves Shri Krishnamachari.

SHRI P. N. SAPRU: There was some ratification by Mr. Krishnamachari . . .

DR. H. N. KUNZRU: Why is my hon. friend so impatient when I have said that I shall come to the other points in the Bose Report regarding the statements made by Shri Krishnamachari?

Now, with regard to Shri Krishnamachari, there is a reversal of Mr. Justice Chagla's finding in this way that while Mr. Justice Chagla held that the civil servants were not primarily responsible for what had been done, the Commission held that they were responsible for the deal. Otherwise they could not be taken to account. However, I shall go further and point out that this inquiry conducted by the Board popularly known as the Bose Board, has done nobody any good. The highest officials appeared before the Board of Inquiry to give evidence—the Governor of the Reserve Bank, the Chairman of the State Bank of India, the Principal Finance Secretary, the previous Finance Minister, Shri Krishnamachari,—and yet the Board says that none of them has told the whole truth. Again, Sir, Shri Krishnamachari said that he saw Mr. Mundhra last in January 1957. The Board of Inquiry has disbelieved him on this point and said that there is evidence to show that he saw Mr.

[Dr. H. N. Kunzru.]

Mundhra in May or June and further expressed its belief that at some of these meetings the L.I.C. investments must have been considered.

Take one more point and that is the question of the Finance Minister's knowledge of the Mundhra deal when he answered the first question on the subject which was put by Dr. Ram Subhag Singh in the other House.

[THE VICE-CHAIRMAN (Shri Akbar Ali Khan) in the Chair.]

Shri Krishnamachari denied that he had any knowledge of the material facts then but the Commission says that it does not believe Shri T. T. Krishnamachari on this point. It takes the view that Shri Krishnamachari before modifying the answer suggested by the Finance Secretary must have looked into the paper in the pad that was supplied to him. It was clear was he knew what the total amount involved in the transaction was and further he knew the circumstances in which this transaction was entered into. If you take all these things into consideration, can you be content, Sir, with the technical verdict of the Board of Inquiry with regard to the guilt of Shri Patel and Shri Kamat?

Now, the whole matter went before the Public Service Commission. The Union Public Service Commission, I am very sorry to say, was criticised by my friend, Diwan Chaman Lall. He questioned the competence of the members of the Commission to discuss an issue relating to the propriety of a deal entered into by members of the Indian Civil Service. Now, Sir, a man may be an engineer. He may not have held any responsible position in the Government of India or in the service of any State. Does he thereby become incapable of judging important issues? And after all, this Commission does not consist entirely of Government servants. It has, I believe, at least three members who are taken from outside Government service. All of them have considered

the matter and come to certain conclusions. But they have been very severely criticised. They virtually have been accused of having been partial to a distinguished civil servant. The Commission was supplied all the papers in connection with the transaction. It had therefore before it the two Reports, the Report of the Chagla Commission and the Report of the Board of Inquiry presided over by Mr. Justice Bose. Which conclusions could the Public Service Commission accept, those contained in the Chagla Commission's Report or those in the Report of the Board of Inquiry? It was not a simple matter which had been decided by a judicial authority. If we are really anxious to maintain the dignity of the judiciary, then I must point out that Mr. Justice Chagla was the Chief Justice of Bombay High Court when he conducted the inquiry and that all the witnesses who gave evidence before him gave it on oath. The Board of Inquiry did not have a single serving Judge on it and it could not administer oath to any witness. If therefore anyone here is thinking of the dignity of the judiciary, then I say that the conduct of the Government in not fully accepting the findings of the Chagla Commission ought to be unhesitatingly condemned. Now, I do not want to go any further into this matter. I think the Public Service Commission had, because of the circumstances, to apply its own mind to the material placed before it and it has come to certain conclusions and if we are to be guided not by technicalities but by broad considerations, I have no hesitation in saying that its judgment is much more reliable than that of any other authority. The Union Public Service Commission has virtually found itself in agreement with the Report of the Chagla Commission and who could blame it on this point? Is it for this reason that it is proposed to clip the wings of the Commission and reduce its power in future to make full enquiry into the conduct of civil servants when any matter relating to

them is referred to it? I think it will be an evil day for India when in order to enforce our own view we undertake legislation to curtail the powers now enjoyed by the Union

Public Service Commission. The 3 P.M. practice in England has been referred to. The form employed by us may not be used in England, but in that democratic country, with traditions existing for centuries, the civil servants are given the amplest opportunity to defend themselves.

**SHRI P. N. SAPRU:** Quite right.

**DR. H. N. KUNZRU:** It is, therefore, highly unfair to the Union Public Service Commission, either to question the manner in which it proceeded or to question the correctness of the judgment on the facts placed before it.

There is one more point that I should like to refer to very briefly before I come to the Government Resolution. Some hon. Members have tried to show that Mr. Krishnamachari was not at all responsible for the purchase of Shri Mundhra's shares in certain concerns. But they should go carefully into two matters. They should re-read, if they have not read already the report of the discussion that took place in the other House on the 16th December, 1957 with regard to the purchase of Mundhra shares. Was there any matter connected with the transaction which was repudiated by the Finance Minister, whether it was the purchase of the B.I.C. and Osler shares, or whether it was the question of the price paid for the shares, or any other thing connected with the purchase of the shares? He defended the whole transaction. Does this fact not agree with Mr. Justice Chagla's view that even if Mr. Krishnamachari did not know all the facts before the deal was entered into, his subsequent conduct showed that he acquiesced in whatever had been done? I am not interested in Shri Patel and I have no grudge against Shri T. T. Krishnamachari. In fact, my relations with Shri T. T. Krishnamachari,

my personal relations with him, were cordial both before and after he became a Minister. He was extraordinarily kind to me. It gives me great pain, but I consider it to be a matter of public duty that I should not allow my personal partiality, my personal feelings, to stand in my way in the consideration of a matter of fundamental importance to the administration of this country.

The second point that I should like these people to look into is the evidence given by Shri T. T. Krishnamachari himself before the Board of Inquiry. My hon. friend, Diwan Chaman Lall, said that he had gone through the evidence . . .

**DIWAN CHAMAN LALL:** I have not.

**THE VICE-CHAIRMAN (SHRI AKBAR ALI KHAN):** He said that he could not go through it.

**DIWAN CHAMAN LALL:** I want a superman like him to go through nineteen volumes of evidence.

**DR. H. N. KUNZRU:** I am sorry that he did not read the evidence given by Shri T. T. Krishnamachari. If he had, he would not have defended him in the manner in which he did. He might have still adhered to the opinion that he has expressed, but his defence would have taken another and a more credible form. Now, this evidence itself shows that Shri T. T. Krishnamachari knew the main facts about the deal. There is no denying that and it is on the basis of that, I believe, that the Board of Inquiry has disagreed, to use a mild word, with Shri T. T. Krishnamachari on two cardinal points, to which I have already referred.

Now, I come to the Government Resolution. What did the Government do, in the face of the facts that I have mentioned? It found itself compelled by convention, as it says, to accept the decision of the Union Public Service Commission. The Commission was in a very difficult position. As my hon. friend, Shri Shiva

[Dr. H. N. Kunzru]

Rao, has said, no less a personage than the Home Minister of India had, while the U.P.S.C. was considering the question of the guilt of Shri Patel and Shri Kamat, delivered a speech, completely exonerating Shri T. T. Krishnamachari . . .

**SHRI BHUPESH GUPTA:** That was unveiling the portrait.

**DR. H. N. KUNZRU:** I say that it speaks volumes for the courage of the Union Public Service Commission and for its sense of duty, that it did not allow its judgment to be influenced by the wishes of the executive. Yet what has the Government done? As I said, Government has grudgingly accepted the U.P.S.C's Report, but it has also referred to Shri Shivashunmugam Pillai's opinion, although it does not form part of the Report, and has decided to drop the proceedings against Shri Patel. Could it not have gone further and said that it exonerated Shri Patel of all blame? In the circumstances, I think that was the only honourable course open to it, but did not do it, because of the opinions expressed both by the Prime Minister and by the Home Minister earlier and because of their desire, which was all too evident in their speeches, to get certain civil servants condemned. It is a great pity that an important matter should have been discussed in that way. Had the Government really adopted another line, had it gracefully accepted the Chagla Report, none of the unpleasant incidents that have come to light would have come to our knowledge. I think that both the civil servants, the Governor of the Reserve Bank, the Chairman of the State Bank, and the Finance Minister would have gained a great deal thereby. But the Government in its anxiety . . .

**SHRI BHUPESH GUPTA:** And overflowing affection for Mr. T. T. Krishnamachari.

**DR. H. N. KUNZRU:** . . . to prove that Shri T. T. Krishnamachari was wholly innocent, and that the civil servants were wholly to blame for the purchase of Mundhra shares, adopted a course which has done no good either to the civil servants or to Shri T. T. Krishnamachari, or to the morale of the civil service on which the future administration of the country depends.

**SHRI MULKA GOVINDA REDDY (Mysore):** Mr. Vice-Chairman, this Mundhra deal is one of the shady deals of the Government that has come to light. It is possible that if the deals of the Union Government and the deals of the State Governments with big business concerns and with other Marwaris are probed into, they might reveal the same sordid story as this deal has revealed. In this sordid drama there are many important actors. The main actors in this drama are Messrs. T. T. Krishnamachari, Haridas Mundhra, H. M. Patel, Kamat, Sodhani, Bhattacharyya, Iengar, the Governor of the Reserve Bank, Chaturvedi and Vaidyanathan. Mr. Chaman Lall was very eloquent in trying to convince this House that Mr. T. T. Krishnamachari was all innocent and that the main culprit in this deal was Mr. H. M. Patel.

Sir, each one of these actors in this drama played his own part. What exactly the part they played is, is to be ascertained by the House. It is true, as has been made out in the Bose Board Report, that these high officials who are all concerned in this matter have not told the whole truth, but from the material facts that have been disclosed in the Chagla Commission Report and the Bose Board Report and from the views expressed by the Public Service Commission one can discern what the truth is, and what responsibility should attach to them is a matter which will have to be decided by this hon. House.

Sir, Mr. T. T. Krishnamachari has played the main and dominant role

in this affair. To say that he was all innocent, to say that the entire drama was erected by Mr. Mundhra and Mr. H. M. Patel is to deny the truth. It was Mr. T. T. Krishnamachari as Minister of Commerce and Industry who first wrote to the Finance Ministry about Mr. Mundhra. He warned the Finance Ministry that Mr. Mundhra was trying to build up an industrial empire by resorting to all sorts of methods which were questionable and that the Government should think in terms of taking some action against him when such deals were taking place under the very nose of the Government. That was the opinion held by Mr. Krishnamachari as Minister of Commerce and Industry about him. What could have transpired for the change-over from that attitude which Mr. Krishnamachari expressed about Mundhra to the one that followed....

**SHRI BHUPESH GUPTA:** Contribution to Congress funds.

**SHRI MULKA GOVINDA REDDY:** That is the main crux of the problem. Sir, there is no doubt that Mr. Krishnamachari had full knowledge of the antecedents and the ways of Mr. Mundhra; still he considered it his duty to help Mr. Mundhra. But he tries to pose himself as an innocent actor in this drama. He tries to tell the public that he had no idea of helping Mr. Mundhra but all the same was working for that Mundhra deal.

Sir, we know it for certain that Mr. Patel has done a very good job as Secretary concerned with matters arising out of the partition of India and Pakistan. He is one of the ablest I.C.S. Secretaries who could do anything that is entrusted to them with masterly perfection, and with that ability, with that capability he has discharged his duty, not his duty proper, for he has carried out the orders of the Finance Minister, not written orders but the oral orders of

the Finance Minister, in helping Mundhra. The entire responsibility for this deal must be borne by Mr. Krishnamachari, but the execution of it has been carried out by Mr. H. M. Patel. In this execution Mr. Patel has overstepped his limits and he has acted unwarrantedly.

Sir, in this context I would like to tell this House that the conduct rules of civil servants in India should be reviewed. Governments come and go. Mr. Nehru may be here as Prime Minister today. Tomorrow some other person might come, but the civil servants....

**AN HON. MEMBER:** You might be Prime Minister one day.

**SHRI MULKA GOVINDA REDDY:** Yes, I might become Prime Minister. But if I become Prime Minister of India, I would not want my civil servants to obey me in whatever I say. They should work within the four corners of the law. They should work under the Constitution, under the rules and regulations that have been laid down. (*Interruption.*) In this respect Mr. H. M. Patel has overstepped his limits. He has gone out of his way in trying to carry out the orders and wishes of the Finance Minister. He has executed the plan in a masterly way, the plan to rehabilitate Mr. Mundhra in his crisis.

Sir, the Minister in charge of this subject is not here. I would like to draw your attention to this.

**THE VICE-CHAIRMAN (SHRI AKBAR ALI KHAN):** The Deputy Minister is taking notes.

**SHRI BHUPESH GUPTA:** She is holding the baby.

**DR. H. N. KUNZRU:** She was not aware that she was holding the baby.

**SHRI MULKA GOVINDA REDDY:** Sir, Mr. Kamat's part is another important factor in this drama. What is his part? It is true that he took over charge of the Chairmanship of the Life Insurance Corporation on

[Shri Mulka Govinda Reddy.] 5th June, that is, twenty days before this transaction took place. He was overpowered by the all-powerful Mr. Patel, and added to this the presence of Mr. Bhattacharyya and Mr. Iengar unnerved Mr. Kamat and he abdicated his authority as Chairman of the L.I.C. When once the deal had taken place, the deal to invest in Mundhra shares was agreed upon, the fixing of prices and other things was carried out by Mr. Kamat and Mr. Vaidyanathan. There they have bungled; but their bungling is mainly on account of the fear that they felt for Mr. Patel.

