

## RAJYA SABHA

Friday, 21st February 1958

The House met at eleven of the clock, MR. CHAIRMAN in the Chair.

### THE PUNISHMENT FOR MOLESTATION OF WOMEN BILL, 1958

SHRIMATI SAVITRY DEVI NIGAM (Uttar Pradesh): Sir, I beg to move for leave to introduce a Bill to provide for punishment of persons guilty of molesting women.

MR. CHAIRMAN: The question is:

"That leave be granted to introduce a Bill to provide for punishment of persons guilty of molesting women."

The motion was adopted.

SHRIMATI SAVITRY DEVI NIGAM: Sir, I introduce the Bill.

### REQUEST FOR DISCUSSION REGARDING MINE DISASTERS

SHRI BHUPESH GUPTA (West Bengal): Sir, I want to make one submission. Yesterday, the statement had been made about the colliery disaster. I would suggest that the matter, even when the enquiry is pending, should be discussed in this House as to what kind of enquiry is going to be held and the question of immediate compensation and relief is there. All these matters should be discussed in this House. I would, therefore, request you to kindly fix a date next week so that the matter could be taken up in this House, because it is one of the grievous disasters that have taken place in this country, and it requires something more than a mere statement on the part of the Minister to begin with.

MR. CHAIRMAN: Yes, I will convey your request to the Minister.

114R.S.D.—1.

### MOTION REGARDING REPORT OF THE COMMISSION OF INQUIRY INTO THE AFFAIRS OF THE LIFE INSURANCE CORPORATION.

THE LEADER OF THE HOUSE (SHRI GOVIND BALLABH PANT): Sir, I beg to move the following motion:

"That the Report of the Commission of Inquiry into the affairs of the Life Insurance Corporation of India, laid on the Table of the Rajya Sabha on the 13th February, 1958, be taken into consideration."

Sir, the Chagla Commission of Inquiry Report has already been the subject of discussion in the Lok Sabha. Various aspects of it have received the attention which was due to them. I have the privilege now to invite the attention of the hon. Members of this House to this very important Report which is almost the first of its kind to be discussed in this House. The Life Insurance Corporation is expected to look after the business of insurance, and as an integral part of it, to manage its affairs in a prudent and business like way, especially so far as the investments are concerned. The Ordinance nationalising the Life Insurance Companies in the country was issued in January, 1956. It was followed by the Life Insurance (Temporary) Corporation Act. The present Act governing the administration of Life Insurance companies or Life Insurance business was passed in May, 1956 and it came into force on the 1st of July, 1956. After this Act was passed, various bodies were set up. The Board of Directors, the Executive Committee, the Investment Committee, and also some other bodies of the same character were set up. Some Regulations were also published. This Corporation has been conducting the insurance work in the country since it came into existence. There have been various investments too by the Corporation. In fact, I am told, that the investments made concern about a thousand companies.

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When the Corporation was first formed the assets of the various companies were transferred to the Corporation, and the investments made previously exceeded about Rs. 300 crores. And so far as I can recall, nearly two-thirds were invested in Government securities and one-third in private companies etc. This Corporation began functioning in 1956. The total insurance business that the Corporation was able to carry out in 1956 came to about Rs. 200 crores. In 1957, it rose to about Rs. 270 crores or a little more than that. It is hoped that as the Corporation is organised on a larger scale and finds access to our villages and other areas, the investments will be increased as a result of an increase in the insurance business. At least it is hoped that Rs. 40 crores a year will be available for investment purposes.

Sir, the present inquiry is the result of certain questions which were put in the other House. It related to the purchase of certain shares belonging to six companies of the Mundhra group of companies in the latter half of June 1957. The matter was raised as I said, in the Lok Sabha. There was also a short discussion and Government thereafter considered it necessary to appoint a Commission of Inquiry. That Commission was appointed in January. Its Report was received, I think, on or about the 10th of February. The attention of the country was rivetted almost on this inquiry when it was being held in Bombay. The discussions in Parliament have also been prominently placed before the public and have been given sufficient space in our papers. Now the Commission was requested to make an inquiry about the character of these investments and also about the responsibility of the persons concerned. The Commission was presided over by Chief Justice Chagla, one of the most distinguished and eminent Judges of our country. In fact, he was somewhat reluctant, and I persuaded him to accept this assignment. He has gone into the matter as tho-

roughly as he could. As a result of the evidence recorded and the material placed before him, he has given his findings in his Report. I do not propose to go into details; it is hardly necessary. Government, having carefully examined the entire available material and the Report, is definitely of the opinion that this transaction or the series of transactions, whatever one may like to call it, was not entered into in a businesslike way; that it was carried out too hurriedly, and that the minimum prudence which should guide those connected with such matters was not exercised. So, we entirely agree with the findings of the Commission; there is no difference of opinion on any point. The reasons given by the Commission have been stated very fully and nothing will be gained by my reiterating them here.

The other part related to the responsibility. The Commission has stated its views on the matter. The Finance Minister had an occasion to make his statement in the Lok Sabha which, I hope, hon. Members have seen, and he has resigned, and his resignation has been accepted.

SHRI BHUPESH GUPTA (West Bengal): Does the Government endorse the statement that had been made by the Finance Minister in the Lok Sabha?

SHRI GOVIND BALLABH PANT: So the question as regards the Finance Minister is no longer, I think, a matter of controversy.

SHRI BHUPESH GUPTA: Why? It is highly controversial.

SHRI GOVIND BALLABH PANT: If some people revel in controversy even where matters have been finalised, well, it is open to them to make use of or to waste the time of this House with the permission of the Chair. I am not concerned with that.

SHRI BHUPESH GUPTA: That is not very fair.

AN HON. MEMBER: Please don't interrupt the Home Minister.

SHRI BHUPESH GUPTA: The findings of the Commission with regard to the Finance Minister and the statements made by the Attorney-General before the Commission are very relevant things. Controversy is created because they were rescuing the Finance Minister.

SHRI GOVIND BALLABH PANT: The Finance Minister, as I said, has made a statement in the Lok Sabha. The Finance Minister has resigned, and the Prime Minister or rather the President has accepted his resignation.

SHRI H. D. RAJAH (Madras): It does not stop there.

SHRI GOVIND BALLABH PANT: So far as the other persons connected with this transaction are concerned, Government has decided that necessary proceedings should be initiated against them. So, as far as the inquiry was directly concerned the issues have been disposed of, and the operative part of the decisions or recommendations of the Commission has already come into effect.

There were however certain other matters to which a reference had been made by the Commission. They are of a general character. They call for careful consideration and the Government attaches considerable importance to what the Commission has stated with regard to these matters of public interest. It is hoped that when decisions are taken by Government they will give earnest consideration and attach considerable weight to the observations made by the Commission.

Hon. Members may be aware that in U.K. there was recently a bank rate inquiry and the inquiry was conducted by a tribunal of three eminent lawyers, and after a careful consideration of the merits of the case, the tribunal came to the conclusion that although some of the persons against

whom allegations had been made were Directors of the Bank of England and were also connected with certain industrial concerns, and had, after coming to know of the proposed increase in the bank rate, disposed of certain gilt edged securities, still their decision has not been influenced by their knowledge of the forthcoming increase in the bank rate. Well, I am not concerned with that part. But the Tribunal also made another important observation. It said that the question had been raised before them whether the Directors of the Bank of England should be connected with industrial concerns as in their dual capacity, their position was sometimes liable to be misunderstood. The Tribunal said that it was not in a position to express any opinion on it as it would have to hold a very thorough inquiry into the matter before giving any definite opinion on the subject. So, the Tribunal did not give any definite advice on that subject. But we welcome the proposals or suggestions made in the Report by the distinguished Commission and we hope that decisions on their basis will be taken by the Government and may wherever necessary or appropriate, be also placed before the House.

Sir, this inquiry was the first of its kind held in our country. It had demonstrated in an unmistakable way the supremacy of the Parliament. The vast field that comes within its purview, its ambit, is almost unlimited. It has enhanced the prestige of the Parliament. The inquiry was undertaken by the Government and the question was raised by the members of the Congress Party. It was, I think, in every way creditable that the members of the party to which the Government belonged should have raised this question and called for a probe. They took a very keen interest and the Congress members have shown that they are vigilant watchdogs, if I may say so, of the public funds, and that they are interested in maintaining the highest standards of public administration, probity and integrity. This is, I think, the common object of

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all of us. These governing principles will, I believe, be endorsed by every hon. Member of this House. As I was saying, this was however the first inquiry of its kind.

Since 1935-36 during the last 20 or 22 years four inquiries, more or less of a similar type, have been held in England. The first one in which Mr. Thomas was involved related to the Budget disclosures and in that inquiry too, observations were made to the effect that the procedure was not satisfactory. Since then a definite line has been followed in England but even with respect to the Bank Rate Inquiry which was held only early this year or a few weeks back, there were some murmurings that the method of inquiry was not quite satisfactory. In England the Solicitor of the Treasury collects all the evidence first and after that the evidence is produced by the Attorney-General before the Tribunal or the Commission and the witnesses are examined and also cross-examined by him and where anyone is represented in the inquiry, also by such counsel. There is no accused in such inquiries; the attempt is to get at the truth and the usual procedure to which we are used in criminal or civil courts, is obviously inappropriate. So, it will be necessary to have a very definite and precise code of procedure to regulate such inquiries in future, so that the experience that has been gained in other countries and in our own may be fully utilised in laying down regulations which would be meant for the guidance of the Tribunals or the Commissions. In this case, the Chairman or the Commission, whatever you may call him, had to devise his own procedure as there was nothing definite prescribed by any rules or regulations.

There are certain other matters to which reference has been made. As every hon. Member knows, this Life Insurance Corporation is an autonomous corporation. It is free to trans-

act its business subject to the laws on the subject and the rules and regulations framed in accordance with those laws except where directives in writing are issued by the Government. It has, I think, some relevance that the Life Insurance Corporation is an autonomous corporation. While one may be interested in it, while the Government is certainly interested in it and is anxious to see that its affairs are conducted in a reasonable and satisfactory way the Corporation is free to manage its affairs as it considers best. Those in charge of Government have to take particular care with regard to affairs which are administered directly by the Government, but where a corporation is concerned, I think, the Government cannot take the same amount of interest and is not expected to, and if anyone connected with Government sounds a note of warning or while even accepting in principle a certain suggestion, also considers it advisable to ask those directly concerned to take due care, then that word of caution has to be borne in mind. And if it is ignored, then the consequences can be sometimes very disappointing. I will not use any stronger expression. But the larger question as to what should be the relations between corporations of this type—autonomous corporations—and the Government has to be considered with very great care and as thoroughly as may be possible. There were, in the Lok Sabha, two distinct sets of opinion. Some hon. Members thought that Parliament should have full control. Well, if the Parliament is to have full control, then to that extent the Government will have to be invested with powers which will be subject to review by Parliament. The other set were of the opinion that the corporation should have considerable latitude and almost complete freedom, subject to the laws on which the working of the corporation is based and according to which the corporation is expected to function.

SHRI H. D. RAJAH: Does the hon. Minister feel that section 21 of the

Life Insurance Corporation Act is not enough for the Government to do the needful in the matter?

SHRI GOVIND BALLABH PANT: I am not suggesting that at all. I am referring to the larger question as to the relations between the Government and autonomous corporations. This is not the only corporation. There are many others. Some suggestion has been made in the Chagla Report. So, I was just venturing to observe that while we appreciate what has been said, it will be necessary to study the situation and to consider this matter more thoroughly, especially as opinions seem to be divided and to some extent the two sets were not only inconsistent but almost opposed to each other.