THE VICE-CHAIRMAN (SHRI AKBAR ALI KHAN): You have only two minutes more.

SHRI MULKA GOVINDA REDDY: Mr. Iengar, the Chairman of the Reserve Bank, who was all along present, had direct knowledge of this thing, and in one of his depositions he has stated that when Mr. Mundhra wanted to see him, he threw him out of the house. Next day on the very application of Mr. Mundhra, he has written that the matter would be looked into by the L.I.C. authorities. That means that he was in full knowledge of the things that were happening. Unfortunately, most of these actors in this drama have not told the truth. It is really a tragedy that these highly placed officers have not given out the truth. They tried to save themselves and tried to save some other persons concerned with this drama. Sir, it is said that Mr. Krishnamachari did not permit the investment of the Life Insurance Corporation's funds in this deal, in Mundhra shares. He only said that the matter might be looked into. When Mr. H. M. Patel apprised him of this deal, he said that the matter might be looked into. It is not so simple and innocent a term; it means that he had a full discussion with Mr. Patel though that has not been disclosed here, but it can be rightly inferred that he had discussions with Mr. Patel and also with Mr. Mundhra;

Mr. Mundhra had met him and he must have given his consent and must have told Mr. Patel that 'it is our desire and it is our wish to rehabilitate Mr. Mundhra.'

SHRI P. D. HIMATSINGKA: He has not said so.

SHRI MULKA GOVINDA REDDY: But that was the reason why Mr. Patel scrupulously executed the wish of his master.

AN HON. MEMBER: All surmises.

SHRI MULKA GOVINDA REDDY: It is not a surmise; it is an inference that can be drawn by any dispassionate person who reads through these reports of the Commission. Why did Mr. Krishnamachari take the trouble of helping Mr. Mundhra against whom he himself had written to the Finance Ministry? The answer has been provided in the Vivian Bose Board's Report—the assistance theory, the theory that Rs. 2½ lakhs were paid to the Congress funds.

SHRI D. A. MIRZA: Is the hon. Member aware of the fact that Rs. 5,000 were given to the Socialist Party? What happened to that?

SHRI MULKA GOVINDA REDDY: Yes.

One and a half lakh of rupees were paid to the All India Congress organisation. That is the main reason why that theory is propounded to exonerate, to tell the world that Mr. Krishnamachari was honest. This is the main reason; this is the motive force behind the whole affair. That should be looked into. I would, therefore, urge that a public commission—a high-power public commission—should be appointed to go into the misdeeds of the Government of India and the State Governments. Recently, the West Bengal Communist Party has made allegations . . .

DR. W. S. BARLINGAY: What about the results of the Commission?



**SHRI MULKA GOVINDA REDDY:**  
 . . . as to how the funds have been misused by the State Government of West Bengal. Recently certain allegations have been made that the Government funds in U.P. have been misused by the U.P. Government in giving loans to industrial concerns, to big businessmen. I would, therefore, urge that a full-fledged public commission—a judicial commission—should be appointed to go into the misdeeds, into these financial deeds, which the governments have committed in giving money to big industrial concerns. Otherwise, the funds of the public will not be safe in the hands of the Government, and if they have any sense of responsibility to the country, if they have any sense of understanding the situation, the pulse, of the country, the Government should resign. It is not enough to say that 'we have made Mr. Krishnamachari resign.'

Thank you.

**SHRI B. K. P. SINHA:** Sir, while rising to address this House, I am reminded of the wise counsel that Diwan Chaman Lall gave that we should not treat this House as the last court of facts. It shall be my endeavour to respect his advice in a greater measure than he himself did, for after giving this advice, he wanted to treat this House as the last court of facts. •

Sir, the great debate which has made Mr. Mundhra an all-India figure, which has cost this country an able Finance Minister, is now coming to an end. But this great debate has been oppressed by certain very grave misconceptions. One of them has been that as between the Minister and the civil servants there is an antithesis. Their cases are an antithesis of each other; their cases are not compatible with innocence of both. The innocence of the officer is not compatible with that of the Minister. The guilt of the officer is not compatible with the guilt of the Minister.

This, I think, is a wrong conception and a wrong presumption. It is possible that the case might have shaped itself in such a way that the innocence of one would have been incompatible with the innocence of other; but it has shaped in a different way.

Sir, so far as the conduct of Mr. Krishnamachari is concerned, the Chagla Commission has said that his constitutional responsibility was there, and then it said that in a certain measure his factual responsibility was also there. The Chagla Commission was of the view that the civil servants concerned were responsible for the deal which in the opinion of Mr. Chagla was neither business-like nor prudent nor proper. The Bose Board went into the guilt of the officers. It did not go into the guilt or innocence of Mr. Krishnamachari and, therefore, whatever observations it has made in respect of Mr. Krishnamachari are incidental, and are not enough to fasten the guilt on him. Then we come to the Report of the U.P.S.C. The U.P.S.C. went into the facts as they were put before Mr. Chagla and Mr. Justice Bose. But then they had something more before them and on the basis of that evidence, they absolved the officers of any guilt, for it was their considered view that the transaction was neither unbusinesslike nor imprudent nor improper and there was no question of any *mala fide* involved in it. In the light of these findings, they absolved the officers. Now, Sir, if the transaction is a proper one, if it is not unbusinessmanlike, if it is not imprudent and then even if we accept the view that Mr. Krishnamachari gave his full approval to the whole transaction, I do not see how he can be blamed or held guilty, if the officers are not guilty on the same facts. Nobody can say that Mr. Krishnamachari is guilty. If the officers are innocent, Mr. Krishnamachari is also innocent, and rightly so. But the more important question is what the Government should have done in the circumstances of this case.

[Shri B. K. P. Sinha.]

There has been Report of the Chagla Commission; thereafter, there has been the Report of the Bose Board. Both of them held that the transactions were improper and unbusiness-like. But then the matter had to go before the U.P.S.C., for the Constitution enjoins it, the disciplinary rules of the service enjoin it and, therefore, this obligation cast under the Constitution could not be set aside and the matter had to go before them. When the matter went before them, the issue was before them; the evidence was before them, and in the light of their findings, they came to certain conclusions. I think it was extremely proper on the part of the Government to accept that finding and that recommendation of the U.P.S.C.

Now, Sir, we seem to be obsessed by the fact that before the Report of the U.P.S.C., there had been two judicial findings. But then the Constitution itself says that there shall be no finality at that stage in such matters because the Constitution lays down that the final authority—the consultative authority—in this respect shall be the Union Public Service Commission. Then there is a further article in the Constitution which says that if in any event the Government do not find it proper to accept the findings or the recommendations of the U.P.S.C., they will have to give the reasons therefor. Therefore the Constitution enjoins or contemplates that normally the recommendations of the Union Public Service Commission shall be accepted, and that has been the consistent practice followed in this country, and whenever this Government, rightly or wrongly, have differed from the recommendations of the U.P.S.C., this House as well as the other House have tried to condemn the Government severely for their divergence. I do not know why then we should accept that in this case unless Government diverges from the recommendations of the U.P.S.C., it would be acting unwisely and improperly. Our Consti-

tution lays down that the cases of servicemen shall go to the Union Public Service Commission. Sir, human life is getting more and more complex, and the consequence of this complexity is that human life is getting more and more compartmentalised and departmentalised. Now the profession that a man pursues, the work that he does, they impart a certain psychology to a man. A judge has a different psychology; an advocate has a different psychology; an administrator has a different psychology because they work in different conditions. An officer of the Government has to take decisions and take decisions rapidly. What has a judge to do? A judge has to interpret the law. A judge has his eyes on the past. The administrator has his eyes on the future. Therefore the impulses that rule them and the psychology that they have are different and so the Constitution rightly and wisely lays down that a matter concerning servicemen shall be finally decided upon—of course, in a consultative capacity—by the Union Public Service Commission. Sir, in the Middle Ages there were guilds of men. Even now you see that an advocate has to be judged only by his compeers, by fellow advocates of the Bar Council. There are such good provisions in other cases also.

SHRI BHUPESH GUPTA: For any offence?

SHRI B. K. P. SINHA: Therefore I feel that in this matter the opinion of the Union Public Service Commission, which consists of experienced and seasoned administrators, is of greater weight than the opinion of the two judicial bodies that went before them.

Then I would refer to one more matter. It seems that the Union Public Service Commission was in possession of that material or evidence which was not before the Board and the Commission that preceded it. It becomes clear from the

last line, from the last portion on page 2, where the Government Resolution says:

"All the proceedings before the Vivian Bose Board of Inquiry and the representations of the officers against whom the Vivian Bose Board of Inquiry had reported were made available to the Union Public Service Commission. All other material" . . .

I emphasise the words "All other material".

"All other material required by the Union Public Service Commission was supplied to them."

Therefore the materials that were before Mr. Justice Vivian Bose were different from the material that was before the Union Public Service Commission. The U.P.S.C. had the advantage of the explanation of the two officers and then . . .

(Time bell rings.)

Only a few minutes, Sir.

Since they were experienced administrators, they called for more material, and therefore their decision is entitled to greater respect and weight.

Lastly, Sir, I would refer to this. The three bodies are unanimous in one respect that the whole truth has not been told. Now, Sir, if the whole truth has not been told, can you hang a man, whether a Minister or a public servant, on the basis of an evidence which does not disclose the whole truth? You, Mr. Vice-Chairman, are a seasoned lawyer, and you know, Sir, that in such a contingency the courts would not hang even a murderer, would not even impose a fine on him. Here, in this case the truth has not been told. Now there is no evidence that the truth has been suppressed either by the Minister or by the officers concerned. This may be due to the faulty investigation, but if the truth has not been told, then I plead that the stand of

the Union Public Service Commission or of the Government, in the absence of the whole truth being disclosed, that these men should not be held guilty, is correct. I feel, Sir, that the Report has been rightly accepted by Government. I feel that the officers are innocent. I feel that Mr. T. T. Krishnamachari is innocent.

SHRI P. D. HIMATSINGKA: Mr. Vice-Chairman, Sir, as has been mentioned by the previous speakers, this matter has passed, this Mundhra deal, as it is called, has passed through various enquiries. Justice Chagla did the first enquiry. Then we had the Vivian Bose Board to go into it. Then we have the U.P.S.C. and the Government views, and there is the dissentient note of one of the Members of the Union Public Service Commission. Sir, I am not going into the merits, about apportioning the blame of one and exonerating the other. You will find, Sir, that certain irrelevant matters have been introduced in the discussion today when we are asked to consider the Report that is before us.

Sir, as you know, the insurance companies, before they were nationalised, had been entering into deals or purchases of shares for the purpose of investment. As a matter of fact, that was one of the methods, one of the modes of investing their surplus funds outside, what was not being invested in Government Securities, and the L.I.C., after nationalisation, had been following the same method to some extent. Therefore, if the transactions were entered into *bona fide* and proper prices were paid, there will be nothing to say against the deal even if the shares belonged to a particular person who may not have been in the good books of the Government or of a particular Minister. The major fault that has been found with the transaction is that some of the shares are not such that should have been purchased, and a little excess price appears to have been paid, taking the basis of the current market rates at the time. Sir, whether Mr. T. T.

[Shri P. D. Himatsingka.]

Krishnamachari knew about the transactions or did not, if the only fault be about excess price paid, we cannot hold him responsible, because he was not the final authority who fixed the price; he might have come to know of it later on. But so far as the evidence that has been adduced before the inquiry bodies is concerned, you will realise that different conclusions have been arrived at by the different authorities. On the basis of the same evidence that was before Mr. Justice Chagla and what was before Mr. Justice Bose and his Board they come to certain conclusions. On the same materials the Members of the U.P.S.C. have come to practically contrary decisions so far as the officers are concerned, and they have recommended that no blame attaches to Mr. H. M. Patel.

Sir, I want to say that Government has been going in more and more for State enterprises. More and more enterprises are being nationalised or new enterprises being started by the Government. So, you will require more and more officers to look after them, to manage them and to see to the interests of the Government in respect of their investments. If the officers have not got the liberty or the freedom to act as circumstances may require at any time, it will be almost impossible to manage these undertakings or these institutions. Therefore, simply because an officer makes a mistake, we should not try to hang him unless he has done it dishonestly or very negligently, or gross negligence is found or some motive behind the act, which is improper, can be suggested. So far as the present transactions are concerned, Sir, none of the inquiry bodies, neither Mr Justice Chagla nor Mr. Justice Vivian Bose nor the U.P.S.C., none of them have suggested that there was any improper motive or that there was any dishonest intention in the mind of any of the officers or the Minister concerned and, therefore, to my mind, it is very improper to try and condemn the officers, or to take any action

against them. If we do that, the result will be that no officer will be prepared to take any responsibility. As a matter of fact this was pointed out in a circular that it is already the position that they do not want to take any responsibility. As was mentioned, there is the idea that no decision should be arrived at or that a negative attitude should be there, as has been mentioned in the circular. The position will therefore be that none of the officers will be prepared to come to any decision or take any responsibility for a decision and everybody will try to pass on the work to his superior officer for decision. The result will be chaos. None of the works will be done in a proper manner. Therefore we must look into it from the point of view of how best certain principles can be laid down which will be there to guide the officers and which will be looked into and no unnecessary fuss should be created simply because some mistakes have been committed by an officer, unless, as I said, we can show dishonest intentions or improper motives or personal gain of the officer concerned.

As you will find, this question was raised by hon. Shri Feroze Gandhi. It was he who started and in fact in the beginning he tried to blame the hon. Finance Minister as he then was. Now he has changed his opinion. Therefore you will find that it is very difficult to come to a definite conclusion on facts, unless all the facts are properly sifted or placed before you. Therefore in a matter like this, what I feel is that a good deal of freedom should be allowed to officers to act honestly and they should not be called upon to explain their conduct simply because the matter is raised in Parliament. When a question is raised in either House, it becomes very important and everybody begins to think that there is something shady the moment a question is raised here. Whether there is something wrong or not in the transaction, one begins to look at it with suspicion and that is what has happened in many cases. Therefore my suggestion is that in a

matter like this, we should not take any action against an officer unless his guilt is proved and in this case on the basis of the recommendation and advice of the U.P.S.C. I think it is the duty of the Government to exonerate Mr. Patel and Mr. Kamat. Both of them have been very able officers, have a good record of service as has been admitted by the Government itself and it will be a very wrong step to create a feeling in the minds of the officers that even if they make an honest mistake, they can be held up to censure, or that they can be proceeded against, or even dismissed. Therefore it is up to us to see that the officers have courage to come to decision to decide matters and that the simply do not pass them on to others.

**THE VICE-CHAIRMAN (SHRI AKBAR ALI KHAN):** Dr. Seeta Parmanand. You will have only 10 minutes.

**DR. SHRIMATI SEETA PARMANAND (Madhya Pradesh):** Thank you, Mr. Vice-Chairman, for calling me to speak after all this time. I would not like to go into the details of the report and the various observations made by the three committees and commissions or Boards because much has been said about it already and within the limited time I would like to dwell on other points which in my opinion are more fundamental to the issue than what the Commission said or the Board said.

To begin with I would however like to refer to what was said by Diwan Chaman Lall because I have not been able to understand what objection he could have to this House being more or less a final authority or the views of this House being final and that is what it really should be.

**THE VICE-CHAIRMAN (SHRI AKBAR ALI KHAN):** He said 'not the appellate court'.

**DR. SHRIMATI SEETA PARMANAND:** I would like to point out that there is nothing to fight with the word. I go to the spirit of what he said. You may call it appellate court or not but this House should be the final authority and what is final is called appellate in my opinion. It was said that this case should not be pleaded like a brief. As has already been pointed out by hon. Mr. Sinha, if Mr. Chaman Lall did not argue this case like a lawyer taking up a brief, then I should like to know what the meaning of a brief is. I am thankful to Mr. Shiva Rao for having brought this matter before the House because, in my opinion, the Government itself should have brought the Resolution for consideration of the House. After all the criticism that was showered on this particular thing and the way in which, to begin with, a public enquiry was held while it should never have been a public enquiry, it was very essential that the finale of the thing, that is the Resolution on this by Government, should have been put before the House. My point in speaking is purely from the administrative standards which I have felt and the point which has been made by one or two speakers, namely, the effect of the whole affair on the morale of the services. We bring various Applebys here, we get them to review the procedure and administration and what happens to their reports? I wonder what Mr. Appleby would have said about the treatment given to the civil servants after this. Even after the report of the U.P.S.C. they rely only, if I may point out, on the Minute of Dissent. I would refer to paragraph 11 of the Resolution where it says:

"Government have given full consideration to the matter on the advice of the Union Public Service Commission and have also considered the minute of dissent of Shri J. Sivashunmugam Pillai. Whilst Government feel that there is some force in the minute of dissent in regard to the criticism of Shri Patel, in view of the long and distinguished record of Shri Patel in service,

[Dr. Shrimati Seeta Parmanand.]

the complicated post-budget economic situation in 1957, the absence of any *mala fides* and the weight which according to convention, attaches to the advice of the Union Public Service Commission in such matters, the Government of India have decided to drop the charges against him."

In my opinion, after all that long paragraph, it was never adequate only to drop the charge against him but leave it open to him whether he would like to join and I am almost certain that no man with self-respect would have liked to join but all the same, the right thing for the Government would have been to leave the option to him. I am pointing this out more from the point of view of administrative standards. It is known everywhere that standards of upright behaviour in public administration are fast falling. In the States also we find that it is not so much on ability and efficiency an officer depends for promotion as on dancing attendance on Ministers. If the uprightness of public servants is to be upheld, we have to see that, as was pointed out by Dr. Kunzru, as in the Western countries like England, they are given all opportunities for defending themselves. We find that this way of treating our public servants in a manner without looking to their sense of self-respect, to their integrity of services, is becoming so common that we are criticising our officers not only in the highest civil services, administrative services, but we are exposing them to the effects of their action which may have been taken with all *bona fides*. This happens also in the Defence Services. We are very often going to the extent of criticising our Public Service Commission people. As was pointed out, if the services are to be there with the highest efficiency—Ministers may come and Ministers may go, Governments may come and Governments may go—we have to see that they feel that there is perfect guarantee of justice to them. I would like to point out this. What is it that was found

lacking in the conduct of Mr. Patel? Maybe, an error of judgment. Maybe, as in business, it is necessary to take decisions expeditiously about certain monetary transactions as is done by hundreds of people in hundreds of business concerns. We cannot expect to enter into the public sector and not give that authority and that right to come to quick judgment to an officer and hang him, so to say, when he goes wrong. What would you have done if it had come out correct? You would not have gone out of your way to give a golden crown to the officer. (*Time bell rings*). I have just taken seven minutes only. If it is necessary to develop our public sector we have to train the personnel in business methods who can take charge of them. When officers are not willing to take up the responsibility that is thrown upon them, it is necessary for us to emulate the example of England and the Ministers should take the responsibility. We can give a warning and guidance for future action and leave the men to be wiser in the future.

I would like to give a few instances before I sit down. The integrity and unity of these services and their morale have already broken down. As an example I would like to point out that Mr. Patel who was a member of the Executive of the Institute of Public Administration did not get any support from all the service associations of which he was a president, though they should have passed a resolution standing by him. When this matter was mentioned to some of the highest members of the services, who are no longer in service, they said, they pleaded that in these days nobody likes to risk his own future. Is that the kind of morale that we want in our public services? I feel that in view of what has happened, we need not have stood so much by the Minister who being a Member of the Lok Sabha could have explained his own position. Within the limited time at my disposal I do not want to go into the right and wrong of the situation. But in a country where

standards of administration have to be kept high, it is necessary to see that the services are given an excellent sense of security and justice and fairplay. Thank you.

THE VICE-CHAIRMAN (SHRI AKBAR ALI KHAN): Mr. Lingam. You may take about seven to eight minutes.

SHRI N. M. LINGAM: Then I do not propose to speak. I want at least fifteen minutes.

THE VICE-CHAIRMAN (SHRI AKBAR ALI KHAN): Not fifteen minutes but at the most you may take ten minutes.

SHRI N. M. LINGAM: Sir, I decline to speak.

THE VICE-CHAIRMAN (SHRI AKBAR ALI KHAN): Mr. Bhupesh Gupta.

SHRI BHUPESH GUPTA: You could have given the hon. Member a little more time.

Mr. Vice-Chairman, with this debate, I think as far as Parliament is concerned, the curtain will have hung down on one of the biggest scandals in our country, namely the LIC-Mundhra scandal. But this scandal will always be there as a reminder to the nation of the corruption in high places and the collusion between the big-business on the one hand and high officials and Ministers on the other. Therefore, the controversy, if you call it a controversy, will not subside with the discussions here, because the public in the country have taken a keen interest in the matter and they have been thoroughly disappointed by the manner in which the Government has handled the whole episode since the publication of the Chagla Commission's Report.

[MR. DEPUTY CHAIRMAN in the Chair.]

Sir, as you know when the matter was under consideration by the Bose Board, the Home Minister was paying fulsome tributes to the former

Finance Minister, his dear friend, in Madras, when unveiling his portrait. Then we had the Prime Minister almost bursting into tears whenever he remembered that dear name. Then we had the Prime Minister making certain rather derogatory remarks about Justice Vivian Bose, for which he expressed public regret after the Calcutta Bar Association had passed a resolution condemning the Prime Minister's action. This is how things began to move.

I would like to point out right at the beginning that there has been a lot of conditioning inside the Congress Party so that whatever may or may not happen, the former Finance Minister, Shri Krishnamachari, is to be saved and rehabilitated. We hear there is talk about his coming to the Commerce and Industry Ministry, if not as the Vice-Chairman of the Planning Commission and so on. And of course, Mr. T. T. Krishnamachari is the author of this or that pamphlet setting out his case, although he had an opportunity in the House to get up and explain his position and the whole matter. Anyway, we do not like the look of things. Public morale is not served by this kind of methods and that is what I would like to say, that standards are not upheld by procedures of this kind and by this kind of behaviour on the part of the Government whose responsibility it is to uphold public standards in our public life. Somehow or the other the love of Krishnamachari grew more than their concern for finding the truth in this matter and naturally truths have not been said.

Now, take this case here, the Mundhra LIC Deal. It is not as if Mr. Haridas Mundhra suddenly appeared at the counter of the LIC with a pistol in his hand like a bandit and over-awed the people and ran away with the money. Nothing of the kind. He went before the LIC or appeared there as the patron of the Congress Party. He, only a few months ago, had donated Rs. 2.5 lakhs to the Congress election funds and he expected a

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*quid pro quo*. Well, I do not know what he said, but he went with optimism because he had given money to the Congress and when this Faithful went to the LIC for funds, he got more than he asked for. There was competition amongst the officials as to how quickly and how fast and how generously this flamboyant person in the industrial world could be obliged. And you see he got the money. Here is what Mr. Mundhra himself said. The Bose Report says:

"In the end Mr. Mundhra said almost triumphantly, 'Whatever the meaning is, the upshot was that I got more than I had asked for.'"

Then there is another reference:

'He began by asking for Rs. 18 lakhs under these heads on 21st June, 1957, increased it to Rs 94,74,000 on the 23rd and ended by being paid over Rs. 1,26,85,715.'

Let us now see how these things happened. We talk of rope tricks, but we do not believe in rope tricks in such public matters. Tell us what is the magic in it. When I read the Government's Report, I thanked the Government that they had not said that the Mundhra deal was an act of God. That I could have understood and if they had called it an act of God, we could do nothing about it. Nobody will question it, for nobody questions an act of God. But I believe the hon. Members opposite on the Treasury Benches do not yet claim divinity and they do not therefore like to describe it as an act of God.

Now, that money comes into Mr Mundhra's hands. He gave two and a half lakhs and got a crore and more, a good bargain for a young man, you may say. What about the officers? Who are these people? Nobody now questions the deal and everybody says it is a dirty deal and everybody is shocked. I do not think there is anyone who thinks otherwise. There may be one or two, I don't know. But how did the deal come about? Who

are responsible? That is the question. Then there are the bigger questions, namely, the relation between the Minister and the officers, relation with Parliament and the Public Service and so on. I shall come to them later on. We have got before us two sets of people in this matter—the non-official side and the official side. On the non-official side there are Mr. Sodhani, Mr. Chaturvedi and Mr. Mundhra with a few others holding the rear. I don't know all the others, but these three stars appear on the horizon in the context of the deal. On the official side we have a galaxy of officers and men. To begin with, we have Mr. T. T. Krishnamachari, the then Finance Minister, his Principal Finance Secretary, Mr. H. M. Patel, and then Mr. Kamat, the Chairman of the LIC, then Mr. Vaidyanathan, the Managing Director, and Mr. P. C. Bhattacharyya, Chairman of the State Bank of India, and Mr. Iengar, Governor of the Reserve Bank. Well, this is the collection. You will find that

4 P M Mr. Iengar, Mr. P. C. Bhattacharyya and Mr. H. M. Patel from more or less the team in Mr. Krishnamachari's empire. If Mr. Mundhra had built an empire in the industrial field, Mr. Krishnamachari also succeeded in building an empire in the ministerial field. Now Sir, the three musketeers in his support, Mr. Iengar, Mr. Patel and Mr. Bhattacharyya, worked together but when they appeared before the tribunal and faced searching enquiries, we find a sorry spectacle. The Report itself says:

"But now we come to a saddening spectacle. We find some of the highest officials in the land shirking responsibility and hiding the truth. We find each trying to wash his hands of a matter that has evoked much public criticism and each trying to throw the blame on the other. A Minister blames his Principal Finance Secretary; the Secretary blames the Minister and a colleague who holds a high office; the colleague shifts the onus to a co-worker, the Managing Director of a



large national institution in which both hold high and responsible office; and the Managing Director, in turn, blames each of the others."