Well, there are other matters, too, which arise out of this Report. One relates to the responsibility of the Ministers about the acts of the Secretary or others functioning under them. Well, that question, too, has been considered in other democratic countries and has naturally to be given considerable importance in every democratic society. I do not think that details can be laid down about a matter of this character. But, I should think, that except where a Minister is not concerned in any way with an act or with an omission which reflects on the administration, he should assume responsibility. The field of responsibility should be large. Responsibility should be interpreted not in strict but in liberal terms. Especially when we are starting on this period of parliamentary administration and are trying to build parliamentary system, it is necessary that the Ministers should assume responsibility, except where it is obvious that they are not, in any way, answerable directly or indirectly. But, as I said, that matter, too, will have to be considered.

There is one more question which arises out of this inquiry and it concerns all public servants. I should

like to say that we should not generalise in such matters. Even if it be assumed that mistakes have been committed, then no group can be censured for any blunder or wrong committed by an individual belonging to the group. We must recognise that our Civil Services have acquitted themselves very well. They have been receiving words of appreciation and encouragement not only from those who have been closely connected with them, but also from others belonging to other countries who have expert knowledge of this subject. Our country has a Civil Service of which we can well be reasonably proud and our civil servants have been invited by the United Nations Organisations and by other countries for very important assignments and for organising their own system of administration. So, even if it be held in any case that a civil servant has gone beyond the scope of his legitimate authority or had not been as careful as he ought to have been, or had not conducted himself in a proper manner, that should not in any way vitiate our attitude towards our public services.

Sir, there are other matters, but there is only one more to which I would refer. This inquiry was confined to a particular transaction. It had nothing to do with our economic policy. The economic policy of the Government, its attitude towards the public sector or to the private sector has been fully stated on the floor of this House and also of the other House. Our economic policy bears the imprimature of Parliament. We adhere to that policy and any particular inquiry, that may be held, should not make any difference so far as our basic policy is concerned. There has been some confusion in this regard. I would like to just submit that when a Commission has to deal with a particular case it cannot possibly make any comments about the general policy and this Commission has made none. But some attempts are made, wittingly or unwittingly to introduce extraneous and, according to

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me irrelevant matters. So there should be no confusion in that regard. The policy that we have outlined stands, and I may submit, that whatever be our experience we can benefit by it, it can only help us in carrying out that policy, and I hope that all hon. Members will give their support to the Government and to the country in carrying out the policy which stands vindicated and which forms today the very basis of our plan. I hope hon. Members will deal with the issues which arise out of this Report in a befitting manner. In fact, I am perhaps making an observation which is not at all necessary in this House where all problems are dealt with in a very responsible, sober and rational way.

Sir, with these observations I commend my motion.

MR. CHAIRMAN: Motion moved:

"That the Report of the Commission of Inquiry into the affairs of the Life Insurance Corporation of India, laid on the Table of the Rajya Sabha on the 13th February, 1958, be taken into consideration."

There are six amendments.

SHRI H. D. RAJAH: Sir, I move:

1. "That at the end of the motion the following be added, namely:—

'and having considered the same, this House—

(i) approves the findings of the Commission; and

(ii) recommends that Government should order a further and full investigation into the affairs of the Life Insurance Corporation of India with particular reference to the transactions which have formed the subject-matter of the inquiry with a view to fixing the factual and legal responsibility for the transactions and punishing the person or persons found guilty."

SHRI BHUPESH GUPTA: Sir, before I move, I wanted to raise a point. Government has given an amendment which is practically substantive, but our amendments related to the original motion tabled by the hon. Minister. Now I do not know as to how we are going to tackle this question. Some of the things in our amendments also occur in the subsequent amendment.

MR. CHAIRMAN: You move your amendment.

SHRI BHUPESH GUPTA: Sir, I move:

2. "That at the end of the motion the following be added, namely:—

'and having considered the same, this House—

(i) accepts the findings of the Commission on the terms of reference before it;

(ii) recommends that in view of the fact that the entire truth has not been revealed, an All-Parties Parliamentary Committee be set up to further probe into the Life Insurance Corporation of India-Mundhra deals and all allied and relevant matters;

(iii) recommends further that a permanent All-Parties Parliamentary Committee to supervise the working of autonomous corporations and state undertakings be set up;

(iv) directs that Government take steps to remove from service all officers involved in the Life Insurance Corporation of India-Mundhra transactions; and

(v) directs that Messrs Jessop & Co., Ltd., be taken over by the Government and nationalised and effective Government control be established in all concerns in which the Life Insurance Corporation of India has invested substantial funds."

(This amendment also stood in the names of Dr. R. B. Gour, Shri N. C. Sekhar and Shri A. V. Kunhambu.)

**SHRI GOVIND BALLABH PANT:**  
If you will permit me, I will move the amendment that stands in my name with a slight alteration: "and having considered the same, this House records its approval of the decisions of Government that" etc.

**MR. CHAIRMAN:** You want to say "and having considered the same, this House records its approval of the decisions of Government that" and so on. You move in the amended form.

**SHRI GOVIND BALLABH PANT:**  
Sir, I move:

3. "That at the end of the motion the following be added, namely:—

'and having considered the same, this House records its approval of the decisions of Government that—

(i) Government accept the Commission's findings to the effect that the transaction resulting in the purchase of shares of the six companies was not entered into in accordance with business principles and was also opposed to propriety on several grounds;

(ii) Government propose to initiate appropriate proceedings on the basis of the findings of the Commission, in respect of the officers responsible for putting through the transaction, and

(iii) Government propose to examine carefully the principles recommended by the Commission for adoption by Government and the Corporation."

**SHRI H. N. KUNZRU (Uttar Pradesh):** Sir, I move:

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

'and having considered the same this House approves that—

(i) Government accept the findings of the Commission;

(ii) Government propose to enquire into the responsibility of and to institute proceedings against the officers involved in the transactions between the Life Insurance Corporation and Shri Mundhra which are referred to in the Report of the Commission;

(iii) Government examine carefully the principles recommended by the Commission for adoption by Government and the Corporation;

and recommends that Government should lay before each House of Parliament the result of their examination and the principles which they propose to adopt in future."

**SHRI V. K. DHAGE (Bombay):** Sir, I move:

5. "That at the end of the motion the following be added, namely:—

'and having considered the same, this House—

(i) records its approval to the findings of the Commission that the transaction resulting in the purchase of shares of the six companies was not entered into in accordance with business principles and was opposed to propriety on several grounds;

(ii) recommends that Government take strong measures against all officers who are involved in it;

(iii) recommends that further a detailed probe be held in the whole matter so that the full truth comes out of it and the share of responsibility is properly laid on the officers and other persons concerned;

(iv) recommends that a suitable pattern of administration and management be evolved for all nationalised industries and corporations;

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(v) recommends that proper enquiry be held why the answers given by the Minister concerned are not in conformity with the evidence tendered by the Minister and why full and correct information was not supplied by the department to the Minister; and

(vi) recommends that parliamentary committees be associated with the Minister regarding all industries in an advisory capacity.”

(This amendment also stood in the name of Shri Kishen Chand.)

SHRI RAJENDRA PRATAP SINHA (Bihar): Sir, I move:

6. “That at the end of the motion, the following be added, namely:—

‘and having considered the same this House recommends—

(a) that Government should institute a further inquiry into all investments made by the Life Insurance Corporation since its inception; and

(b) that a Standing Parliamentary Committee be set up to supervise the working of autonomous Corporations and State undertakings.’”

MR. CHAIRMAN: The motion and the six amendments are before the House for discussion.

SHRI H. N. KUNZRU: Mr. Chairman, the Commission whose Report we are considering owed its appointment to a debate that took place in the Lok Sabha on the 16th December, 1957. The appointment of the Commission is a testimony to the strength of Parliament and to the power of public opinion to make Government realise that even where Ministers and high officials are concerned a public inquiry may be necessary in certain circumstances. The appointment of the Commission gave great satisfaction to the public. The fact that the inquiry was held in public was another matter

which created confidence in the minds of the public that the inquiry would be fair and that there would be a certainty that the Commission's Report would be in accordance with the facts publicly discussed before it.

Sir, every one who has read the Report and has followed the proceedings of the Commission will agree with me that the Commission discharged its duties in an admirable manner. Its report is a sober and impartial document. There is not one strong or angry word in the Report. The facts have been set out so lucidly that it will be difficult for any unprejudiced person to arrive at a conclusion different from what the Commission has come to.

Sir, it is a matter of great regret to me that the Report of the Commission should have led to the resignation of a Minister who was known for his ability and driving power. But there are circumstances, Sir, in which one is compelled, notwithstanding one's partiality for people concerned with a certain transaction, to place public considerations above purely personal considerations. If I, Sir, discuss the Report of the Chagla Commission and express certain views on it, it will be not with a desire to criticise any person individually but in order to serve the public interest, to make the facts clear and to show where the responsibility for the actions referred to in the Report of the Commission lay. Ordinarily it would not have been necessary for me to speak on this subject, but certain remarks made by the Prime Minister and the statement made by the previous Finance Minister in the other House on the 18th February have made me feel that it was a matter of public duty that those who had studied the Report should stand up for the truth and deal with the matter in such a way as to place the principles involved in the consideration of the Report clearly before the House and the public. The Prime Minister, writing to Shri T. T. Krishnamachari, soon after the Report was received by the Government, said that:



"In effect, there was rather a one-sided presentation of facts"

before the Commission. Now, whatever objections there might be to the procedure of the Commission, it has to be remembered, as the Prime Minister himself admitted in the other House, they were due to the law under which the Commission was appointed. The Commission, however itself carried on the inquiry as fairly as it could. Shri Krishnamachari stated in his statement in the other House that on account of the procedure followed by the Commission, he was given no opportunity of appearing again before the Commission and clarifying certain points on which there were differences between him and the other witnesses. The Home Minister has not dealt with that statement at all. He has found it more convenient to set that statement on one side on the ground that Shri Krishnamachari had already resigned.

**SHRI BHUPESH GUPTA:** They are in State mourning.

**SHRI H. N. KUNZRU:** But as Shri Krishnamachari has made certain statements in defence of himself which reflect on the Commission, I think it is the duty of the Government to deal with it. I was greatly disappointed that the Home Minister should have ignored all the statements made by the Finance Minister. I venture to say that in ignoring that statement, the Home Minister has fallen short of the standard that I thought he would follow. There was nothing in the procedure laid down by the Commission which prevented any person from asking that he should be given an opportunity of clarifying certain points which he had not earlier had any occasion to express his views on. It was open for Shri Krishnamachari or the Prime Minister to say that Shri Krishnamachari should be re-examined. Either the Government or the Finance Minister could have directly asked the Commission that he should be re-examined, or he might have asked the Attorney-General to ask the Commission to

give Shri Krishnamachari another opportunity of stating his version of the facts more clearly than he had been able to do. Why this was not done, I cannot say. It is quite natural for the Finance Minister, Shri Krishnamachari, to feel aggrieved, but I cannot understand the Prime Minister not having taken a more detached and balanced view of the situation. If neither the Government nor Shri Krishnamachari asked that he should be re-examined, the fault is not that of the Commission. I think, that towards the end of the proceedings, Mr. Chagla expressed the opinion that even if at that time it was considered necessary to call for fresh evidence or to make anything, on which sufficient light had not been thrown, quite clear, he would be prepared to examine any witness that might be called. I do not think that anything could be fairer than that. The Commission cannot, therefore, be charged with having followed a procedure which prejudiced the presentation of the case of any person.

There was another remark made by the Prime Minister in his letter to Shri Krishnamachari which, I think, is open to objection. The Prime Minister said:

"So far as you are concerned, I am myself convinced that your part in this matter was of the smallest and that you did not even know much that was done."