This is what we find. The happy family is broken up before the searching enquiry and they start throwing the blame on each other. The result is that truth could not be got because some of them told half-truths, others did not tell the truth at all and some of them had even told falsehood, as the Commission itself says. This is something which should be taken serious note of. After all, they are Judges and they have experience of dealing with such matters as these and they say that the truth had not been told at all. They then arrive at the conclusion, having heard half-truths, falsehoods and various other things, that accommodation was made, that is to say, a loan was advanced to Mr. Mundhra, not for relieving the drag on the market, the stock exchange which in itself would have been bad if they had done it, but for helping Mr. Mundhra, Mr. Mundhra, the patron of the Congress organisation, the benefactor of the U.P. Congress and the Congress of my State. That is the position. Now, the U.P.S.C. has rejected this theory, saying that there could not have been any motives. The Prime Minister is allergic about it. I should have thought that the Prime Minister would show a little more patience when he takes money from such people to run the elections. He was allergic about this and he made certain remarks. People did not understand it but Mr. Mundhra understands this all right, people like him understand this all right, that if you pay money to the Congress Party, in other words, if you pay a piper today, tomorrow when your chance comes, you can call the tune as well. That is how they do, the Tatas, the Birlas and everybody. They give money to the Congress Party. What for? What altruistic reason is there? There is no altruistic reason whatever. The Congress Party is in distress and they have to help it in the elections. Mr. Mundhra is a clever man, cleverer than

many other people. I am glad that Mr. Vivian Bose told the truth, at least found the thing out.

I now come to the nature of the transactions. I said that various people were involved in it. It is not necessary to reconstruct the whole thing but take the June deal. I am not concerned with the others. The venue of the crime, I would say 'conspiracy,' has to be found out, Calcutta, Delhi, Bombay and Delhi again. Now, start with Delhi, June 12 and 13, 1957. Mr. Sodhani, Mundhra's dear friend and agent and go-getter, met Mr. Patel here. That is an admitted fact. In this connection there was reference to certain books at the Secretariat which keeps the records of interviews. I gave notice of a question following the publication of the Vivian Bose Report. The question was:

"Whether any enquiry was made into the loss of gate registers at the North Block of the Central Secretariat in New Delhi from June 6 to June 17, 1957, referred to in the report of the Vivian Bose Board of Inquiry?"

The answer was:

"The matter was examined. No importance is attached to these registers as they are not long-term and permanent records but are merely papers of an ephemeral character."

They have admitted that they have disappeared whether they are of an ephemeral character or not but they are very relevant and important now because those registers would have proved the interviews that took place in that period between Mundhra and his men on the one hand and the high people in the Secretariat on the other. This was disappearance by design; it was not just an accident. Then, Sir, come to Calcutta. All these jewels of the administration, Shri T. T. Krishnamachari, Shri P. C. Bhattacharyya, Shri Iengar and Shri H. M. Patel, they all meet together and have discussions with big businessmen there. That is admitted in the report. Mr. Chaturvedi,

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President of the Stock Exchange and a very dear friend of Mundhra was always in the picture, all the time talking in the meeting, arguing with them. What passed on there in the meeting, I do not know. There was a rumour at that time that Shri T. T. Krishnamachari had also met Mundhra. Now, I do not know what the Chief Minister of West Bengal would have said, if he had been called as a witness in connection with this and I would not say anything beyond that. It is good sometimes to give credence to rumour. Anyway, Mundhra is not supposed to have met the Finance Minister but Mr. Chaturvedi met all these people. The scene now shifts to Bombay where, on the morning of the 21st, Mundhra arrives by the night plane. Then comes the Finance Minister. Both of them are together in Bombay. I do not know why Mundhra did not take the same plane, the morning plane; if he had done that, he would have had good company, the company of the Finance Minister and both would have arrived together, but then they are wise in such matters and, therefore, they went separately. What happened in Bombay is again very interesting. Hardly has Mundhra arrived in Bombay, he rushes to see Mr. H. M. Patel. There must be some gravitational pull, pull of affection or pull of something, I do not know which. I do not go to a place and immediately rush to see a man, even if he is the most affectionate friend. It is not done unless and until the pull is very great. People take a little time to have their bath, to have a little rest, do a little telephoning and all that and then only they meet the people on business, but this was not done. After arriving, he meets Mr. H. M. Patel. Then letters go, not to the Chairman, Mr. Kamat, but to Mr. H. M. Patel, about his (Mundhra's financial difficulties and so on and copies are sent, not to Mr. Kamat, the Chairman of the Life Insurance Corporation, who is the most relevant person concerned with the Life Insurance Corporation, but to Mr. Iengar and Mr. P. C. Bhatta-

charyya. Could you believe it? I wonder why a copy was not sent to me. Sometimes, I do get copies of very many letters sent to me. They were sent to them. It is a surprising way of functioning. Therefore, the trio comes into the picture, the same trio as I mentioned, Mr. Patel, Mr. Iengar and Mr. Bhattacharyya. They are in the picture and each one of them has a letter of Mr. Mundhra in his pocket carrying the same message, after Mr. Mundhra had met Mr. Patel. What are we to conclude from it? Well, do I require to go through a thousand pages of evidence to understand this simple thing that they were all working together to a common end? It is obvious that there was something. It was done as a sequel to something else. The sequel was, in Calcutta something had been done and this was a follow-on operation here in Bombay. People are trying to collect evidence from here and there and crossing the 't's and dotting the 'i's in order to arrive at the truth. Is all that necessary here? You know how people behaved. On the 21st the letter was there and on the 22nd they had the meeting. I know how difficult it is for the representatives of a trade union delegation to meet a Minister. There will have to be 25 telephone calls and they have to wait for five days before they could even meet a Deputy Minister. Here Mr. Mundhra comes to Bombay and starts his operation and the entire machinery works under his spell with utmost expedition. On the 22nd all these gentlemen meet and they discuss what? They discuss Mr. Mundhra's problem. The country's problems are forgotten; the directive is forgotten. Mr. Mundhra's problems are discussed and immediately settled. Somebody took a note, I am told. And immediately Mr. T. T. Krishnamachari, the Finance Minister, said, 'look into it.' Immediately the conclusion was that sanction had been obtained and sanction was given and then of course the machinery moves and the whole thing is settled in a matter of three to four days. Can anyone of you, I ask, get Rs. 10 from Govern-

ment for a relief organisation in so short a time and in such a manner? I ask the Congress backbenchers. If you are running a relief organisation anywhere, go to the Ministers and see how long it takes to get anything from them. But here it was done in no time. All these gentlemen were under the supreme spell of the beloved person called Haridas Mundhra. The rising star had risen so high that all of them were bewitched and were dancing to his tune. Let us not mince matters and see how this transaction has been done.

Now, we come to Mr. T. T. Krishnamachari's part. Now I do not believe he was innocent. Mr. Feroze Gandhi has evolved a school of thought and according to him Mr. T. T. Krishnamachari is absolutely innocent. Mr. Shiva Rao belongs to another school of thought and according to him Mr. Patel is God's own son. I belong to none of these schools of thought. They are all guilty. They are all in collusion and it is difficult for me to apportion blame individually. The Chagla Commission said that Mr. Krishnamachari was not only constitutionally responsible but factual responsibility has also been attached to him. Let us see how he behaved in this matter. We are told that Mr. Krishnamachari is a very very sensitive person. He was a talkative person as we have known him. He used to answer supplementaries by long lectures. He is supposed to be a man of very high intellect. But having known Mr. Mundhra in 1956, that there was something objectionable about him and that his shares should not be touched and so on, he says, 'look into it.' Well, I ask this. If an application is made to the Minister of Finance for an appointment by a person against whom there is some suspicion of his being a Communist, Will he entertain his application in this manner? Never; he will ask for a police report; he will ask for Home Ministry's report and so on. Here this is a question of Mr. Mundhra and he says, 'look into it.' I say his reaction was favourable. Something in Mun-

dhra fascinated him; something in Mundhra attracted him; something in Mundhra set even Mr. Krishnamachari ultimately in motion and therefore he said, 'look into it.' And then the machinery moved and it went on. Therefore this term 'look into it' should not be interpreted in the manner it was sought to be done. It was a consent. Consent was given to Mr. Patel. Mr. Patel knew the mind of the Finance Minister and the Finance Minister knew the mind of his Principal Finance Secretary. There was a communion between them. Lovers do not talk very much. They understand each other. They look at each other and they can understand very well. It was not necessary for them to talk very much, to deliver discourses on investments and other things. They knew each other. Their eyes spoke; mannerisms spoke. Language was brief; the spoken words may be brief, but all the same, the job was done.

**SHRI LAVJI LAKHAMSHI:** Love is bourgeois luxury. How do you know about it?

**SHRI BHUPESH GUPTA:** Because I have seen you loving some people. That is the position. Now, my esteemed friend, Mr. Feroze Gandhi, delivered a one-hour lecture on the subject to prove that Mr. T. T. Krishnamachari was not at fault. It is an amazing piece of thing that he did. I am very sorry for him because he is otherwise an able person. But then, may be the political need of the Congress party is there and he is a loyal congressman. Then what happened? In 1956 Mr. T. T. Krishnamachari himself was saying something against Mr. Mundhra, that his shares should not be touched and so on. There was a direction about L. I. C. investments that the sanction of the Investment Committee should be taken. It had been violated by Mr. Krishnamachari and he never remembered it when the proposal was made to him about investing a crore and a half rupees in Mundhra concerns. Am I to understand that Mr. Krishnamachari's

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memory is so weak that he forgot it? He does not forget; he is a very clever man. Whatever else you may or may not say about him, you can certainly say he is a very intelligent person. His memory is also fairly strong. But then since it was Mr. Mundhra, accommodation had to be made and the transaction took place. Then the matter came up in Parliament but he never owned up. All the time by action he condoned it. Mr. Krishnamachari, Mr. Satya Narayan Sinha's friend, condoned the action of the L.I.C. He had an opportunity in August to repudiate it in the Lok Sabha and then in December in the course of the debate. He never did it. Therefore I do maintain that Mr. Krishnamachari knew the antecedents of Mr. Mundhra and even then he endorsed the transaction and having known that the transaction had taken place, he did not say anything against it. Imagine what would have happened if it was a small fry in the Civil Service, not Mr. Patel, but some small Assistant; he would have been sacked under article 311 or some such thing would have been invoked to fire him straightway. Nobody would have gone to unveil his portrait. Therefore do not think that Mr. Krishnamachari has become a martyr to our Constitutional decorum. It would be a profound error and it would be, if I may say so, misleading ourselves if we think that Mr. Krishnamachari became just a willing martyr so that our abstract constitutional principle may be upheld. He was involved in it and it happened like that.

Then a point has been rightly mentioned that he never repudiated it. Now if our Finance Ministers do not properly look into this kind of transactions involving Rs. 1½ crores and if after the transaction even when questions are asked in Parliament they do not wake up and show vigilance, are we to retain them as Finance Ministers or are we to take them somewhere as something else, as Vice-Chairman of the Planning Commission or in some other Ministry? That is the

question before the nation today. Apart from other considerations, it is an important question. Therefore, Sir, let there be no mistake that Mr. Krishnamachari's responsibility is there constitutionally and factually and there is no escape from it. Now, some people thought that if they could get somehow Mr. Patel, as he should be got, then probably Mr. Krishnamachari could escape. That was not possible. The Union Public Service Commission went into it. It is an amazing thing that the Union Public Service Commission exceeded its authority under the Constitution. Sir, from the findings of the two bodies consisting of Judges, the function of the U.P.S.C. was to recommend in the light of the findings as to what punishment should be awarded. It was none of their business to reopen the whole thing and make observations as if they were the Judges. I would like to know when the Constitution gave such powers to the U.P.S.C.

But then for some needs of the higher-ups the U.P.S.C. had to function in this manner. I am sorry to say that by this behaviour the U.P.S.C. has compromised its position and has invited some kind of very strong and justified criticism on the part of the public.

SHRI B. K. P. SINHA: I would request the hon. Member. to read the relevant article of the Constitution regarding the U.P.S.C. He is a Barrister-at-law and he can interpret it.

SHRI BHUPESH GUPTA: I agree that I have passed that examination once, but I thought that he is a practising lawyer and he should know the article better. Now, that is the position. This is how it took place. Mr. H. M. Patel has been exonerated practically. The charges have been dropped. Why? He went through distress. People are arrested, leaders of the Opposition are arrested and detained under the Preventive Detention Act and when I lead a deputation to the Home Ministry, it does not look into

the cases. Ask Mr. Datar. He is there. But Mr. Patel was in distress, because the gentleman had to face an enquiry for two months, and the hearts of the Home Minister and the Minister of State began to bleed. Therefore, there was no punishment and that these charges should be dropped. As for Mr. Kamat, I think that this gentleman may be a very affable person, but he does not show any competence in him. He functioned in this deal as being somewhat overawed and naturally he did not discharge his constitutional and administrative responsibility, and he has been censured. Where are we now? The only person in trouble is Mr. Mundhra. If you like, withdraw the cases against him. Why trouble that fellow? He fooled you all, then got away with the money, and then why trouble him? He is in a hundred cases. In some of them he has been exonerated and some of them are waiting to be decided. At least one of the guilty persons is on his toe waiting to be called to Delhi to assume some great responsibility. Is that the public morality? Is it the standard of behaviour in public life? I ask that question. That is the position. Mr. Deputy Chairman, therefore, the whole thing is so shocking. It is not that Mr. Mundhra took away Rs. 1½ crores. We can find that money. We can recover that money from Mr. Mundhra, if you like, and we know that much money has gone down the drain. The blow that has been struck to public morality is also a very serious consideration in this matter, and nobody bothered about it. If our Parliamentary democracy is sought to be fashioned according to the needs of Mundhras, according to the needs of discredited Ministers, then nothing will remain in this country. This is what I say. As far as the other officer, Mr. Vaidyanathan, is concerned, why he was kept, nobody knows. But this is how they run bureaucracy . . .