The Prime Minister has in the other House borne testimony to the eminence of the judge who presided over the Commission and to the fairness with which he conducted the inquiry, but nevertheless he went so far as to say almost immediately after the receipt of the Commission's Report, that Shri Krishnamachari was not responsible for any of the transactions referred to in the Chagla Commission's Report. So when 12 Noon the Report was there and it was going to be published it was the Prime Minister's duty to state why he differed from the Commission's opinion but he has not done so yet. He has, therefore, laid

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himself open to the charge that he placed personal loyalty above loyalty to facts.

SHRI BHUPESH GUPTA: Misplaced affection.

MR. CHAIRMAN: Order, order.

SHRI H. N. KUNZRU: It is not the first time that the Prime Minister has allowed his feelings to get the better of him but it is a matter of great regret that the Prime Minister should, in this manner, reflect on the Report of a Commission presided over by one of the most eminent judges in the country. The Prime Minister has a right to differ from the Commission. Any Member of this House can find fault with any recommendation of the Commission but then, it is his duty to state the reasons that make him differ from the Commission's view. I do not think that anybody could have more information before it than the Commission had in the circumstances in which it carried on its work, and yet the Prime Minister disregards the Commission's verdict arrived at after sifting all the facts before it and goes so far as virtually to say that the Commission's conclusion was not sustainable by the facts placed before it. I have dealt first with the Prime Minister's observations because they are of much greater importance than any statement made by Shri Krishnamachari or by any other person. The Prime Minister, by virtue of his position, occupies a status in this country which no other person does and it is, therefore, doubly incumbent on him to measure his words carefully before he utters them.

Now I come to the statement of Shri Krishnamachari. The Commission first considered who was factually responsible for the policy followed in regard to what have come to be known as the Mundhra transactions. The Commission had before it Shri Krishnamachari's version of the facts and also Mr. Patel's version of the facts which was supported by Shri

Bhattacharya, Chairman of the State Bank of India. The Commission, after considering what had been said by Shri Krishnamachari on the one side, and the other two persons on the other, came to the conclusion that Mr. Patel's version of the facts was more credible than that of Shri Krishnamachari. I shall not go into the facts because I don't want to take the time of the House unnecessarily in dealing with matters which are clearly stated in the Report.

There are two other things that were considered by the Commission before it expressed the opinion that Mr. Krishnamachari was responsible for the policy that was followed. It took into account the replies given in the other House to two questions. One of these questions was asked on the 4th September 1957 and the other on the 29th November 1957. Now it has been said, I think, by Shri Krishnamachari in his statement that he was not aware of the action taken by Mr. Patel when the first question was answered. In fact, he expressed regret that the question time ended before that particular question could be reached and that no supplementary questions could, therefore, be put to him. Had supplementary questions been put, he would have had an opportunity of clarifying the position. Now I cannot understand the relevance of this complaint at all. When a question is asked, it should be answered as frankly and fully as possible. Why should anything of importance have been left to be placed before the House only when supplementary questions were asked? The question that was asked was whether the L.I.C. had invested about a crore of rupees in a concern at Kanpur. Shri Krishnamachari says in his statement that the reply given was that the L.I.C. had not invested so much money in any single private concern and Mr. Krishnamachari contends that the reply was factually right. The Commission, however, calls it 'equivocal' and it does so on the ground that the object of the question must have been fully understood by Government and that it was therefore its duty to make

a clean breast of the facts but the reply that was given showed a desire on their part to conceal the true facts as far as possible.

Now take the question that was answered on the 29th November 1957. Shri Krishnamachari, in reply to one of the supplementary questions said that even when he answered that question, he was not aware of the true nature of the transactions referred to in the Report. And when he was asked what the policy of the L.I.C. was, he said that it was to make safe investments and to earn the maximum interest in order to safeguard the interests of the policy holders. He also said and laid great stress on the fact that the Principal Finance Secretary was not in the country from the 22nd or 23rd November to the 22nd December. Sir, I should like to bring two things to the notice of the House in this connection. Though the Principal Finance Secretary was not here, it was not impossible for Government to obtain a full statement of the facts relating to the investment that had been made in June, 1957. When a government servant goes on leave, his place is taken by somebody. All work does not wait—I mean important work that has to be transacted—does not wait till the principal incumbent returns from leave. Here in this particular case, there were other people who could have given the information, and there was, in particular, a Joint Secretary in the Finance Ministry who was dealing with matters relating to the L.I.C. He appeared before the Commission and he was asked by Mr. Chagla, "Did you ultimately prepare the briefs for the Finance Minister?" And the Joint Secretary said, "Yes." He was again asked whether the briefs contained a statement that the shares were bought to stabilise prices in the Calcutta market, and he replied in the affirmative. There is one other statement made by this officer to which I would invite the attention of the House. Mr. Munshi asked the Joint Secretary whether he had drawn the attention of the Finance Minister to the letter of Mr.

Kamath, dated July 16 when the reply of September 4 was prepared. The Joint Secretary said this letter, it would appear, was not placed on the file sent to the Minister and with regard to the question of September 4, he prepared his note on the basis of that letter. When answers to the questions of November 29 were prepared, the letter was certainly put on the file for the Minister. The Minister cannot, therefore, plead that he was ignorant of the facts when he answered the question on the 29th November 1957. The facts should have been known. In fact, the main facts should have been known to him even on 4th September.

I want to put, Sir, two or three questions to Government in this connection.

Were the pads sent to the Minister in connection with the questions that I have referred to, placed before the Chagla Commission or not? If they were, then I think it would be very difficult for anybody to controvert the view arrived at by the Commission after examining these facts.

Again, Sir, it is customary when questions have to be answered for somebody in the Ministry concerned to prepare a draft reply and send it to the Minister for his approval. I should like to know whether in this particular case, a draft was submitted to the Minister or not. And I have to make a request to Government with regard to this matter. In view of the statements made by Mr. Krishnamachari, I think it would be in the public interest, if at least some Members of Parliament were allowed to see those pads and the draft reply prepared by the officer concerned for the approval of the Minister, if such a reply was sent to him. I hope that the Government will have no objection to this. If this is done, there need be no dispute with regard to the facts at least. Both Houses of Parliament will then know the true nature of the facts and be in a position to come to an incontrovertible conclusion.

[Shri H. N. Kunzru.]

Sir, there is one other point only which I should like to deal with before I come to the amendment of which I have given notice, and that is with regard to the constitutional responsibility of a Minister for the actions of his subordinates. Shri Krishnamachari in his statement in the other House referred to a debate which took place in the House of Commons on the 20th July, 1954. He said, "It would pay all of us to read the debate that took place in the House of Commons on July 20, 1954, in regard to the principle of Ministerial responsibility between the Ministers and the permanent servants". Sir, as Mr. Krishnamachari thought that this debate was an important one, I have taken some points to find out the main facts and views that were placed before the House at that time. Now, Sir, the Minister concerned in the inquiry was the Minister of Agriculture. At the end of his speech, he said, "As the Minister responsible during this period, I have, therefore, submitted my resignation to the Prime Minister who is submitting it to the Queen". There is no suggestion there that a Minister is not responsible for the acts of his subordinates. Then, Sir, in the debate that took place, views were expressed by important Members of Parliament which I thought should be placed before this House. Mr. Herbert Morrison said:

"There can be no doubt that a Minister of the Crown is responsible for all the acts of his civil servants and of the absence of acts required. He is responsible for every stamp stuck on an envelope if in Government departments stamps ever are stuck on envelopes. There can be no question whatever that Ministers are responsible for everything that their officers do but if civil servants make errors or commit failures, the House has a right to be assured that the Minister has dealt with the errors or failures adequately and properly."

Another Member, Sir, who took part in the debate was Sir David Maxwell-

Fyfe who was Home Secretary at that time. He said:

"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. The Minister is not bound to defend action of which he did not know or of which he does oppose but, of course, he remains constitutionally responsible to Parliament for the fact that something has gone wrong and he alone can tell Parliament what has occurred and render an account of his stewardship."

DR. ANUP SINGH (Punjab): May I ask Dr. Kunzru one question? Is it possible that Shri T. T. Krishnamachari may be referring to some speech in the debate and Dr. Kunzru may be quoting from ones that contradict what Shri Krishnamachari has contended? What particular speech is he referring to?

SHRI H. N. KUNZRU: He has not referred to any particular individual.

MR. CHAIRMAN: It is time, Dr. Kunzru.

SHRI H. N. KUNZRU: I have drawn attention of this House to all these things because even the Prime Minister when he spoke in the other House said that it will be going too far to say that the Minister was responsible for all acts of his subordinates even for those acts of which he was not fully aware. Now, Sir, the point that I wish to make out is that while Parliament in its generosity may not compel such a Minister to resign, nevertheless, the constitutional responsibility of the Minister concerned is clear. He is, in all circumstances, responsible for the action of his subordinates. If he is unable to control them, the House

or the Prime Minister could legitimately ask for his resignation.

DIWAN CHAMAN LALL (Punjab): If that were the accepted principle, is there a single constitutional Minister who could last in his office five minutes?

SHRI H. N. KUNZRU: I think this too was referred to and it was said that the Minister could lay down rules for the guidance of his officers so that nothing might be done contrary to his policy and that he might be kept informed from time to time of what was being done in regard to matters about which he had issued a directive.

I come lastly to my amendment.

SHRI JASPAT ROY KAPOOR (Uttar Pradesh): If his directions are flouted, what is the position?

SHRI H. N. KUNZRU: Even then the Minister is responsible to the House.

SHRI JASPAT ROY KAPOOR: Responsible to the House but is he responsible for the conduct or for the flouting of the conduct?

SHRI H. N. KUNZRU: The Minister is answerable for whatever his subordinates do though the House in such a case may not, I repeat, insist on the resignation of the Minister.

Now, Sir, I come to my amendment. There are two main differences between my amendment and the amendment moved by the Home Minister. The Home Minister said that as Mr. Krishnamachari had resigned, it was not necessary to deal with the Commission's findings with regard to him, but I submit, Sir, that it is of great importance that when Government are placing a comprehensive resolution dealing with the Commission's Report before the House, they should state clearly that they accept the findings of the Commission . . .

SHRI H. D. RAJAH: In toto.

SHRI H. N. KUNZRU: . . . and it is necessary for this thing also to do it. What has happened since the publication of the Report has created a feeling that although because of the force of public opinion, the Government had to accept the Chagla Commission's findings, it had in reality not reconciled itself to them, and that it was doing all that it could, in practice, to show its defiance of the Commission's Report. The letter written by the Prime Minister to the Finance Minister, the send-off that was given to him, the I.A.F. Plane that was provided to take him to Madras . . .

SHRI H. D. RAJAH: And the embracing that took place.

MR. CHAIRMAN: Order, order.

SHRI BHUPESH GUPTA: These are relevant, Sir. Smiles on the faces.

SHRI H. N. KUNZRU: . . . are all facts that have been noticed by the public. There is no one in this city who is not aware of them. In every circle discussions are going on about these things. In view of this, it is necessary for the Government clearly to state that they accept the Commission's findings.

Another reason, Sir, why I ask for a clear acceptance of the Commission's findings is that the Government cannot initiate proceedings on the basis of the findings of the Commission against the permanent officials without accepting the main finding which relates to the responsibility with regard to the policy underlying the Mundhra transactions . . .

SHRI BHUPESH GUPTA: and the Minister.

SHRI H. N. KUNZRU: The permanent officials cannot be held responsible, according to the Commission, for all that they have done. There may be certain things for which they may be held responsible.

SHRI B. B. SHARMA (Uttar Pradesh): They can steal away the whole money and still not be responsible.