SHRI H. P. SAKSENA (Uttar Pradesh): Nothing will remain in this country if—God forbid—my friend, Mr. Bhupesh Gupta's Party comes into power.

SHRI BHUPESH GUPTA: Well, if my Party comes into power, there will not be so farcical a treatment of such a scandalous deal. We know how to deal with that. Now, Sir, why deal with Mundhra? Mr. Haridas Mundhra, had he not been caught, some day he would have been given the "Padma Bhushan". He would have qualified for it somehow. I am saying this because his path-finders have been treated with extreme kindness, awarded honours and all the time being worshipped by the ruling Party.

Now, about the relation between Ministers and the officers. Yes, that is an important question. Now, even on that score Mr. T. T. Krishnamachari has miserably failed. Let there be no mistake about it. He did not behave properly in relation to his officers. He did not exercise the direction, superintendence and vigilance that is expected of a Minister in relation to his officers when such matters of public policy and such fundamental matters of public interest are involved. Nothing of the kind. Some people say that you are very casual. That casualness was there in the remark. That is what I had heard. Therefore, the Ministers should behave. They should not always eat out of the hands of the officers. Well, the practice is every day growing. Answers are given from the cramped notes, and if the pad is not in their hands, they will not say anything. That position should go. As far as the officers are concerned, they must know that they are not answerable to their Ministers only. We have seen three or four I.C.S. officers in this connection. There also they are not as efficient or as above board as is sought to be made out. Therefore, the officers must know from now on that they are answerable to Parliament and to the public at large. If they are public servants, they must bear in mind all the time, every moment of their operation, that ultimately, in the final analysis, they will be accountable to

[Shri Bhupesh Gupta.] this House and the other House. (*Time bell rings.*) I am finishing in a minute. Then, Sir, about the other thing, the Union Public Service Commission, I ask why these I.C.S. officers should be given this extraordinarily kind treatment in this matter. An article, a provision in the Constitution is there that whenever it comes to a question of disciplinary action against them, the whole thing has gone to the Union Public Service Commission, and when it comes to the other employees, they get discharged or dismissed without assigning any reason. (*Time bell rings.*) Why this dual standard, I cannot understand. Here we see how we have been landed by the U.P.S.C. The U.P.S.C. in this matter was an incompetent body. It could have assessed the punishment, but it was an incompetent body, I do maintain, from the point of view of examining or going into the findings. Certainly, it was not a Privy Council reviewing decisions of certain High Courts of the British Empire. It is not like that at all . . .

MR. DEPUTY CHAIRMAN: That will do.

SHRI BHUPESH GUPTA: That is the position. When you say 'That will do', you are very right. I think I have said enough. I only want to strike a note of warning and it is this: Please do not make any attempt to rehabilitate the discredited Minister as if nothing had happened. The Mundhra scandal is an abounding scandal, which shall continue, and for this scandal some people are responsible. And among them Shri T. T. Krishnamachari is undoubtedly the first and foremost, along with Mr. H. M. Patel. Therefore, let there be no brushing aside of this thing, because the Government has suffered in its prestige. Even the Prime Minister's prestige has fallen because of certain remarks he made and the manner in which he treated this deal. I am very glad that the Home Minis-

ter has come. I wish he were present earlier. I would appeal to him. He is a very veteran politician and . . .

MR. DEPUTY CHAIRMAN: That will do.

SHRI BHUPESH GUPTA: . . . an able person. I would certainly request him not to bring Mr. Krishnamachari by the backdoor.

SHRI T. S. PATTABIRAMAN: Mr. Deputy Chairman, the great Mundhra drama is coming to an end and we are now in the epilogue stage. The Mundhra drama has been more tragic than many of the Shakespearean tragedies. Yet we are in the position of one who has seen Tagore's dramas—at the end we are left to draw our own conclusions. No decisions or clear-cut indications have been given. The Chagla Commission had its sitting in Bombay and it submitted its report. Later, the matter was referred to the Bose Board, which contained an eminent Supreme Court Judge, a great, internationally respected senior civil officer and one of the seniormost civil officers, who is the Secretary of the Madras Government. The Union Public Service Commission, whose members fully deserve our respect for their integrity, honesty and ability, considered it and the Government have come to the conclusions. This country and Parliament owe a debt of gratitude to all the members of these august bodies for the fearless way in which they presented the facts and for giving to the public a neat picture. Tributes were paid to individuals in the drama and I want to join in the tribute that is being paid.

Sir, my friend Mr. Shiva Rao and my venerable friend Mr. Sapru and others paid great tributes to the great civilian Mr. Patel. Let me also add my humble contribution to them. I only wish that the generosity shown

by the hon. gentlemen had been extended to the other civilian, Mr. Kamat, and Mr. Vaidyanathan. It would have been appropriate if they had done it. It is not accidental that they omitted it. It is intentional, as we will see from the U.P.S.C. report.

**SHRI P. N. SAPRU:** I did mention Mr. Kamat and I said that I thought his evidence impressed me most.

**SHRI T. S. PATTABIRAMAN:** Sir, honest service has been rendered by these civilians and they not only deserve the thanks but the gratitude of the nation, and I shall not be lagging behind in giving them our gratitude and thanks.

Sir, much has been said about Mr. T. T. Krishnamachari in this House. If the hon. Members who made the accusations against Mr. Krishnamachari had confined themselves to the four corners of the reports before us, I should not have been worried. I am not here to defend Mr. T. T. Krishnamachari, because Mr. Krishnamachari according to all respected and accepted standards is capable of defending not only this country but himself and the party, and he can and he will do it. But, Sir, some Members went to the extent of criticising him personally, and I very much regret to say that my respected and learned friend Mr. Sapru, who is always respected for his wisdom, age and sobriety went to the extent of saying that the Congress should not defend him, and that the Prime Minister and the others were wrong.

**SHRI P. N. SAPRU:** I make a protest. I never used those words. I would like my words to be referred to. I never mentioned the name of the Prime Minister. I never mentioned the name of the Congress. I said that we should set standards in these matters, and I said that the impression that Mr. Krishnamachari's evidence creates in one's mind is that he is not frank.

**SHRI T. S. PATTABIRAMAN:** Sir, I am thankful to Mr. Sapru. I am entitled to say that we in the Congress Benches have been in the Congress not only as legislators but as fighters for freedom and agitators. We have come here as legislators after we have been fighters. Mr. Sapru is not entitled to claim the same experience as I can in the Congress. Whatever may be said by individuals and Members here and there, I am sure that the country and the great Congress organisation are proud of Mr. T. T. Krishnamachari . . .

**SHRI P. N. SAPRU:** He had no record of service as a Congressman before he came.

**SHRI T. S. PATTABIRAMAN:** I do not want to enter into a controversy. Let us face facts.

*(Interruptions.)*

**MR. DEPUTY CHAIRMAN:** Order, order.

**SHRI T. S. PATTABIRAMAN:** I was born perhaps much later than my hon. friend, but I have always been a Congress worker and never a Government servants. That makes a difference to me. I have that objective view and it must be respected.

Sir, I would like the hon. Members to pause and consider, and let them go through the two thousand pages of evidence before the Bose Board and the Chagla Commission. I am prepared to renew the challenge, Sir, the challenge I made during the debate on the Chagla Commission Report. Let them produce here one single sentence—mark my words—which implicates Mr. Krishnamachari, which says that Mr. Krishnamachari sent word to the L.I.C. officials or directed Mr. Patel or asked them to invest the L.I.C. funds in Mundhra shares. Let them prove it. There is a lot of evidence before them. There is absolutely no evidence to this effect. My respected friend Mr. Shiva Rao said: "Here is a statement which Mr. T. T. Krishnamachari prepared in Bombay."

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Sir, the Chairman of the Bose Enquiry Board called it the Bombay draft. I will come to that, the Bombay draft. The first thing is, Mr. T. T. Krishnamachari was examined the previous day and the advocate for Mr. Patel did not have a word to ask him about it. Is it judicially correct? The Chairman, the great Mr. Vivian Bose, correctly pointed out "if you had this in your mind, then why did you not put it to Mr. Krishnamachari?" And for that reason only he wrote to Mr. T. T. Krishnamachari, got his explanation and then refused to believe the whole story.

Sir, let me come to the draft of Bombay which Mr. Shiva Rao made much of. Mr. B. K. Nehru himself does not know whether the draft is correct or not. My friend believes and swears as if it is Bible. What does Mr. Nehru say as to what happened in Bombay? He says: "I went there, as far as I could recall, on the 17th morning with Mr. S. K. Kaul who was in charge from our side of the case. Then we prepared it." Sir, Mr. Shiva Rao said that the original is in the Library. This is what Mr. B. K. Nehru had to say about it:

"There is no original. This is a document which reads very much like that. As it is several months now since I read it, I cannot swear that this is the exact copy. The point is that the statement was prepared in 3, 4 or 5 copies. I had a copy. There is no signature and no original."

And yet my learned friend Mr. Shiva Rao says that this is the original. Mr. B. K. Nehru is not sure of the content, but Mr. Shiva Rao is sure of the content. Whom are we to believe? I leave it to the House.

Again, Sir, who asked Mr. Nehru to prepare a statement? Did Mr. Krishnamachari request Mr. Nehru to come to his rescue? No, Sir. Four or five officials against whom charges

were pending go to Bombay, prepare a statement with the help of the advocate of the L.I.C. to be put into the mouth of Mr. T. T. Krishnamachari and get him napping, as they got him napping a few days earlier. Did Mr. Krishnamachari ask them to prepare it? Mr. Nehru is very certain about it: "To the best of my recollection that is not correct."

"Mr. Chairman: Yes, we want a full answer.

Shri Nehru: Mr. Krishnamachari gave me no instructions about his statement."

Further on,

"Shri Nehru: The basic point is that the only guidance that I had was not through Mr. Krishnamachari direct, but through this conversation.

Shri Sanyal: Now, you have been shown the Bombay draft and you say that you cannot swear that that was the draft actually prepared.

Mr. Chairman: Not actual words, but he said, generally the draft may be the same."

Sir, is this a draft to be believed? And what does Mr. Krishnamachari say? He says in his letter to the Commission dated the 11th June 1958:

"I did not approve of the statement I drafted a shorter statement myself. As to the statement which I myself drafted, I certainly had mentioned in it that the matter was referred to me by the Principal Secretary. I do not however recollect whether I stated that he had referred it to me on two separate occasions. I am also reasonably certain that I had not mentioned in that statement that I had given my 'consent'. I have already stated before the Chagla Commission", etc.



Mr. Nehru also says that Mr. Krishnamachari did not give his consent.

Mr. Sapru wants me to believe the evidence of Mr. Nehru and Mr. A. K. Roy. Sir, Mr. B. K. Nehru and Mr. A. K. Roy are two of the greatest civilians that the country can be proud of, but I do not think that the gentlemen who said that they were afraid of giving evidence while Mr. T. T. Krishnamachari was in office paid any compliment to them. It was a statement derogatory to their ability and integrity. (*Interruption.*) I refuse to yield. Mr. A. K. Roy and Mr. Nehru are not afraid of the Ministers. If they are afraid of the Ministers and Deputy Ministers and Parliamentary Secretaries, they have no right to continue in the highest jobs they are holding. (*Interruption.*)

MR. DEPUTY CHAIRMAN: Order, order.

SHRI T. S. PATTABIRAMAN: There is one thing. Mr. A. K. Roy and Mr. B. K. Nehru knew these things before the Chagla Commission came into being. Why did they not volunteer? They could have had a sitting in camera. They could have given evidence in camera. Nothing prevented them from doing that. Mr. B. K. Nehru himself admits that Mr Kaul was present during the drafting. He and Mr. Kaul were present to make the draft, and Mr. Kaul was examined before the Chagla Commission. Was not Mr. Patel in the know of things then that the statement was prepared? Why was it not put to Mr. Kaul that this Bombay statement was not put to him? The truth is that the Bombay statement, the Delhi statement etc. are the result of a fertile imagination of an able advocate at the time of enquiry and it never existed. This is with regard to the Bombay and Delhi drafts. Secondly . . .

SHRI P N. SAPRU: He knows his job and he is a man of eminence.