SHRI H. N. KUNZRU: The hon. Member is somewhat irrelevant. The Government cannot institute an inquiry into the conduct of the officials ignoring the fact that in the opinion of the Commission certain things done by them were done with the general approval of the Finance Minister. How can any inquiry serve the ends of justice which does not proceed from this basis? This is another reason, Sir, why it is necessary that the Government should not hedge in its acceptance of the findings of the Commission by the wording, "that the transaction resulting in the purchase of shares of the six companies was not entered into in accordance with business principles and was also opposed to propriety on several grounds". The language of the amendment proposed by the Home Minister is obviously inadequate and unfair to the permanent officials whose conduct is going to be inquired into.

The second difference between my amendment and that of the Government is that I suggest that an inquiry should be made and then proceedings should be instituted against certain officers and that inquiry should be made into their responsibility. They must be given an opportunity of saying what they can in defence of themselves before any action can be taken against them, and when this inquiry is made, not merely the officers immediately responsible for putting through the transactions I have repeatedly referred to, but all those concerned with it should also be examined.

DR. W. S. BARLINGAY (Bombay): But the same principles should not apply to the Finance Minister.

SHRI H. N. KUNZRU: Yes, certainly. The Finance Minister has had an opportunity . . .

SHRI T. S. PATTABIRAMAN (Madras): Where?

SHRI H. N. KUNZRU: . . . of saying what he could in defence of himself before the other House.

SHRI T. S. PATTABIRAMAN: The Secretary has also had his say.

MR. CHAIRMAN: Come to the next point, Dr. Kunzru.

SHRI H. N. KUNZRU: The Finance Minister has had an opportunity of defending himself, but it does not appear that he has said anything in that statement very different from what he said to the Commission. So the civil servants should be given an opportunity of defending themselves although they too may have nothing more to say than what they have said already to the Commission.

Lastly, Sir, I ask that Government, after examining the principles recommended by the Commission for the conduct of autonomous corporations, should place the result of their inquiry before the House. Where legislation may have to be undertaken because of the acceptance of some of these recommendations by Government the matter will necessarily come before the House, but where executive action alone may be necessary, I am anxious that the views of the Government before they are finalised should be placed before this House so that the House may have an opportunity of stating clearly whether it agrees with the Government or whether it wants Government's views to be modified in any respect.

Sir, I have done. I should only like to say before I sit down that while I have had several things to say in criticism of the statement made by Shri Krishnamachari in the other House, I recognise his uncommon ability and his mental vigour. It is a great pity that mistakes made by him should have led to his resignation but unfortunately . . .

SHRI BHUPESH GUPTA: Why unfortunately?

SHRI H. N. KUNZRU: . . . fortunately or unfortunately the traditions of parliamentary government require that Ministers, when they have made wrong decisions, should be held responsible for them. Though Mr. Krishnamachari has suffered, I am sure that if the Government states clearly its acceptance of the findings of the Commission, its position and that of Parliament will be considerably strengthened in the public eye, and everybody will realise that the constitutional traditions that we have inherited are a reality and are to be given effect to in public life, and that any deviation from them can render us liable to action being taken against us by Parliament.

SHRI J. N. KAUSHAL (Punjab): Mr. Chairman, Sir, the Report of the Commission which has been placed before the House has been considered by many Members. Government on their part have moved a motion wherein the Government have accepted the main recommendation of the Commission, and the main recommendation of the Commission was that the transaction which has resulted in the purchase of these shares was opposed to business principles and was opposed to propriety. Not only the Government has accepted this recommendation; something more has also happened, and that has been that the Government has also recognised the constitutional responsibility of the Minister, and the Minister has paid the price by resigning, and as Dr. Kunzru has observed, we have lost a very eminent Finance Minister. But then the Government never tried to stand in the way of establishing the well recognised constitutional responsibility of the Ministers. The other recommendation of the Commission, namely, as to who is factually responsible for this deal, as we all know, has still to be enquired into, and before any action can be taken against the civil servants and the other officers who were responsible for this deal, the Constitution as well as the principles of natural justice require that they should be given an oppor-

tunity of defending their conduct, and we are all very sure that the Government have no desire to protect anyone. If the Government had no desire to protect their Finance Minister, it is far from the intention of Government to protect any of their servants, when it is found that they are guilty of dereliction of duty or they are guilty of not exercising that proper circumspection which is needed for the discharge of their duties while they deal with public funds which are in the nature of a trust with them. And the third proposition which has been laid by the Government before the House is that the Chagla Commission has drawn up seven principles, which according to the Commission, are a lesson which flows from the Report and from the evidence which was placed before him and also the circumstances of the case. We all know that those words which have fallen from that eminent judge of India are words of wisdom. Nobody can deny that and if we have followed the statement of the Prime Minister in the other House, it was more or less stated by him that most of what has been stated by the Commission was going to be accepted by the Government. But, then I am quite sure the House will agree that since those principles have a far-reaching implication in our future conduct with regard to the working of the autonomous bodies, the Government in all fairness should consider those principles more thoroughly and then come to some conclusion. After this motion by the hon. the Home Minister, I fail to see what possible criticism can be laid at the door of the Government by the Opposition. The various amendments which have been tabled by the Opposition, with all respect, are only a matter of difference of words here and there. I have tried to follow with all attention the difference which Dr. Kunzru was trying to make out between his amendment and the original motion as has been placed in an amended form by the hon. the Home Minister and I must confess that much difference has not been found by me. Dr. Kunzru was very

[Shri J. N. Kaushal.]

vehement in saying that the Government has not accepted the findings of the Commission. I do not know, on what basis he can say this, Dr. Kunzru was not so critical of the motion of the Government or of the findings of the Commission of Inquiry. On the other hand he was trying to find fault with a certain statement which has been made by the outgoing Finance Minister and also with certain remarks which were made by the Prime Minister. I submit to the House that so far as the statement of the outgoing Finance Minister is concerned, I would certainly beg of the House, to adopt the same attitude as has been recommended by our Home Minister, and that should be treated as a closed chapter. The Finance Minister has accepted his responsibility and has tried to build the highest traditions in this country and has quitted office. It is no use trying to find fault with a sentence in his statement here or there; that does not befit us; that does not bear the dignity of this House. The Finance Minister, about whose ability Dr. Kunzru has said so much, is quitting and has quitted. Later on, my submission is, it is not his statement which we are discussing; we are discussing the findings of the Chagla Commission. With regard to the fact of what the Prime Minister stated, that the part of Mr. Krishnamachari in the whole affairs was the smallest, it is also borne out by the Report of the Commission itself because the Commission does not say anything beyond this. The Commission says that the vicarious liability, the constitutional liability attaches to the Minister. Well, we all know to what dangerous extent the doctrine of vicarious liability can go. All persons who deal in law know that vicarious liability is a liability for the actions of others. Well, it is very easy for everyone of us to say that that responsibility should be accepted, should be adhered to, but then we must lay down some principles regarding the lengths to which vicarious responsibility should go. Everyone of us is

desirous of building up the highest traditions in this country but we should not forget that the Ministers have to discharge very onerous duties. The Ministers if they are to be made responsible for all the actions of their subordinate officers will find it very difficult to function. The constitutional responsibility may be there but then the question arises, what is the responsibility of the civil servants also. What is the responsibility of the subordinate officers? Well, I must say, as the hon. the Home Minister has said, that our civil servants have tried to build up great traditions of service and it is no use criticising them in very strong language. But I must say that the civil servants have also, in the present changed set-up of the country, to change themselves. Each one of us will agree that bureaucracy has not completely vanished. There is a certain amount of carelessness and indifference in the civil service. Sometimes they do not see eye to eye with Government policies and that is why sometimes we find that they do not carry out the policies of the Government with that zeal which is expected of the civil servants in the changed set-up of things. Therefore, it is a very difficult problem and that is why the Government has promised to examine this aspect of the matter in a little more detail in order to find what should be the mutual relationship of the Minister with the civil servants.

The other point which was tried to be made out by Dr. Kunzru was that the Government should place all the conclusions to which they come to before the House after examining all the seven principles. I presume the Government has already undertaken to do it. They have stated that after examination they will place the whole matter for the consideration of Parliament and nobody can deny that it is for Parliament to lay down the policy which should be followed *vis-a-vis* the autonomous corporations as well as the relations with the civil servants. We are all agreed that this Commission has resulted in certain gains to the



public and those gains are firstly that the majesty of Parliament and the dignity of Parliament has been maintained. Secondly, the Government has demonstrated to the public their responsiveness to public opinion and their readiness to accept the judicial findings and show proper respect to them. The third is that the prestige of the Government and the Congress Party has gone very high in the esteem of the people inasmuch as they have no desire to conceal any dereliction of duty which has taken place anywhere. The other gain that has accrued to the public is the various lessons which have been placed for consideration of the country by Mr. Justice Chagla. These are all important matters and I do hope that the examination of all these matters will certainly do a great good to the country, and that is that how in future the autonomous bodies will function.

The other point that has been brought about as a result is that Parliament should exercise a more vigilant eye on public funds. And it may only happen if we follow our policy of nationalisation. Unless the policy of nationalisation is followed, the Parliament does not possess some kind of control over the private sector as it does over the public sector. This Commission has demonstrated to the whole world that whenever there is a mistake the Parliament will not condone the mistake. The Parliament is the custodian of all the rights of the public and I have no hesitation in saying that what the Government has done is a matter of pride for every one of us. Any Government with a smaller amount of courage may not have come forward with the appointment of a Commission of such a high standing and then I would say they would have tried to find some excuse or the other in order to protect either an officer here or there or would have tried to say that this mistake had been committed because of some defect in procedure or the other. My submission to the House is that the Government needs congratulations for the courage shown by them for the bold-

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ness with which they appointed the Commission and the readiness with which they have accepted the findings of the Commission. Now, to say that the Government should have at once proceeded to accept all the findings of the Commission, in my submission, would be wholly unfair and uncharitable to the Government. The Government could not move with greater speed or with greater efficiency. The Government has also bowed to public opinion.

I have only one submission to make and that is that this Commission has also brought to light one other point and that is as to how the public inquiries are to be conducted. There is no denial of the fact that public inquiry is probably the best form of inquiries which can instil public confidence. But then the public also has a duty and that duty is decorum towards the courts, towards the judiciary. Whenever an inquiry is held, there is no doubt that the interests of the public are aroused in it, but then for the elucidation of truth it is very essential that the decorum, the serenity, the dignity and the reverential awe of the law courts is maintained and then and then alone we can hope to arrive at a correct conclusion and the whole truth. Sometimes, the public in their zeal try to introduce an element of a drama in a public enquiry and that detracts from the function of a judicial inquiry and sometimes we are left in that state of affairs where the witnesses may not find courage to say the truth, where they may try to play to the gallery, where they may sometimes try to suppress what seems to be very much unpalatable. That is a job where we have to educate the public. The interest of the public is a very healthy growth, but the public also owes a duty towards the courts of law, inasmuch as the majesty of the courts of law and the grandeur of the atmosphere which is only conducive to the proper conduct of the enquiry, has to be maintained. With regard to the fact that the judges of this country have built great traditions we have all

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acknowledged it and in the present case also Mr. Justice Chagla has done a signal service to the country in trying to accept and then discharge this very unpleasant duty. It was the Home Minister as he has just told us, who persuaded him to undertake this onerous task and all of us owe a debt of gratitude to him and we also owe a duty towards our judiciary inasmuch as we must strengthen the hands of our judiciary and it is then and then alone that the judges will find it more congenial to undertake the onerous duties of this type.

In the end, I would only beg of the House to adopt the Motion that has been placed by the Government, because nothing further is left after the Government has accepted the responsibility as well as the propriety of the deal. It is an unfortunate chapter, but I feel that this has also resulted in some gains to the public and the public in future will also benefit by all what has happened.