SHRI T. S. PATTABIRAMAN: Then, Sir, with regard to the evidence of Mr. A. K. Roy and Mr. B. K. Nehru, Mr. Sapru wants us to believe it. He asks, "Why should you not believe Mr. Roy?" Shall I put to him a counter-question—"Why should you not believe Mr. Mazumdar?" The argument of the Union Public Service Commission and that of my friend run on identical grounds. Why? I will connect them later. Sir, the fact is that Mr. Mazumdar gave evidence. He is one of the seniormost Indian Civil Service officials. He is the most senior of the three. He enjoys the greatest respect, and he has had longer experience of working under Mr. Krishnamachari than the other two, and no mention was made of his evidence in the whole of the report of the Union Public Service Commission. Is it just? Is it right? Is it proper? I ask the great jurist of the day, Mr. Sapru. It has not been done. Why has it been suppressed? You may not believe it. Why has it been suppressed? What does Mr. Mazumdar say when he is examined before the Chagla Commission? He says:

"We always record the fact that this has been done and so on. In that particular case, my understanding is that I would record that I said such and such, and I would not agree to it;"

He categorically states that everything will be recorded in Mr. Krishnamachari's regime. He is not a man who simply believes in oral discussion. Then why was it suppressed? People were very much agitated, when documents and registers were suppressed. An important piece of evidence has been suppressed and nothing can be raised against him. Can you give an argument against him? No, Sir. What about the other thing? The Chagla Commission and the Bose Board of Inquiry were not discussing the working of the Finance Ministry or of the Defence Ministry or the relations between those people; the whole inquiry was into the transac-

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tion of the Life Insurance Corporation, what the relationship between the Life Insurance Corporation and the Finance Ministry was. Can you have better evidence on this than Mr. Patel? The Principal Finance Secretary says that every dealing, every instruction, every correspondence to the Life Insurance Corporation—everything—has been recorded. Again I draw the attention of hon. Members to Mr. Patel's evidence itself on page 22 of Volume 13.

"Mr. Sanyal (the Solicitor General): Now, all that I am putting to you is this. Whenever a question of policy regarding investment arose there has been always something in writing—is that right?

Mr. Patel: Well, I can only say, on the few instances we have here."

That is, with regard to the Life Insurance Corporation.

"That is correct; that the communication has gone from here of the views of the wishes of Finance Minister or the Ministry or myself by letter."

Do you want further clarification when Mr. Patel himself admitted that with regard to the dealings of the Life Insurance Corporation, everything had been in writing? Why don't you believe him? What is the sanctity in the evidence of Mr. Roy and Mr. Nehru? I ask this question. Mr. Patel himself has admitted this. Why don't you confront him with this statement? Sir, the Union Public Service Commission, great as it is, has tried to forget it and I do not know the reasons; and yet there are hon. Members—members of a great organisation—I shall not attribute motives to them.

Then,

"Mr. Sanyal: On the few instances given here—in your statement and Mr. Kamat's statement—there

has always been something in writing, is that right?

Mr. Patel: Letters have gone, yes."

What else do you want? There is no use of saying that I have understood this, but not that thing or the other thing.

Again, Mr. Sapru said that Mr. A. K. Roy knew everything. What does Mr. Roy say? He says that when he met Mr. Krishnamachari on the 25th . . .

SHRI P. N. SAPRU: There is no use contradicting you. You can quote or misquote me as you like.

SHRI T. S. PATTABIRAMAN: Sir, facts are unpleasant. It is very difficult to swallow them when arguments fail. Naturally other things take place. I do not want to go into them. What is the evidence of Mr. Roy? Mr. Roy meets the Finance Minister here on the 25th. Actually what is the conversation? This is the thing. Mr. Roy said that his impression was Rs. 80 lakhs. Even taking for granted that Mr. Krishnamachari knew of the whole thing, what is the impression of Mr. Roy? It is only up to Rs. 80 lakhs. Sir, now the transaction has been proved to be one crore twenty-five lakhs and fifty thousand rupees. Are the hon. Members and others who spoke for Mr. Patel prepared to say that at least to the extent of Rs. 45 lakhs Mr. Krishnamachari was put in the dark and it was done behind him. I agree that Mr. Roy's evidence should be believed. What does he say?

His conversation is given:

"I said: 'Are you suggesting that this was done without your knowledge or concurrence?'"

He asks Mr. Krishnamachari. Why should he ask him? It is because he felt that Mr. Krishnamachari was not

in the know of it and Mr. Roy was not clear. What does he say? My hon. friend says that Mr. Roy's evidence should be absolutely believed as a gospel truth. I shall believe him, Sir.

Mr. A. K. Roy: "I said: 'Are you suggesting that this was done without your knowledge or concurrence?' At that time, probably, it was time for him to go and he got up and said: 'Mr. Patel mentioned it to me. There is something in your point of view.'"

Well, that is all I remember about the conversation. But he mumbled something and went away."

Is mumbling part of evidence? I want to know that. I am just . . . (Interruptions.) I do not want to be interrupted.

SHRI P. N. SAPRU: I want to make it clear that what I said was that Mr. A. K. Roy's evidence shows that on the 25th or the 24th Mr. Krishnamachari talked about this transaction and on the face of it, there is no reason to disbelieve Mr. Roy. Mr. Krishnamachari too has not denied that he had a talk with him.

SHRI T. S. PATTABIRAMAN: This is what Mr. Roy said:

"His reply was—and so far as I can remember, the exact words were—'No, Patel mentioned it to me' and then he mumbled some words. I suppose 'There is something in your point.' I cannot remember exactly, but I suppose he said, 'They are all right'. He mumbled something and walked out. I mean, I cannot tell you exactly what those words were. He mumbled them and went out."

Sir, Mr. Krishnamachari's mumbling is now being interpreted as 'his having known'; Mr. Krishnamachari's 'look into' is interpreted as 'do it'. Is the word 'do' there? After all, English is English and anybody. . .

SHRI BHUPESH GUPTA: What does 'mumbling' imply in this case? He knows it better.

MR. DEPUTY CHAIRMAN: Nobody interrupted you when you spoke.

SHRI T. S. PATTABIRAMAN: This is what Mr. Roy has said. I do not want to go into the other pieces of evidence of Mr. Roy. He is a great man; he is the Principal Finance Secretary. And he says that the taxation proposals are discussed and he says, "I have not put them in writing." Thank God, they are not put in writing. And who announces it? The Minister writes it down, reads it here, and why should it be recorded? Then he takes the full responsibility.

He mentioned about the Orlicons deal with which he was concerned. We are extremely grateful to Mr. Roy. The Orlicons Machine Tool Factory deal was a big question. Who was responsible for the loss and whose responsibility it was? Thank God, the Vivian Bose inquiry has brought to light that it was the great Mr. Roy who made the Government suffer. We are extremely thankful to Mr. Roy for having admitted that he concluded the deal without anything in writing.

Sir, then the question of Mr. Krishnamachari suppressing evidence on those two days; Members were saying that Mr. Krishnamachari suppressed the facts. What was the question on the 4th September, 1957, Sir? They wanted some information. This is their exact draft, Sir. These are the exact words appearing in the draft answer submitted to Mr. Krishnamachari.

"It is understood that the Life Insurance Corporation has not invested, as stated in the report referred to, a crore of rupees in any single private enterprise with headquarters in Kanpur."

Then there is a portion following it, which was cut out by Mr. Krishnamachari, and it is:

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"The report presumably had reference to the purchase by the Corporation of preference and ordinary shares in a number of industrial concerns which were the property of one individual Shri Haridas Mundhra. The total amount thus invested was of the order of one crore and twenty-five lakhs of rupees."

That is No. 1. and No. 2:

"The purchase was effected because the shares in question appeared to be an unthought investment."

And No. 3:

"Incidentally, the purchase assisted in averting a possible difficult situation on the Calcutta Stock Exchange."

These are the three parts cut out, first of all about Mundhra's shares being purchased and secondly, about an 'unthought investment'. Now Mr. Patel was asked, "Did you prepare the statement?" Will any sane Secretary say in the note that it was an unthought investment? And he wanted the Minister to admit it on the floor of the House. It is not the Secretary that is here, and he wants the Minister to admit it as an 'unthought investment', and thirdly—Mr. Krishnamachari did not agree with it—"Incidentally, the purchase assisted in averting a possible difficult situation on the Calcutta Stock Exchange." Mr. Krishnamachari did not agree with this and because he did not agree with this thing he cut it out along with the two other parts I quoted before. In this regard what does Mr. Patel say later? It is not during the hearings of the Chagla Inquiry Commission but during the hearings of the Bose Board of Inquiry. Let us see what he says. I quote from the proceedings before the Bose Board of Inquiry:

"Mr. Chairman: What is your page?"

"Shri Sanyal: It is item No. 18."

"Shri Sukumar Sen: Starred Question No. 1476?"

"Shri Sanyal: Yes. A portion of the answer is scored out. Is it 'un-sound investment'?"

"Shri Patel: I think it is most likely; it should be 'worth while'."

Mr. Patel says that it was a worth while investment. My friend says that there was a drag in the Calcutta market and that Mr. Patel had to go to the rescue. Even on September 4 my great friend, Mr. Patel, does not admit that there was a drag in the market there. He says that the investment was sound, that Mundhra shares were very sound. That is why they were invested in. He takes this stand on September 4 and he says, "Incidentally, the purchase assisted in averting a possible difficult situation on the Calcutta Stock Exchange." See, Sir, how the entire argument and the entire defence varied at a later stage, the variation in his evidence before the Chagla Commission and subsequently before the Bose Board of Inquiry, that he went to the rescue of the share market. But on September, 4, for the first time he says it is not for that. He invested because it was a sound investment.

Then, Sir, there is another suggestion that, I think, my respected friend Mr. Kunzru referred to, that the letter of Mr. Kamat dated the 16th July was not placed.

(Interruption.)

I am sorry, Sir, but somebody mentioned here that the letter of the 16th July of Mr. Kamat was not placed when the question came up before the House. (Time bell rings.)

Another ten minutes, Sir.

MR. DEPUTY CHAIRMAN: Two or three minutes more.

SHRI T. S. PATTABIRAMAN: Now, Sir, I had to meet . . .

MR. DEPUTY CHAIRMAN: Two minutes more.

AN. HON. MEMBER: He has got an amendment, Sir.

SHRI T. S. PATTABIRAMAN: Yes, there is my amendment.

Now, Sir, the letter, according to Mr. Kaul . . .

DR. H. N. KUNZRU: Never mind, take up some other point.

SHRI T. S. PATTABIRAMAN: I am coming to the point, to every point that is inconvenient to you and others.

Now, Sir, Mr. Kaul says—it would appear—that this letter of Mr. Kamat dated the 16th July was not placed on the file sent to the Minister with regard to the question put on September 4. But he prepared his note on the basis of that letter. When answering the Question on the 29th November that letter was certainly put on the file, but not on the 4th September, where the Bose Board of Inquiry has made a factual mistake. There is nothing near about it, and it is clear that if Mr. Krishnamachari did not give the answer, he was correct in not giving the answer, because he had no information—it was suppressed by whosoever it may be—I do not want to name anybody. Even for argument's sake let us take it that the letter was there. What did the letter contain? The letter contained only the mention of Jessop & Company. The letter dated the 16th July from Mr. Kamath only referred to Jessops shares and to no other shares. In this connection, Sir, we must know that Mr. Krishnamachari himself did not know all these things. Mr. Kamat gives evidence. Then he says that Mr. Krishnamachari wanted information about the blue chips, what were the investments in them. Do you know what the civilian and all have done? Shri Kamat says:

"Mr. Patel, on his way to the United Kingdom on the 29th June, told me that the Minister wanted to have a statement of the holdings in 'blue chips'. I asked him immediately what 'blue chips' meant. Well, he did not know. He said, perhaps, I could find it out from Mr. Vaidyanathan. I asked Mr. Vaidyanathan. Mr. Vaidyanathan did not know either, as to what could be regarded in India as 'blue chips'."

So nobody knew what 'blue chips' were, and nobody had the responsibility to ask the Minister what 'blue chips' were. If this is the conduct of those persons concerned, others can be easily imagined. Sir, I do not want to go into the other matters. Mr. Krishnamachari has been vindicated correctly; I have no doubt about it. It was said, Sir, that Mr. Krishnamachari had intimate knowledge of the whole transaction and he must own responsibility. Mr. Krishnamachari if at all he had, should have had knowledge either in Calcutta or in Delhi or in Bombay. Let me go through the main evidence of Mr. Patel regarding Calcutta, before the Bose Board of Inquiry:

"The Chairman: Was the Minister present when this discussion took place?"

"Mr. Patel: I cannot say."

"The Chairman: Did you discuss with the Minister in Calcutta about the market being loaded with Mundhra shares and what its result would be?"

"Mr. Patel: I do not think I had any discussion of a general nature with the Finance Minister in Calcutta."

Then coming to Delhi, Sir, Mr. Patel's evidence is as follows:

"Mr. Chairman: Now tell me, did you have anything to do with the Minister on the 24th or 25th morn-

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ing? Did you report the result of the transaction to the Minister after returning to Delhi?"

"Mr. Patel: No."

"Mr. Chairman: Did you see him after that?"

"Mr. Patel: I was extremely busy for the next few days, 24th to 29th, and I left for England on the 29th of this month."

"Mr. Chairman: I take it that you had a discussion with the Minister between the 24th and 29th?"

"Mr. Patel: I do not recollect having had any discussion with the Minister."

"Mr. Chairman: Not even in Delhi?"

"Mr. Patel: I had no discussion before I went to England."

Now, Sir, if Mr. Krishnamachari had the knowledge of it, if Mr. Krishnamachari had an inkling of a doubt that the Mundhra shares had been purchased by the L. I. C. at such a cost, would he not have asked Mr. Patel—Mr. Krishnamachari was reputed to be a very bold and dashing man—would he not have asked Mr. Patel to tell the position? He would have asked Mr. Patel to report and explain why it had been done. Then, Sir, that is what exactly happened in Bombay. It is amazing how Mr. Patel, starting from the position that his 'impression was that the Minister had approved', shifts his position to 'Why should I have done this if I had not had his approval'. In Bombay the Minister said, "It might be looked into." But Mr. Patel purchased them. My friends and all those Members who spoke—many of them are advocates, legal luminaries—may see how the ground is shifted. Will they believe the evidence if they had been sitting

in a court, I would like to know that? Mr. Patel starts that Mr. Krishnamachari said, "Look into it", this was at Bombay, and this was before the Chagla Commission. Then he appears before the Bose Board, changes his position and says, "Why should I have done this if I had not had his approval?" Is this evidence, Sir? He is shifting his ground. And again when preparing his statement and submitting it to the Union Public Service Commission he says, "The Minister knew all about it and that he had indeed given the orders that I should give the advice to the L.I.C., which I did."