Thank you.

SHRI V. K. DHAGE: His speech was all the while in favour of the amendments.

MR. CHAIRMAN: The Home Minister will answer at 5.15.

SHRI SANTOSH KUMAR BASU (West Bengal): Mr. Chairman, I rise to support the Motion in the amended form which has been placed before the House by the hon. Home Minister. I have listened with great interest and with great respect that the observations of my esteemed friend, Dr. Kunzru, deserve in this House, but unfortunately I have failed to be convinced by the weight of this argument in several respects and it will be my humble duty, somewhat unpleasant, to point out the particular aspects in which I have to differ from him. Dr. Kunzru has paid an eloquent tribute to Mr. Justice Chagla in which every section of this House will join with alacrity. The Home Minister in this

House, the Prime Minister in the other House and every other Member have taken the stand that it was a sheer stroke of good fortune that the services of such an eminent and distinguished judge could be secured for the purpose of conducting an inquiry into this difficult matter. Mr. Justice Chagla occupies a unique position and is held in very great esteem not only in the legal profession throughout this country, but I believe also by the members of the Bench. And when he undertook this inquiry great hopes were raised that something very useful and of far-reaching importance would come out as a result of this inquiry. Dr. Kunzru, has stated that the Prime Minister was misled in making the observations that he did with regard to the procedure adopted in this case. Well, I am afraid that Dr. Kunzru has somewhat overstepped the limits which one expects from him with regard to such criticisms which he often makes in this House. The Prime Minister, as he has been quoted by Dr. Kunzru, stated that in effect there was rather a one-sided presentation of facts. And Dr. Kunzru has put forward the view that this was an undeserved criticism levelled against the Commission which the Prime Minister should not have made. Sir, the great speed 1 P.M. and despatch with which the inquiry was conducted and concluded was a matter for particular congratulation, because in such matters it is speed that counts to a very great extent. Dilatory proceedings in courts of law have deservedly earned public condemnation. In this case Mr. Justice Chagla from the very outset decided not to allow dilatory tactics to intervene between the commencement of the inquiry and his decision. But advantages which generally follow from such speed and despatch were to my mind somewhat diluted by the disadvantages which have appeared in these proceedings. It was undoubtedly an one sided inquiry and his Prime Minister is to be congratulated on his drawing attention to that fact, unpleasant as it might have been to some people.

Now, Sir, I would only invite the attention of the House to one aspect of this matter for the purpose of stressing the view that I am putting forward. If hon. Members will turn to page 1 of the report which has been circulated to the Members of this House, they will find that in setting out the issues which were entrusted to the care of the Commission for determination, number (iii) of those issues was framed in these terms: "the person or persons responsible for the purchases". When the Government formulated that issue and expected the Commission to record its decision as regards the person or persons responsible for the purchases, it naturally expected that the actual and factual responsibility would be definitely found and decide upon by the Commission. That was of supreme importance in clearing the tangle which has resulted in these unfortunate purchases. If now the last page of this Report is turned to, in annexure A where the Commission has laid down the procedure which it decided to follow, we find these words: "I have also to determine who was the person or persons ultimately responsible for these purchase," and that ultimate responsibility, as has been found by Mr. Justice Chagla, is the constitutional responsibility of the Minister because at page 23 where he has recorded his findings the Chairman of the Commission has expressed himself in these terms:

"The Minister must fully and squarely accept the responsibility for what Mr. Patel did, and if the transaction is improper and unjustified, although Mr. Patel may be actually responsible for the transaction, constitutionally the responsibility is that of the Minister."

Now, Sir, I do not read this finding as a finding of actual responsibility for the transaction being vested in Mr. Patel. The learned Judge says that although Mr. Patel may be actually responsible, for the transaction constitutionally the responsibility is that of the Minister. The definite

finding of the Commission is with regard to the constitutional responsibility only, and no definite finding with regard to the actual and factual responsibility, which I take it was the assignment which was given to the Commission to find out for the benefit not only of the Government but also of the public. That I submit, Sir, the Commission has not given us. Therefore, it is pre-eminently a deserving comment which the Prime Minister has made that the presentation of facts was somewhat one-sided. I go so far as to say that the cardinal point for decision has not been faced squarely by the Chairman of the Commission, and that was the actual and factual responsibility for these purchases which was the third item, and one of the most important items or probably the most important item so far as the reference was concerned.

[MR. DEPUTY CHAIRMAN in the Chair.]

Sir, Dr. Kunzru has referred to the proceedings of the House of Commons on a similar occasion where there was an inquiry in respect of certain transactions in the Ministry of Agriculture. Now I refer to the proceedings as recorded in Hansard of the 20th July 1954 at page 1289. With regard to the mistakes committed or the acts of omission and commission on the part of an official, it is stated here:

"Where an official makes a mistake or causes some delay, but not on an important issue of policy and not where a claim to individual rights is seriously involved, the Minister acknowledges the mistake and he accepts the responsibility, although he is not personally involved. He takes corrective action. 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

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officers. The Minister is not bound to approve of action of which he did not know, or of which he disapproves. But, of course, he remains constitutionally responsible to Parliament for the fact that something has gone wrong, and he alone can tell Parliament what has occurred and render an account of his stewardship. It is part of a Minister's duty to Parliament to take necessary action to ensure efficiency and the proper discharge of the duties of his Department. On that only the Minister can decide what is right and just to do, and he alone can hear all sides including the defence."

Therefore, from this statement of ministerial responsibility as is recorded in 'Hansard' in that well known debate on the Crichton Down case I would ask the House to draw the conclusion that the ministerial responsibility is not so far reaching or so absolute as has been contended by my hon. friend Dr. Kunzru. In this particular case Mr. Krishnamachari has made it absolutely and abundantly clear that he had no previous knowledge of these transactions. And whatever has come out in the course of the inquiry goes to show that he took particular care to caution the officers concerned that all was not well with regard to the Mundhra concerns and that they must be careful and watchful so that public interests might not suffer. In these circumstances, I was not quite clear as to how far Ministerial responsibility goes in this particular case, but the hon. the Home Minister has taken a stand which goes to the very root of the matter and he has enlarged the scope of Ministerial responsibility in such a way that no further controversy could be raised on that account. It is entirely in keeping with the spirit of parliamentary democracy which has inspired this Government all throughout, and as such, it is not necessary to go further and to argue that no Ministerial responsibility attaches to Shri Krishnamachari. Shri Krishnama-

chari on the other hand has taken a stand which shows him in very favourable light in his letter of resignation tendered to the Prime Minister. He has put the case in these terms:

"It has seemed to me that those who have not approved of the Government's broad policies might endeavour to use the L.I.C. inquiry in their campaign against those policies, although the inquiry has nothing to do with any basic policy. This campaign will affect somewhat public opinion in India and abroad. A Finance Minister in these critical times can function adequately only from a position of strength and not from one of weakness.

For these consideration, my utility to you as Finance Minister will be considerably less than what it would have been if the unfortunate events of the last few weeks had not occurred. This is the main factor that compels me to reiterate my request to be relieved."

These words were inspired in my submission by the highest motives of Patriotism. He felt that on account of the unique position that the Finance Minister was holding at the moment not only in this country but also in the eyes of the world, it was necessary that public interests should not suffer by his continuance in office in view of what had transpired in this inquiry. Although on a close scrutiny of the Report of the Commission and the facts recorded therein, no actual responsibility might attach to the Finance Minister, he has taken note of the miasma that might be created around his name by those who would take this opportunity of maligning him or belittling his integrity. And he has, therefore, taken the stand that it is in the interests of the country itself that he should resign and retire from the field, in order that the high credit for integrity that this country is now enjoying in the eyes of the world might

not in any way be impaired. I submit, that the Finance Minister was inspired by the highest motives of patriotism, in tendering his resignation.

A considerable amount of criticism has been levelled in some quarters against the officers concerned. The Commission's Report is a revealing document so far as the parts that some of these officers have played, but at the same time the Commission has not arrived at any definite and clear-cut finding with regard to the responsibility of any of these officers, although indications are not wanting all over the Report as to where the responsibility might lie. So far as the officers are concerned, they cannot be made the subject-matter of any enquiry in Parliamentary proceedings. It is a salutary principle of the parliamentary system of Government that officers should be kept outside the arena of parliamentary politics and the Constitution has provided a different method of looking into any complaints that might be made against their conduct and their actions. At the same time, it is necessary in the public interests that the course of action which the Government propose to adopt as set out in the Home Minister's amendment should be approved by this House. Government propose to initiate appropriate proceedings on the basis of the findings of the Commission in respect of the officers responsible for putting through the transaction. In this House we cannot go any further. Constitutional propriety demands that no definite finding could be recorded in respect of individual officers by this House, and it must be left to the Government to initiate appropriate proceedings as is required in the Constitution and other laws on the basis of the findings of the Commission in respect of the responsibility of officers. Here in this amendment Government accepts the findings of the Commission such as they are as a sound and sure basis for any further inquiry as is required by the Constitution and law. I, therefore, submit that this amendment is extremely

reasonable; not only is it reasonable; it is the only amendment which this Parliament is constitutionally competent to adopt. I find that in some of the amendments a direct attack is sought to be made on some officers to pass a verdict on them here and now in regard to them in so far as this matter is concerned. I submit that it would not only be constitutional improper and inappropriate but beyond our competence so far as moral and constitutional competence is concerned.

I do not desire to prolong my observations any further, because I feel that the outstanding features and lessons of the present controversy have been brought out in clear relief by the hon. the Home Minister in his observations here and by the hon. the Prime Minister in the other House. I consider that in our onward march on the road to progress and prosperity, the dangers and pitfalls that are to be avoided have come out in lurid light, that in establishing a socialistic pattern of society we must be careful of the anti-social greed of individuals and unholy combinations between forces inside and outside our administrative set-up, and that we must remember the time-honoured adage that eternal vigilance is the price of liberty. We also feel that in this difficult situation the Government and the Congress Party in Parliament have risen to great heights in vindication of the principles of Ministerial responsibility and administrative integrity, and that in dealing with this situation, Parliament has established a great precedent and has demonstrated that the future of democracy is safe and sure in this country. I would, therefore, submit that out of this tangle, out of this unhappy episode, Parliament and the Government have come out triumphant. Whatever might be attempted to be said in depreciation, or derogation of the statements of the Prime Minister and the Home Minister, I submit that impartial judgment will hold that the Government, in handling this matter, has shown effectively that they are above all petty consideration of personalities. The

[Shri Santosh Kumar Basu.]  
question has unfortunately been raised by Dr. Kunzru that the Prime Minister must submit to the charge of yielding to personal considerations rather than to public duty. I trust that this House will declare that it does not endorse that charge, though coming from so eminent a person as Dr. Kunzru, by accepting the Motion placed before the House by the hon. the Home Minister who has expressed his opinion in no uncertain terms.

SHRI BHUPESH GUPTA: Mr. Deputy Chairman, Sir, we have heart at least three speeches from the side of the Congress Party and I regret to say that they do not show any change of mood since they had spoken last in the other House. It is a sad commentary on our state of affairs that it require a major scandal, a howling scandal at that, to shake up the Government and those who are in authority. We have seen how the Jeep Scandal, the Sugar Scandal, the Fertilizer Scandal and various other scandals shook up the Government and now again another scandal we come across which seems to have a little stirred the Government but I doubt if the Government is going to change its ways.

The issue before us is a serious one but before I say anything, I would like to pay tribute to the Chagla Commission for the forthright, courageous and public-spirited manner in which it has conducted the inquiry. It has not only administered justice but it has so administered it that the public has confidence in it and I can understand why the Government is unhappy about it but I also realise that the Government cannot but accept it formally at least. Because not even the tallest among us can reject the Chagla Inquiry Commission's Report and yet retain his stature. Therefore, we understand as to why the Government has accepted it. Now I wish it was accepted without equivocation, without reservation, without making all kinds of statements which did detract from the propriety of the

acceptance itself. I shall not say anything more or the subject because I know the reasons as to why they find it difficult to accept it. When I asked the hon. Home Minister to say something about the findings about the former Finance Minister he was silent. He thought that I was provoking a controversy where there should be none. What after all we are dealing with if we do not have a proper pronouncement of the country and Parliament on the behaviour, role of the Finance Minister, not to speak of his responsibilities, constitutional and otherwise? He is before the bar of public opinion today. He is answerable and if he is not answerable personally, his colleagues are answerable at the bar of public opinion. Let there be no mistake about it.

The Mundhra deal was not a minor affair. When I came to know of this deal, I was reminded of another gentleman who is no more among the living or in the world of living. That gentleman is Man Singh. Man Singh would appear to be a petty out-dated pilferer compared to those who carried out the audacious raids on the L.I.C. Funds. Let there be no mistake about that either. After all, you have seen how the moneys of the public, the savings of the community have been swindled away through a conspiracy and collusion which is yet to be proved. Truth is coming out in dribbles and where is the full truth? Sir, I accuse the Government of not telling the whole truth or not bringing to light the whole truth. Because it is they who are in possession of all the files, it is they who know the officers, it is they who know the connections, it is they who have been dealing with the Mundhra files since 1954 and hiding the facts from Parliament and the country. It is today, more than anybody else's, their duty to tell the country the whole story. That is not being done. Yesterday in another place it was left to Mr. Feroze Gandhi to read out from a photostat of a telegram which showed that the deal was clinched on June 13th in Delhi, not in Bombay or any other place. I will ask the hon. Home

Minister what his vigilant eye—he has been described as the tiger of Kumaon—or what his Department is doing. Is he in possession of full knowledge of that telegram? If so, when he came to know of it? Why did he not tell us about it? The telegram is there. Then we were told something about that letter written by Mr. Krishnamachari to his Principal Secretary about the manner in which the Corporation was being run. That letter only adds to the enormity of the crime of the former Finance Minister. It only shows that he knew so many things and yet, according to his own evidence, he is satisfied that the transaction could be put through with Mundhras. This is the position. Now we would like to know something about it. We read in the Press and hear many rumours that Mr. H. M. Patel has written a number of letters to the Prime Minister since the inquiry and that in one of which he has stated that he could not tell the whole truth because of the Government and he wanted to save the Government. Is there any truth about it? How many letters the Prime Minister got from Mr. Patel since the inquiry? Whether he has seen it, we would like to know a little more about it. Parliamentary democracy is not a show-piece where only certain speeches should be made, certain things should be said at convenience and others to be kept back. Then we also came to know, as I had earlier mentioned, of Sodhani's telegrams to Haridasji. There is a rumour abroad that it was one of the Birlas who got the consent of the Finance Minister, or approval for the deal. Is there any truth in it? As far as I know, Mr. Sodhani is related to Birlas and I don't know—I can't vouch for it—whether it is true that he had got the general approval. These are questions that are being asked by the people and are on the lips of everybody today and we would like to know from Government whether there is any truth in it but today you see from what had been said yesterday that part of the drama had been at least played in Delhi. Sodhani's telegram is a documentary evi-

dence of that. I don't know as to what the Government is doing to find that out. Well, did Mr. Sodhani negotiate or somebody on his behalf? Who are those from the Government side who negotiated with Mr. Mundhra's representatives? We would like to know these from the hon. Home Minister or the Prime Minister. There is a rumour in Calcutta—it is for the Home Minister to inquire—that the former Finance Minister did meet Mr. Mundhra there. There is a strong rumour and rumours have to be taken note of because it is through the rumour that we came to know of the Mundhra transaction and I raised it in this House last year during the Budget debate. Nobody listened to me. Even before when I talked about the cornering of shares by Mundhras and the encouragement the Government was giving to it, nobody listened to it.

DR. W. S. BARLINGAY: Why did you not appear before the Chagla Commission?

SHRI BHUPESH GUPTA: I sent a telegram to Mr. Chagla and Mr. Dange wanted to appear from our side but Mr. Chagla thought his statement would be good enough. I am appearing here and I would appear anywhere you like but it is for the Home Minister to unearth the story of those conspiracies and wild cries and you should help it and you should help us also.

Mr. Deputy Chairman, now the findings of the Commission are before us and also some of the accounts of the evidence published in the newspapers.

I should like to deal with this aspect of the matter.

DR. W. S. BARLINGAY: May I invite the attention of the hon. Member to this passage in the Chagla Commission Report:

"The public is entitled to know on what evidence the decision is based. Members of the public will also be in a position to come

[Dr. W. S. Barlingay.]

forward at any stage to throw more light on the facts disclosed by the evidence."

**SHRI BHUPESH GUPTA:** The Reserve Bank building was so dark that it was not possible to be illuminated—the Reserve Bank building in Bombay. Anyway, Mr. Dange wanted to appear before the Commission and the Commission said that he need not appear. We shall both appear before very many commissions that may be appointed, but I doubt whether the Government will appoint any such commission in future. They are looking askance at it. They are frightened at it, it seems.

Mr. Deputy Chairman, let me now deal with the various aspects of this case. I find that there is nothing to be said about the former Finance Minister—Mr. Krishnamachari. He has almost tried to pass into the kingdom of Hades as if he is a martyr, a victim, a victim of circumstances, a prey to man-eaters. That is how he has sought to pass. He had been dining with the Prime Minister. He had been seen off at the air-port by many Ministers, their daughters and friends and there has been a lot of exchange of smiles and embraces. We have all seen that, that exhibition of affection and fraternity that has been well in view. We know all those things and everybody was singing in praise of the ex-Finance Minister. I did not know that so much affection had accumulated in the breasts of some of the Congress members and that it required a situation like this to come out.

**SHRI SANTOSH KUMAR BASU:** That is because our Prime Minister does not . . .

(Interruptions.)

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

**SHRI SANTOSH KUMAR BASU:** Just a second, Sir. Our Prime Minister does not send his ex-colleagues

to the gallows. That is the only difference.

**SHRI BHUPESH GUPTA:** Sir, the . . .

**SHRI T. S. PATTABIRAMAN:** Sir, on a point of order.

**SHRI BHUPESH GUPTA:** You will have your chance.

**SHRI T. S. PATTABIRAMAN:** Sir, on a point of order. I would like the hon. Member to confine his comments on Mr. Krishnamachari in relation to this matter. I would appeal to the hon. Member not to make them personal, or refer to his friendship, to his friends or admirers. If he does, then my friend will be coming into trouble, he will be inviting trouble.

**SHRI BHUPESH GUPTA:** I live in troubles. I may be in trouble, but I can look after myself.

**MR. DEPUTY CHAIRMAN:** Confine yourself to the Report.

**SHRI BHUPESH GUPTA:** But I am entitled to say anything about the Finance Minister.

**MR. DEPUTY CHAIRMAN:** Not about personal relations.

**SHRI BHUPESH GUPTA:** What is personal here? I am not referring to Mr. Krishnamachari as a husband or as a father. I am referring to Mr. Krishnamachari as the ex-Finance Minister. (Interruption by Shri T. S. Pattabiraman) I am dealing with him as the ex-Finance Minister. I do not think my hon. friend there is contesting or is going in for any biennial elections.

Now, that is the position. I know people will be irritated. There will be excitement. I have risen and stood up to cause some irritation in some people and I hope also make sense to some people, though they may be irritated.



Now let us deal with this thing first. We have seen how Congressmen were weeping in their party meetings. The Central Hall of Parliament House was, I believe, drenched with the tears of Congressmen.

AN HON. MEMBER: Was the hon. Member there?

SHRI BHUPESH GUPTA: The same thing happened in the Lok Sabha. They started weeping and the weeping has been going on even in this House. But they are not alone to weep for Shri Krishnamachari. There are others also to weep. Who are they? First of all, you find there is "The Hindustan Times". It is weeping for a very able Finance Minister, for his devotion to his work, his broad vision . . .

MR. DEPUTY CHAIRMAN: Order, order, Mr. Gupta.

SHRI BHUPESH GUPTA: . . . . . as Commerce Minister and subsequently as . . .

MR. DEPUTY CHAIRMAN: We are not concerned with all that.

SHRI BHUPESH GUPTA: Sir, I may be allowed to develop my point.

MR. DEPUTY CHAIRMAN: But we are not concerned with all that here. Come to the discussion.

SHRI BHUPESH GUPTA: But I say this because I see the Congress Party behaving in an irresponsible manner in this matter, in publicly weeping for the ex-Finance Minister, for his quitting from office, which really is a great boon to the nation.

MR. DEPUTY CHAIRMAN: You can say that.

SHRI BHUPESH GUPTA: So you allow me, please don't disturb me.

MR. DEPUTY CHAIRMAN: But I want you to be relevant, that is all.

SHRI BHUPESH GUPTA: Yes, I am relevant. I had listened to the debate in the other House. If the Prime Minister can give a certificate in a letter, if all of them can pay tributes, if the hon. Home Minister in the other House can get up and begin his speech by saying this—I will just read it out.

MR. DEPUTY CHAIRMAN: Not necessary.

SHRI BHUPESH GUPTA: Since you have raised the question of relevancy, I will read only a small portion.

MR. DEPUTY CHAIRMAN: Not necessary, it is all published.

SHRI BHUPESH GUPTA: Here it is :

"I am really sad that one of our esteemed colleagues, of keen intellect, outstanding ability and mental vigour, should be absent from the House and the country should have been deprived of his services."

Sir, I refute it and I am happy he is gone and I am entitled to say that I am happy.

MR. DEPUTY CHAIRMAN: That is all right. You can have your opinion. You are free to have your opinion.

SHRI BHUPESH GUPTA: And I can express it.

MR. DEPUTY CHAIRMAN: Yes, but speak on the main question.

SHRI BHUPESH GUPTA: If an elderly person like him can express his affection for Shri Krishnamachari on his departure, I can express my reaction.

MR. DEPUTY CHAIRMAN: Yes, proceed further.

SHRI BHUPESH GUPTA: I am entitled to express my views.

Mr. DEPUTY CHAIRMAN: You have expressed your views. Now proceed further. (*Interruptions.*) Order, order.

SHRI BHUPESH GUPTA: This then is the position. It is important and it is relevant here in this particular case. Sir, I hope the time taken up by these interruptions will be deducted from my time. This technique I do not like—interruptions from all quarters and lastly to be told that my time is over. Then I will start interrupting everybody.

The Commission has said something and fixed the responsibility on Shri Krishnamachari, the constitutional and factual responsibility. Mr. Krishnamachari, the former Finance Minister wanted to make out that as he could not any more serve the nation from the position of strength, therefore he has to go. That is to say, he is going because of his injured innocence, and for the good of the country because of this constitutional propriety and all that. Sir, I read through the whole of his statement in the other House. Never does he criticise himself. He justifies his conduct as Finance Minister. His statement, his earlier letter to the Prime Minister, that is very important. In all these things there is full justification and nothing but justification. And what is regrettable is that the Government has accepted this justification.

I would like to say that there are many people unhappy about it. The London financial quarters are unhappy, Washington is unhappy about it. I have plenty of quotations and cuttings from various papers showing that. Mr. Krishnamachari, the former Finance Minister in his final speech, his farewell speech you may call it if you like, said in the other House

something about the private sector, and that only when he was leaving—bear that in mind.