The first statement is to be believed and all other subsequent statements have to be taken with a pinch of salt. That is the common law and I am sure you will agree with it.

Sir, I would like to wind up my speech with only two remarks regarding the U.P.S.C. The Union Public Service Commission deserves our thanks and congratulations for the effective manner in which they have put the case. But there is one thing, Sir, I am sorry, and I cannot accept that position. A few days after the matter was referred to the U.P.S.C. by the Government it was the common talk in the fashionable clubs of Delhi wherein civilian officials of the India Government meet—the Government and the Ministers cannot do anything—that Mr. Patel was going to be acquitted. Sir, the Tribune of Ambala and Mr. Salwatti's letter from Bombay published categorical news that the Public Service Commission had come orally to the conclusion that Mr. Patel would be acquitted. I will not say much about it. Sir, firstly, the integrity, the prestige of the Union Public Service Commission has been affected. Secondly, when the Public Service Commission sends its report to the Government, it is of a confidential nature. There are only two ends to the whole road between Central Secretariat or King Edward Road, now Maulana Azad Road, and Shah-jahan Road. The Prime Minister had

stated categorically that it did not leak at this end. Then at which end did it leak? And on the same day the Report was sent to the Government, it was published in full in all the papers. I do not blame the Public Service Commission for it. Not only the Commission, about whose impartiality we have no doubt, but also the office should be above suspicion, as it has given cause for suspicion in this case. In public interest I want that an enquiry should be made to find out who is responsible for this leakage and how it leaked out. Finally, Sir, there is one thing and I am finishing. Mr. Bhupesh Gupta and other Members were saying that the Congress Party has been benefited and the deal was a *quid pro quo* for the benefit that accrued to the Congress.

SHRI BHUPESH GUPTA: I did not . . .

SHRI T. S. PATTABIRAMAN: Will you kindly allow me, Sir, to proceed? The Congress does not need the money; when it has the goodwill of the masses in this country it does not need money. Sir, but in fairness to Mr. T. T. Krishnamachari and the Congress organisation, why did not Mr. Justice Vivian Bose put this question to Mr. T. T. Krishnamachari, "Mr. Krishnamachari, did you do this just because the Congress organisation was given donations by Mr. Mundhra?" That would have cleared the way. A man should not be convicted without a hearing and without his being given a fair trial and without a reply from him. A great organisation has been condemned without a hearing and without any evidence, and we regret that it has been done by one of the great Supreme Court Judges in India. We are sorry for it.

Mr. Bhupesh Gupta was accusing the Congress of all these things. Mr. Bhupesh Gupta's memory is not always sharp. In 1957 he knew Mr. Mundhra. He is a very bad chap according to him.

(Interruptions.)

Wait a minute, please. I am not yielding.

SHRI BHUPESH GUPTA: Only a correction. I mentioned . . .

SHRI T. S. PATTABIRAMAN: I am not yielding.

MR. DEPUTY CHAIRMAN: Order, order.

SHRI T. S. PATTABIRAMAN: I am finishing now, Sir. Mr. Bhupesh Gupta's party knew Mr. Mundhra in 1957. In 1957 he knew Mr. Mundhra. He knew the antecedents of Mr. Mundhra. In 1957 during the Puja Day Celebrations at the residence of Mr. Mundhra, Mr. Jyoti Basu, other Communists and Mundhra hugged together and ate sweets and exchanged greetings.

(Interruptions.)

SHRI BHUPESH GUPTA: I never went there . . .

SHRI T. S. PATTABIRAMAN: If Mr. Mundhra had been bad, why should they have been hobnobbing with him? Mr. Gupta admitted to me privately about this allegation . . .

(Interruptions.)

SHRI BHUPESH GUPTA: Sir, I strongly repudiate it. It is a blatant falsehood that the hon. Member is uttering. I cannot allow him to say so . . .

MR. DEPUTY CHAIRMAN: You sit down.

SHRI BHUPESH GUPTA: On a point of personal explanation.

SHRI T. S. PATTABIRAMAN: I made this allegation during the Chagla Commission Report discussion and even now I stand by it.

MR. DEPUTY CHAIRMAN: That will do, Mr. Pattabiraman.

SHRI T. S. PATTABIRAMAN: The Communists have no right to criticise us because they are pals, friends and

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best friends of Mr. Mundhra. So far as we are concerned, Mr. Mundhra has benefited and if at all one person is blamed, it is one person, Mr. Chaturvedi, the President of the Calcutta Stock Exchange. He is the arch or prime architect of the whole deal. He meets Mr. Mundhra, he meets Mr. Patel, he meets Mr. Iengar, he meets Bhattacharyya, he does everything. Why did he take so much philanthropic interest in Mr. Mundhra? It is a worth-while matter for the Home Ministry to completely enquire and find out what was his motive. With these few words, I propose that my amendment be accepted.

SHRI BHUPESH GUPTA: On a point of personal explanation . . .

MR. DEPUTY CHAIRMAN: The Home Minister.

SHRI BHUPESH GUPTA: I have to give a personal explanation. I am here on this side. You are to allow me. A personal explanation is allowed. Otherwise you expunge it . . .

MR. DEPUTY CHAIRMAN: If you make allegations, you will have to accept the allegations made by others . . .

SHRI BHUPESH GUPTA: I rise on a point of order. You are, under the Rules, required to allow me the chance of personal explanation.

MR. DEPUTY CHAIRMAN: What is he personal explanation?

SHRI BHUPESH GUPTA: A few words. Half a minute. I never want unnecessarily to create heat. I never, never, never told him that I had ever met Mr. Mundhra anywhere.

SHRI T. S. PATTABIRAMAN: I never said that.

MR. DEPUTY CHAIRMAN: He never told that. You told him . . .

SHRI BHUPESH GUPTA: In point of fact, Mr. Krishnamachari and he must have met, being a friend of his. I have never seen his face.

THE MINISTER OF HOME AFFAIRS (SHRI GOVIND BALLABH PANT): Mr. Deputy Chairman, I do not think I need take much time of the House at this late hour. This discussion has been going on for the last five hours but it is not the first time that this question has come before this august House. We have had three debates in Parliament over this fateful transaction. It gives me some relief to think that this episode is now almost coming to an end.

Sir, at first when this matter was raised in the Lok Sabha, the then Finance Minister offered to appoint a Commission of Enquiry for going into the whole affair and he selected Chief Justice Chagla for that purpose. The proposals made by that Commission were then discussed in both Houses of Parliament and certain Resolutions were recorded and directives given to the Government. In accordance with the directives given by the Parliament, a Board of Enquiry was thereafter appointed to look into the conduct of the officers who were concerned with this deal. So it was under the orders of the Parliament itself that this Board of Enquiry was appointed. The terms of the Board of Enquiry were framed just in accordance with those directions. As hon. Members know, the Board of Enquiry was appointed under Rule 5 of the All-India Services (Appeal and Investigation) Rules. The Board was presided over by Mr. Justice Vivian Bose. The Board had before it certain charges framed by Government against the officers concerned, and it was asked to look into them. As it has itself noted in its report, the Board had nothing to do with any other person except the officers into whose behaviour in this matter it was asked to look into. The Board made a thorough investigation and after it had completed its enquiry, it gave its findings. According to the Board Shri Patel was found guilty of two out of the four charges and Shri Kamat was similarly found guilty. So was Mr. Vaidyanathan. On the basis of the proposals



made by the Board, the matter was referred to the Union Public Service Commission and the Government has now accepted the operative part of the recommendations of the Public Service Commission regarding Shri Patel and fully the proposals of the Public Service Commission regarding Shri Kamat. So, throughout, we have been guided by the advice given to us by these very competent bodies which were set up to examine in detail all the matters which were possibly worthy of consideration in this connection. I venture to submit that at present the conduct of the Finance Minister is not really under survey. It is hardly relevant for the purposes of the discussion that we are expected to have here to-day, because the investigation that was made by the board was confined only to the conduct of certain officers and only the charges that were referred to the Board were to be considered by the board and those charges were made only against the officers as we were asked to do by this House and the other House. So I venture to submit that in the circumstances, this discussion that seems to have centred more round Mr. T. T. Krishnamachari than other persons, has to some extent deviated from its legitimate scope. I think that so far as the Resolution of the Government, the Report of the Union Public Service Commission and the views generally expressed in this House are concerned, with regard to these officers, taking the operative part into account they do not differ materially. As I observed earlier, we have accepted the advice of the Commission about Shri Patel so far as the operative part of their recommendation is concerned. We have also unreservedly accepted their advice with regard to Shri Kamat. In the circumstances I think the real difference between those who hold that Mr. Patel should have been exonerated completely and the Government Resolution is a very narrow one. It does not in any way affect materially any party, whether the Government or Mr. Patel. So, if the matter is looked at from a correct

perspective and point of view, I feel there would not be much room for any acute controversy.

In matters of this type, one is sometimes greatly perplexed. Hon. Members may have seen the report of the speeches that were delivered in the other House and I think they may have . . .

DR. H. N. KUNZRU: Reports of what?

SHRI GOVIND BALLABH PANT: Reports of the speeches that were delivered in the Lok Sabha. I imagine they must have been struck by the divergence of opinions between the hon. Members of this House and the hon. Members of the other House. The two viewpoints differ much more than the views expressed by Government or embodied in their Resolution and the views expressed here or the views expressed there. So far as the Government Resolution is concerned it perhaps comes in between the two and so we feel that we have perhaps done the right thing that we should have done. We have followed the middle course and we have not given a shock either to this House or to that House.

Sir, there were some references, think, in the course of the discussion here, to the Crichton Case. Hon. Members may remember that this case was mentioned in the course of the debate in this House over the Chagla Commission's Report. Well I do not know if it has come to the notice of hon. Members that so far as the Crichton Case is concerned, when the Minister resigned, Parliament did not hold any discussion on the report of the tribunal against the officers.

DR. H. N. KUNZRU: They did.

SHRI GOVIND BALLABH PANT: That is my impression, but Dr. Kunzru may know better.

DR. H. N. KUNZRU: There was discussion in Parliament.

SHRI GOVIND BALLABH PANT:  
After the report?

DR. H. N. KUNZRU: Yes, after the report, and that is why the Minister concerned resigned.

SHRI GOVIND BALLABH PANT:  
Yes, I said the Minister concerned resigned before the report was discussed in Parliament and so the occasion for discussion did not arise.

DR. H. N. KUNZRU: No, no.

SHRI GOVIND BALLABH PANT:  
That is my information. I may be wrong and I would take whatever Dr. Kunzru says in that respect as representing the correct position, because he is certainly better informed than many of us in these matters, at least much better informed than myself, I cannot say about others. I would take his word and be guided by him in these matters.

I think from the outset it has been accepted that this deal was an unfortunate one. The impropriety and the unbusiness-like character of this transaction have been accepted throughout. We should, however, bear in mind that it was not a direct concern of the Finance Ministry itself. The Corporation had an independent and statutory existence of its own and whatever was done had to be done by the Corporation. How did this deal come about? I think it is at least to a large extent accepted by all concerned that the initiative was not taken by the Minister, that the full facts were not disclosed to the Minister, that the Minister did not take any interest in it, that he was casually and incidentally spoken to in Bombay, I think, twice regarding this matter; these are perhaps accepted by all. I would just read out some portion from the Report of the Vivian Bose Board. It says:

"Even if you accept Mr. Patel's version, we find that this important matter was sprung on the Minister in a very casual way, just as

he was walking out of a meeting Mr. T. T. Krishnamachari was not given any facts or figures. Nor was he told about the drag. In fact, there is no evidence to indicate that the drag was even mentioned before him, and he was not given any data on which a reasonably cautious man would be expected to reach a policy decision of importance."

I have excluded some unnecessary sentences which did not affect this one way or the other. And I may also submit that there are reasons given *in extenso* in Mr. Pillai's Minute of Dissent. I understand that a sort of criticism was made in this House that we ought not to have referred to Mr. Pillai's Minute of Dissent in our Resolution. I do not know how we could ignore it. If it had come to us from the U.P.S.C. we had to take into consideration the Report as well as the Minute of Dissent that came from the same authoritative body. In that Report there are reasons given why Mr. Pillai reached a different conclusion. I shall just read out something from a page:

"The fact that Shri Patel has taken the initiative and a dominant part in the whole affair and rushed it through is apparent from the following questions put to Shri Patel and the answers given by him:

"As for Shri Patel, he was asked during the present enquiry whether he called all these people together for these meetings and he said, 'Yes'. Then he was asked:

"You took the initiative."

and he said 'Yes'."

The next question was:

"You took the dominant part in all the negotiations. All the letters were written to you. One would have thought that you would just hand over the

letters and say: 'Look here, I do not see anything wrong. You just make up your mind about it.' Instead of that, you go on making all the alterations and do everything. Is not that taking an undue part?"