"This sector naturally waits for an opportunity not merely to get even with the Government but also to make the Government eat the humble pie and renounce its policies. In this battle, it seems to me that this sector, represented by certain powerful interests, has won the first round. A tiger that tastes human flesh becomes a man-eater, and goes on in search of fresh prey of the same variety. All that I can say as its first victim to those interested in the furtherance and fulfilment of the Government's economic policy is: "Beware! the man-eater is at large."

That is what he said. I wish he had come to know of it when he was Minister for Commerce and Industry before becoming the Finance Minister. As far as I am concerned, one man-eater is out of Delhi. Here, Sir, we must see whether the stand taken by the Government is justified or not. I repudiate the statement made by the former Finance Minister and I will ask the hon. Home Minister also to repudiate it. After all, what does the former Finance Minister's statement say? He has paid a tribute to himself by saying that he was in the arena for fifteen years. Then, Sir, we know that he was in the Constituent Assembly fighting for the public sector and the big business. When he became the Commerce and Industry Minister, there was liberalisation of export and import so much so that our financial liabilities abroad mounted up and this is what the former Commerce and Industry Secretary at that time says. Mr. H. V. R. Iengar said, "During the last five years there have been broadly speaking a continuous liberalisation of imports." This is what he wrote in the London *Financial Times* of August 13, 1956. Then, permits were issued to the big monopolists, big business and they were fattened; the Mundhras were fattened, the

Birlas were fattened and the Dalmias were fattened. All of them flourished and the man-eaters were prowling about the country with the blessings and help, the nursing and care of the then Minister for Commerce and Industry.

Then we come to the Finance Ministry. He is promoted to the Finance Ministry and here again he began to serve the private sector;—by private sector, I mean the sector that is under the control of those elements, the monopolist elements, the financiers out of whose ranks appear the flamboyant personalities of the Mundhra type. There again, he started serving them. Here, I would only like to point out one thing. In his letter to Mr. Eugene Black, President of the World Bank, he wrote, "We are undertaking a comprehensive review of policy and procedure that inhibit foreign private investment". This is what he wrote to Mr. Eugene Black when he enquired about how the private sector was going on, even the foreign private sector. At that time he was not conscious of the man-eater. Then, Sir, in his speech in the Lok Sabha on the 23rd March, 1957, he said, "We have served the country well and in doing so we have served the poor man ill because we have served the vested interests ordinarily well". Having served the vested interests extremely well, he should have known the man-eaters before the Mundhra scandal overtook them. You will find, Sir, that the former Finance Minister in America amplified the policy of the Government and he said :

"There is, I am told, an apprehension in some quarters that the policies of the present Indian Government are not conducive to the free working of the private enterprise in India. Unfortunately, the term 'socialism' does not mean to us in India what it seems to mean to most Americans. Let there be no misunderstanding about this. The values we stand for and we construe

in our Constitution and in our centuries old traditions are the same as yours".—*Address to the Far Eastern Correspondents, New York, October 4, 1957.*

Then again he said in New York:

"We appreciate fully that enterprises all the world over are guided by profit considerations and the foreign investment will come to India only to the extent that it is profitable for them to do so".

May I say in this connection that I was shown the other day some calculations which showed that with their normal total turnover, some of the leading enterprises operating in India made profits, after paying taxes, two and three times as high as those made by leading enterprises in West Germany. I have no doubt that as long as we, in India persevere, in our effort to keep developmental activity at a high level and as long as we continue to supplement investment from abroad, the outlook for foreign business in India will not only remain good but will materially improve in the future. I have quoted his speech. He seems to have been inviting man-eaters from the U.S.A. and, therefore, we cannot accept his contention that he dislikes the man-eater. On the contrary, fifteen years of his service and record would show that he has nursed the cubs into man-eaters and he has produced more man-eaters perhaps, in India, than any other Minister taken singly. Therefore, Sir, we cannot accept this kind of an explanation.

Now, Sir, let us come to the question of his indirect responsibility in this particular deal. How do I judge him? I have before me two records, one the Commission's Report and another, some of the accounts of the evidences produced by a certain newspaper, the *Free Press Journal*. Now, let us see what comes out of this. First of all, you will find that as far as the Commission is concerned, the Commission holds him responsible, the Commission's findings hold the former Finance Minister responsible

[Shri Bhupesh Gupta.]

for what has been done in the deal. Now, let us take this one by one, and start with his answers to the questions of the 7th September and then in November. It is quite clear that he evaded an answer. The former Finance Minister took shelter by saying that somebody briefed him and that he did not go into that note. We had been told by the same gentleman that he is a voracious reader but then how is it that when it came to the Mundhra deal and the Mundhra affairs, that voracious reader did not even look into the few pages that were handed out to him by a Secretary?

SHRI V. K. DHAGE: Believe it or not.

SHRI BHUPESH GUPTA: Then you come to his speech of the 16th December in the Lok Sabha. I have got the official proceedings here. Nowhere does he say in the speech that he was consulted in the Reserve Bank. Somebody mentioned the Mundhra deals to him. This is how he proceeds in this matter. This is what he said: "The negotiations for these purchases started on the 23rd June which was a Sunday and completed and decided on the 25th June. For obvious reasons, the Corporation could not keep the deal pending while making enquiries as to the current market quotations". He justified them and he was happy on the 26th December, even after all that Mr. Feroze Gandhi had said that things were not right. Then he said that the purchases had been made without prior consultation with the Investment Committee but in accordance with the normal procedure, the purchases were reported both to the Investment Committee and the Corporation at the following meeting. He does not see anything wrong in that. In that speech, he never said that he would look into this matter. Prior to that also, he never said that he had been consulted, no matter how he expressed his consent, or what Mr. Patel asked him. Nothing is

mentioned at all. On the contrary, there was an attempt even after the devastating revelations to justify the deals of the Insurance Corporation. This is one thing.

Let us come to his evidence before the Commission. The Commission has something to say something about this, he said "it should be looked into." Mr. Patel asked him something about the deals—he could not deny it but then added—and he said that they should be looked into. Well, the former Finance Minister himself was in the know of things. He himself admits that he had known so many things about Mundhra. Yesterday also, a letter written by him to the Principal Finance Secretary was read out which shows that he did not have much faith in the big officers of the Life Insurance Corporation and yet he said that the matter could be looked into. Mr. Patel says that he got the general approval. I do not know what happened between the two great men, but it is quite clear that between the two the communion of hearts had been so great that one expressed it in a particular way and another understood that it was approval. After all Mr. Patel was the pet of the former Finance Minister. It is he who made him the Principal Secretary and brought him there. It is he who took him to the United States to win the hearts or the U.S. millionaires. Therefore, Sir, we are convinced that there was a discussion between them and some kind of approval was given, and according to that approval Mr. Patel went ahead with it and he had also his own axe to grind. I do not at all exonerate Mr. Patel and strongest presumptions of corruption exist against him. At the same time, it would not be right, it would not be proper to eliminate the former Finance Minister from the scene altogether in the manner in which it is sought to be done.

Now, Sir, the Attorney-General's observations are of great importance in this connection. Here he has said

many things about the responsibilities of the former Finance Minister and the Principal Secretary. I can understand the Government not liking very much what the Attorney-General has said, but we have before us the statements made by the Attorney-General of the Government of India, who is a constitutional authority in these matters, and also an experienced lawyer.

Then finally, Sir, we come to the former Finance Minister's resignation and his final speech after that. Nowhere there is a regret; nowhere there is a realisation that he has not only been negligent but had a part to play **in this whole affair**. Nowhere is there a confession of his own crime. What sort of Finance Minister was he that even after the crime had been detected he did not have the courage to get up and say before Parliament that he had been at fault, that he had been guilty of dereliction of duty, that he did not discharge his responsibilities properly—a person who chose Mr. Patel as the Principal Secretary who was in liaison with Mundhra. He should have said it. Therefore, Sir, I shed no tears for such a Finance Minister.

Now, let us come to Mr. Iengar. The Prime Minister suddenly came out and without any inquiry spoke in favour of Mr. Iengar in an attempt to rescue him, one who was not free from blame as transpired before the Inquiry Commission. I do not know why. Why suddenly the Prime Minister took a fancy for him, I fail to understand. Maybe that he has in his mind certain plans, maybe he wants to make him an Ambassador or a Governor some day; therefore he had to do a little rescue work.

MR. DEPUTY CHAIRMAN: No insinuations.

SHRI BHUPESH GUPTA: It is no insinuation.

MR. DEPUTY CHAIRMAN: Yes, it is. To say that the Prime Minister has

plans to make him a Governor, and all that is an insinuation. You cannot speak in a derisive manner.

SHRI BHUPESH GUPTA: Well, I do not speak in a derisive manner; I am trying to find out. The Prime Minister . . .

MR. DEPUTY CHAIRMAN: You can understand the English language.

SHRI BHUPESH GUPTA: It may be due to affection, but some explanation should be given as to why the Prime Minister came to his rescue.

MR. DEPUTY CHAIRMAN: Order, order.

SHRI BHUPESH GUPTA: I will change my opinion. Let the Government explain why, despite the findings, despite the statements of the Attorney-General about him, why the Prime Minister, despite the findings of the Commission, took upon himself suddenly the responsibility of saying something about him, which was unwarranted in this particular case, when an inquiry is supposed to be held.

Now, Sir, the Prime Minister is a great person. My decision will not hurt him very much. But about Mr. Iengar the Commission has something to say. The Commission says his evidence was "negative." The Commission did not seem to like very much the way he spoke, and it is there; it is in the statements of the Attorney-General. I hope the Attorney-General does not speak derisively about anybody. He said, talking about Mr. Iengar and others, that "they tried to steer between the Finance Minister on the one hand and the Principal Secretary on the other. Mr. Bhattacharyya gathered courage to say something, but Shri Iengar did not". He said, "If this is true, it is inconceivable that Shri Iengar did not hear what the Finance Minister said about the matter". Then again Mr. Chagla intervened to point out—now it is very relevant—I am reading the evidence . . .

SHRI T. S. PATTABIRAMAN: From which document is the hon. Member reading, Sir?

MR. DEPUTY CHAIRMAN: Something from the Report; it is supposed to be the evidence.

SHRI T. S. PATTABIRAMAN: It is most incomplete; it is one-sided.

SHRI BHUPESH GUPTA: Here is something very good. Mr. Chagla intervened to point out that according to Shri Patel the deal was first discussed on June 22 in the chamber of the Reserve Bank Governor, in the presence of Shri Iengar and Shri Bhattacharyya.

The Attorney-General said:

"Mundhra's letter to Shri Iengar also said that he wanted to discuss the matter further with Shri Iengar, and there was also reference to an earlier discussion between the two."

Mundhra wrote a letter to Mr. Iengar as soon as he went to Bombay. That is admitted by Mr. Iengar, and that is in evidence. It is not refutable; it is not disputed by anybody. How is it that the gentleman, Mundhra, drops from the blue sky in a plane, appears in Bombay and immediately writes a letter to Mr. Iengar? There should be some expectations on the part of Mr. Mundhra about Iengar. I do not go to a city to write letters to people about whom I have no expectations, not even to Mr. Pattabiraman.

SHRI T. S. PATTABIRAMAN: But he will write to Dr. Baliga of the Communist Party, his contact-man at Bombay.

SHRI BHUPESH GUPTA: Now, Sir, how is it that the letter was written? Then the same gentleman sent along with that letter a copy of his letter to Mr. Patel. Therefore I assume that Mr. Mundhra rightly or wrongly had some expectations about Mr. Iengar. Mr. Iengar was no longer connected with the State Bank of India or the Life Insurance Corporation; he was

Governor of the Reserve Bank. But Mr. Mundhra must not be such a fool as to waste his valuable, precious time in writing letters to people who are absolutely irrelevant to his purpose. How to understand it? Therefore a letter had been written. We are told by Mr. Iengar that Mr. Mundhra was thrown out of his house since he does not see people in his house. Well, Sir, the Commission does not believe it. Mr. Mundhra says that he found that Mr. Iengar was giving a dinner party. He thought that he had no place at the dining table. He was asked to leave the house and he left. That is all that happened.