Shri Patel answered:

"That is how it would appear. I can only say that it is because that is how I had been accustomed to work all these years. I have taken on and done a great many things which have been outside my sphere; for instance, if I may mention, even as Principal Finance Secretary, I was appointed as Chairman for running and organising the Dandakaranya Scheme, something which has nothing to do with finance or anything of that kind. I agreed to that and I took an active interest as if I was a whole-time officer. I have no explanation to give except that it is in my nature; if I want that something is to be done, I would like to see that it is pushed on and done as quickly as possible."

DR. H. N. KUNZRU: Does the Home Minister find nothing of importance in the Report of the Union Public Service Commission to read to the House?

SHRI GOVIND BALLABH PANT: I had thought that the major report of the Union Public Service Commission had already been reviewed and referred to in this House by Members abler than myself. So, I thought that I had better draw attention to what had perhaps remained unmentioned so far.

So far as the report of the Union Public Service Commission itself goes, I am glad that the *bona fides* of the Commission have not been questioned here. I attach great importance to the position that the Commission occupies in our administrative system and when I had made certain statements in Madras about

T. T. K. being not to blame in this matter directly or indirectly, some questions were put in this House indicating that the Commission would perhaps be prejudiced in consequence of the remarks made by me. I am really pleased to find that the Union Public Service Commission has been vindicated. It gave its own opinion which was different altogether from the view indicated by me about other persons though that case was not directly before the Commission. So, I have no desire to enter into the relative merits of different individuals. I am sorry that this transaction and this deal has cost us the services of a talented Minister and a very able and experienced civil servant . . .

SHRI BHUPESH GUPTA: When are they coming back?

SHRI GOVIND BALLABH PANT:

. . . one who devoted himself to the service of the country according to his lights and who tried to do whatever came within his sphere or even whatever he thought was in the interests of the country with complete devotion and in a spirit of dedication. So, I have regard and respect for both, I also feel the necessity of maintaining the morale of the public services. No Government can function unless it has the whole-hearted co-operation of the members of the services. The Union Public Service Commission, therefore, holds a key position in the administrative system but, all the same, though we do invariably accept the advice given by the Union Public Service Commission, ultimately the responsibility rests on the Government itself. We have taken this decision because of some of these factors to which I have referred, that is, we could not say that any officer who was involved in this matter was completely free from blame and whatever view one may take of the part taken by him or the part that may have been taken by the then Finance Minister, the fact remains that this deal was not carried through in the proper manner, it was not carried out in accord-

[Shri Govind Ballabh Pant.]

ance with the rules and regulations, the rules were not observed and that the dominant role was played by the then Finance Secretary. These are all accepted. In the circumstances, we felt that it would not be proper for us to accept the advice of the Commission in full. We found out a course which did not do any harm to the ex-Finance Secretary, which course also to some extent took into account the nature of the transaction and the way it had been carried out.

Some references had been made here to a certain draft, that is in the library and to some other matters also. Reference was also made to the evidence of some public servants. Well, no reference has been made to them in the findings of the Bose Board Report and I do not think it would be proper to place much reliance on documents on which the person who is sought to be criticised was not asked to express his own view. He has not been confronted with this document and it is an ordinary rule of law that unless one is asked to explain what a document really means, whether it is genuine or not, it should not be taken into consideration against him.

There was reference to the evidence of another civil servant, a man of high integrity whom we all respect for the patriotic part he played especially in difficult times. Even that evidence has not been given any special credence by the Bose Board. So far as this enquiry matter is concerned, we feel that it would not be proper for the Parliament to go into details about individuals, as to what A said, what B said or what C said. These are things which can be argued in a court of law but not in an august House like this where larger issues have to be considered and solutions for such issues have to be found out. The main point which has to be borne in mind by everyone is this. Some people blamed us for not imposing a severer

penalty. When there is no *mala fides* and there are only errors of judgment, I think the case should be looked at from a different angle.

Mr. Shiva Rao made a fine speech this morning. He posed three problems which he thinks deserve attention; one relates to these matters which do not involve any *mala fides* and how they should be handled. I do not know if that requires any special attention. Whenever there is a complaint and the complaint is *prima facie* correct, it has to be referred to a board of enquiry or to a committee or to an individual enquiry officer.

When the report of the committee is received, and it says that the transaction was altogether *bona fide*, that though the man might have erred, he had not done anything wrong, then it is for the government to see whether the proceedings should be pursued further or whether they should be dropped. In all likelihood a lenient view is taken where the *bona fides* are fully proved and nothing serious has been done.

Sir, there are other matters relating to the relations between the Civil Servants and the Government. As I stated a minute before, the relations between the two should be one of complete trust and mutual confidence so that they may function smoothly and they may through their collaboration achieve the best of results. So there need be no misunderstanding on that point. As to the relations between the Secretaries and the Ministers, there again should be complete confidence and we are just looking into the matter to find out if it is desirable to frame rules to regulate matters which come before the Ministers. That is a question which will be given further consideration.

I am glad particularly, Sir, that the U.P.S.C. have been rehabilitated fully here and that its prestige has been fully restored though there were

some—I won't say innuendoes or insinuations—observations made sometimes in unguarded moments by people suggesting that the Commission had not functioned in a satisfactory way. I will say that the task of the Commission is a very arduous and difficult one. It has to select three or four candidates out of 1,000, 2,000 or 3,000 candidates. All those who are disappointed of course have hardly any desire to say a good word or to compliment the Commission for leaving them out. Those difficulties have to be borne in mind and I personally think that the Commission has been doing its difficult job in a very honest and fair way. I may also add that so far as this particular matter is concerned, the difference between the Commission and the Government Resolution is not a very material one. So while not accepting the reasoning of the Commission because of some of the matters to which I have referred, we have accepted the recommendation of the Commission fully. I am sorry that Mr. Bhupesh Gupta could not resist the temptation of referring to what has been called the 'Assistance Theory'. It has been suggested by the Vivian Bose Board; not that it has been proved, but they say that such a thing comes to their mind that this may have been because of the assistance rendered by Mr. Mundhra by giving his consent to keep the Kanpur Mills running and not closing it. As I submitted elsewhere, nothing could be more fantastic; nothing could be more absurd. The Congress Party have collected and does collect subscriptions from the poor as also from the rich. So does every party. I would like to know if there is one who does not accept any money from the industrialists. In fact, some of the statements that were made in recent months about a particular party which had close association with one of the State Governments indicated that the position could have been much more difficult than it is or than it has ever been. So it is not proper to refer to such matters. So far as the evidence

goes, not a single witness had said that any money was given to any person in return for any favour done by him. In fact, Mr. Patel himself said that he was not aware of it. He had no knowledge of it. Not a single soul has said that there was any occasion on which any money was advanced to any person in order that he may later help the Government or that the Government rendered assistance to anyone by way of *quid pro quo* for the help that they had been given previously or for the consent given for keeping a mill running instead of closing it. Every day we have to deal with these matters and we have to persuade the management and the people in charge to keep mills running to make the maximum use of the installed capacity so that there may be no loss and specially there may be no unemployment. 2,000 or 3,000 labourers were employed in this mill and if it had been closed abruptly, there would have been many serious problems which would have arisen and to make such remarks is, I should say, hardly fair and it is not desirable that these things should be repeated here or elsewhere. After all decent standards have to be maintained in public life and unnecessary suspicions should not be aroused which will lead to some sort of lowering of standards all over. As hon. Members are aware, under the new Bill which is perhaps under consideration, all contributions made by companies are to be published openly so that there may be no secret deals of any type. Again we have to remember that this transaction took place soon after the Socialist Budget of 1957 was adopted by Parliament and new taxes such as Wealth Tax, Expenditure Tax etc. were levied which hit the industrialists and others hard and which were of a novel character. In spite of all this, to attribute any motive like that is very regrettable. I would not use a stronger expression.

I do not think I need take more of your time. We have had enough dis

[Shri Govind Ballabh Pant.]  
cussions. I have spoken I think five or six times in the two Houses over this particular affairs. So I thank the hon. Members for their indulgence and for allowing me to speak for the last 40 minutes.

MR. DEPUTY CHAIRMAN: Mr. Shiva Rao, any reply?

SHRI B. SHIVA RAO: I had agreed not to exercise my right of reply, but if you will permit me to speak from here I will just say a few sentences. My first remark is in regard to the speech that was made by my hon. friend, Mr. Pattabiraman. I do not mind the other observations that he made, but it did distress me a great deal that he should have thought fit to make a serious charge against the Secretary of the Finance Ministry and mention him by name. I think it is only fair that he should either withdraw that remark; or if he has the courage, he should repeat it outside the House.

So far as the Home Minister's speech is concerned, may I say that it encourages me to think that the general points that I raised in the course of my speech this morning will receive the serious and sympathetic attention of the Government.

So far as this case is concerned, I would say that those of us who took part in the debate today and quite a number of others who did not speak, feel that the majority view of the Commission should have been accepted by the Government. I shall read only two sentences, because those sentences represent our views. The first is that in the opinion of the Commission, "Shri Patel's conduct was not only free from blame, but was in the due discharge of the duties of his position." And I also refer to the last sentence in the Report of the six Members of the Commission, namely, "that no blame attaches to Shri Patel in regard to the matters referred to in Charges I and II;" those were the only

two charges that the Bose Board supported . . . " . . . and they "consider that taking into account all the circumstances of the case, he should be exonerated of the charges framed against him."

Speaking for myself, I should have been happy if the Minister had accepted without any reservation this last recommendation of the Commission.

On the amendment I propose to abstain.

MR. DEPUTY CHAIRMAN: I am putting the amendment to the vote of the House. This question is:

That . . .

SHRI V. K. DHAGE: Sir, I wish to make it clear that we are abstaining from voting.

SHRI BHUPESH GUPTA: Because of the farcical action of the Government and the U.P.S.C. we want to abstain from voting.

MR. DEPUTY CHAIRMAN: You remain neutral.

(Interruptions.)

Order, order.

SHRI BHUPESH GUPTA: There will be no record to show abstention if the amendment is accepted. Therefore, I say that the abstention should be recorded. There is a provision for abstention.

MR. DEPUTY CHAIRMAN: You may remain neutral. I do not force you to vote. There is no provision to record abstentions. There is not a single 'No'.

DR. H. N. KUNZRU: But what we have said will be on record.

SHRI BHUPESH GUPTA: So, we say that we remain neutral. As to why we have remained neutral will be on record, in the proceedings of the House.

MR. DEPUTY CHAIRMAN: What you have said will be on record.

**SHRI BHUPESH GUPTA:** It should be recorded as in protest against the action of the Government and the U.P.S.C.

**MR DEPUTY CHAIRMAN:** It will all go on record. I am putting the amendment to the House. The question is:

"That at the end of the Motion the following be added, namely:—

'and having considered the same, this House records its approval of the said decisions concerning Shri H. M. Patel and Shri G. R. Kamat'".

The motion was adopted.

**MR DEPUTY CHAIRMAN:** I am putting the amended motion. The question is:

"That the decisions of the Government of India on the findings of the recent inquiry into certain affairs of the Life Insurance Corporation as embodied in Government Resolution No. F. 15/58-HS, dated the 27th May, 1959, be taken into consideration, and having considered the same, this House records its approval of the said decisions concerning Shri H. M. Patel and Shri G. R. Kamat."

The motion was adopted.

**MR. DEPUTY CHAIRMAN:** There is a message . . .

**SHRI BHUPESH GUPTA:** Will the Home Minister make a statement regarding the oplice firing in Calcutta?

**MR. DEPUTY CHAIRMAN:** Order, order. There cannot be any statement now. There is a Message from the Lok Sabha.

#### MESSAGE FROM THE LOK SABHA

THE ORPHANAGES AND OTHER CHARITABLE HOMES (SUPERVISION AND CONTROL) BILL, 1959

**SECRETARY:** Sir, I have to report to the House the following message

received from the Lok Sabha, signed by the Secretary of the Lok Sabha:

"I am directed to inform Rajya Sabha that Lok Sabha at its sitting held on Friday, the 11th September, 1959, has adopted the enclosed motion concurring in the recommendation of Rajya Sabha that Lok Sabha do join in the Joint Committee of the Houses on the Orphanages and other Charitable Homes (Supervision and Control) Bill, 1959. The names of the members nominated by Lok Sabha to serve on the said Joint Committee are set out in the motion.

#### Motion

"That this House concurs in the recommendation of Rajya Sabha that the House do join in the Joint Committee of the Houses on the Bill to provide for the supervision and control of orphanages, homes for neglected women or children and other like institutions and for matters connected therewith by Shri Kailash Bihari Lall, made in the motion adopted by Rajya Sabha at its sitting held on the 4th September, 1959 and communicated to this House on the 7th September, 1959, and resolves that the following members of Lok Sabha be nominated to serve on the said Joint Committee, namely:—

1. Shri Asoke K. Sen
2. Shri R. M. Hajarnavis
3. Shri K. V. Ramakrishna Reddy
4. Kumari Maniben Vallabhbhai Patel
5. Shri B. L. Chandak
6. Shri S. A. Agadi
7. Dr. N. C. Samantsinhar
8. Pandit Mukat Behari Lal Bhargava
9. Shri Ansar Harvani
10. Shri Bhagwan Din
11. Shrimati Renuka Ray