These are very important statements made by the Attorney-General. Now I would ask you to read carefully the Attorney-General's arguments before the Commission, and you will find that he had a number of observations to make about Mr. Iengar and his likely part in the matter. The Prime Minister should have taken a serious note of them. It is not the Communist Party or Bhupesh Gupta or Dange from that House saying things about any and every . . .

MR. DEPUTY CHAIRMAN: The Commission has not made any comments.

SHRI BHUPESH GUPTA: The Attorney-General is a person appointed by Government.

MR. DEPUTY CHAIRMAN: What we are concerned with here is the Report of the Commission.

SHRI BHUPESH GUPTA: We are concerned not with the Report of the Commission alone. We cannot be conveniently concerned with some thing and not concerned with other things. We are concerned with everything.

MR. DEPUTY CHAIRMAN: It is only an expression of opinion.

SHRI RAJENDRA PRATAP SINHA: He is only referring to the evidence adduced before the Commission.

MR. DEPUTY CHAIRMAN: He has referred to it in detail.

SHRI BHUPESH GUPTA: I shall refer to it. It cannot be considered as a breach of privilege. If I am not allowed to refer to the Attorney-General's statement I would like the matter to go to the Privileges Committee to find out whether I have got that right or not.

MR. DEPUTY CHAIRMAN: You have referred to it. Go on.

SHRI BHUPESH GUPTA: I shall do more.

MR. DEPUTY CHAIRMAN: When you are irrelevant I will call you to order.

SHRI BHUPESH GUPTA: Now this is what he said. In view of what the Attorney General appointed by the Government of India to help in the revelation of truth has said, who still remains in this office, the Prime Minister had better remain silent over the Iengar matter. This is all that I say.

MR. DEPUTY CHAIRMAN: The Commission also is silent.

SHRI BHUPESH GUPTA: I see this thing and I have reason to tell you. Personally I am not so sure about Mr. Iengar. But I would ask the Home Minister to enquire about his conduct also. He was the Chief Secretary in Bombay when Mahatma Gandhi was arrested. Then he came to the Planning Department. I do not know how much he atoned for his sins of that time in the Prime Minister's house. He came to the Planning Department which had at its head, Mr. Ardeshir Dalal, not a very inviting name. Then he became the Principal Private Secretary to the Prime Minister. Then he went to the Home Department when the repression in the country took place and many people suffered. Then he became the Secretary of the Commerce and Industry Ministry under whom liberalisation of imports took place. Then he became Chairman

of the State Bank of India in whose time advances were made by that bank to the Mundhra concerns, the advance in the case of one company went up to Rs. 4½ crores; in the case of another company it went up to Rs. 2 crores. It was during his chairmanship of the State Bank of India that the Mundhras became fatter and advances were made to them. The evidence is there, coming from the present Chairman of the Reserve Bank, Mr. Bhattacharyya.

2 P.M.

MR. DEPUTY CHAIRMAN: The Governor of the Reserve Bank is Mr. Iengar.

SHRI BHUPESH GUPTA: You are very right. There is only a little snag in it that before, he was the Chairman of the State Bank of India.

MR. DEPUTY CHAIRMAN: But the evidence is that of Mr. Bhattacharyya. . . .

SHRI BHUPESH GUPTA: Now he is the Governor of the Reserve Bank but . . .

MR. DEPUTY CHAIRMAN: I am referring to Mr. Bhattacharyya. (Interruption.) Anyway, go on.

SHRI BHUPESH GUPTA: Therefore I say you will find that Richardson and Cruddas had an overdraft of Rs. 1 crore; B.I.C. to the tune of Rs. 4½ crores.

MR. DEPUTY CHAIRMAN: Please put on your ear phone so that you can hear me.

SHRI BHUPESH GUPTA: Therefore it was under Mr. Iengar's chairmanship that several crores of rupees had been advanced to Mundhra concerns as loans. That has to be taken note of. Therefore all these circumstances raise the presumption that Mr. Iengar had some touch, contact, relations, if you like, with the Mundhras which inspired Mundhra to write a

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letter to Mr. Jengar the moment he appeared on the scene in Bombay on 20th June. Now, this is about Mr. Jengar.

About Mr. Patel, I do not want to say much. He has almost been caught red handed, poor chap. Mr. Mundhra was in lock-up, but now he is out and I have seen in the Press that in a big car he has been taken to Kanpur. I do not know what will happen there but Mr. Patel is on leave with pay. I am told some inquiry would be held against him. That is good; inquiry should be held but why have you been paying him? He will be on leave with pay and Mr. Mundhra will be in jail and both out again and Mr. Krishnamachari laughing and smiling went away. Is it a joke or what? I ask you, is this scandal such that we want to have this kind of treatment? Therefore, I demand that the Principal Secretary should be summarily dismissed under article 311 of the Constitution. Many of our people in the Railways and other places have been summarily dismissed on suspicion of having connections with the Communist Party. Why, Sir, in this particular case the Government should not advise the President to summarily dismiss Mr. Patel and also Mr. Vaidyanathan who stands self-condemned according to the Commission? Why should so much time be taken for that? Which rule is coming in the way, I would like to know from the Government. Is it the agreement about I.C.S. officials? If so, am I to understand that if an I.C.S. officer were to shoot me tomorrow he would be allowed to continue in his post and draw salary on leave? He would be arrested, he would be dismissed and thrown out of the Service. Now, I do not see how this Mundhra deal, this Mundhra affair, is a lesser crime than a crime of that type? Why should in such a case a person of his stature, a person of his taint, should be retained in service for a moment, I cannot understand.

About the other officials, I leave it to the inquiry. Now, the Prime Minister and the Home Minister paid wholesome tribute to the I.C.S. officials. I do not say everyone is bad; there may be some good persons but then there are also bad persons; but, do we require a scandal to find out the better persons? Must the L.I.C. and the public lose their funds to the tune of Rs. 2 crores before a bad person is detected? The Prime Minister in his autobiography called them pet services. This is what he said:

"Of one thing I am quite sure that no new order can be built up in India so long as the spirit of I.C.S. pervades our administration and our public services. The spirit of authoritarianism is the law of imperialism. It cannot co-exist with freedom. Only with one type of State it is likely to fit in and that is the Fascist type and therefore it seems to me quite essential that the I.C.S. and the similar services must disappear completely as such before we can start the world on a new order."

They do not disappear; they disappear on leave with pay after passing off Rs. 1½ crores to the Mundhras. We do not like, Mr. Deputy Chairman, this kind of disappearance, by taking away everything out of Government funds and disappearing on leave with pay. This I am not quoting from Karl Marx; I am not quoting from Bhṛigu Samhita; I am quoting the Prime Minister himself and I understand that in the new editions of this book, these lines have not been deleted. Therefore, I am very up-to-date; I am trying to keep pace with the Prime Minister, his ideas and thoughts. I do not know if he has made another discovery that something is to be deleted. Well, he can make some changes in the new editions of his book. Therefore, I say it is very important. I do not accuse the officials generally. I do not say all civil servants are bad. There are very many good people, especially in the lower rungs. I come across civil servants here. They are



very good people and I should be sorry if we lose men like Mr. Mukerjee. Therefore, it is not a question that way. There are some people who have built up connections, who have built up relations with the big business. They should be detected, found out and dismissed from service. You see how Mr. Kamat was impressed by Mr. Christie—the old school ties revived. He went from Bombay to Kanpur to find out about the Mundhra firm and the moment he got into touch with Mr. Christie the old acquaintance, friendship, relations everything revived. Hearts warmed up and he went back to tell that he was convinced of Mr. Christie's capacity and integrity and we know what happened to the company concerned. Mr. Christie made a fool of himself. He showed no integrity or capacity to handle Mr. Mundhra because Mr. Mundhra knows how to handle bigger people. It is not easy for such little people sitting on the Mundhra's Board of Directors to handle that man-eater, when there are other people in New Delhi to nurse them, to feed them and to whet their appetite. Therefore my suggestion in this connection is that it should be gone into. The I.C.S. officials are not very suitable for many things and certainly those who have got that kind of mentality as displayed by Mr. Patel and others. They should be thrown out; they should not be placed in such responsible positions at all. We have to create a personnel of our own, a cadre of our own who can deal with such matters, a cadre that will be inspired by patriotism, that will be inspired by democratic ideals and that will have no connection whatsoever with big business—Mundhras and Birlas—, a cadre that will function according to the will of the nation keeping in view that they are serving the country and nobody else. It is very essential.

Sir, we have demanded also a certain consideration of the investment policy. The investment policy of the Life Insurance Corporation is some-

thing which has to be gone into. According to my information—and I believe in such information—the Life Insurance Corporation invested large sums of money in the shares of Howrah Jute Mill. The shares were bought at Rs. 17 or Rs. 18 and then the share price went to Rs. 13 and the Life Insurance Corporation has been a loser to that extent. I would like to know whether it is true or not. This is my information. Again, you will find that there are about 280 brokers in the stock market but the Life Insurance Corporation's business is confined to only 17 or 18 big monopolist brokers. I say this only to emphasize the connections that have developed between the Life Insurance Corporation on the one hand and the big business and their stock brokers on the other. That is why you find the investment is taking place in this particular manner. Now, Sir, I know the small brokers, how they behave in the stock exchange. I have nothing to say, but you also know the monopoly treatment of the investment and I do not know whether you can conduct your affairs well if this is not gone into. Why must we spend money to build up Mundhra? The money had been given to Mundhra to bolster him up in the name of relieving some drag on the market and what not. But the Chagla Commission's finding is clearly that money was given to relieve him out of the difficulty. I know Mundhras also relieve the Congress out of difficulty at the time of elections by giving one lakh rupees, but then give one lakh for one lakh. Why give him one crore and a half? Now, Sir, if this kind of mutual relief is operating in this country, I do not know where we shall be left. I would ask the Government not to go in for seeking relief by Mundhras at the time of elections, nor giving relief to Mundhras after the elections. It should be a good thing to do.

Now, some reference to our association with the Mundhras was made by the Law Minister. He said that some

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 deputy leader attended some party where Mundhra was present. Well, Sir, when I go by plane—I do not know what happened actually, I have no knowledge about it—I do not go through the list to see whether Mundhra is there. Therefore, if by chance somebody sees me with Mundhra in the same plane the deduction should not be that I have an association with Mundhra. I am frightened of Mundhra and in the journey I will have quite a great fright. On the contrary I should have some sympathy.

Now, Sir, about Mundhra, the Communist Party has been speaking for the last four years on the floor of this House and the other House, in the Bengal Legislative Assembly and in the press. Government did not take any notice of it. Sir, you will remember last year on 21st May, I had made certain statement about Mundhra, referred to his infringement, violation of the exchange control order and said something more—I do not go into it—which incited the statement on the part of the Law Minister. But then nothing happened. Mundhras go up. Therefore, I say don't say such things. It does not help very much. You know very well that the Communist Party hates the speculators and monopolists. They would not be anywhere near them and the party will never take an advantage out of this. We fight these speculators and monopolists. That is why we are here. But I shall take his words. I shall see that even from that angle Mundhra does not come within very much near us. I leave it at that. The Law Minister should not have made that remark. He knows very well how we function as far as these people are concerned.

Now, Sir, about the investment policy, I would ask the Government to reconsider it. Why is it—are the insurance funds going to be utilised to bolster up some monopolists, big business? It appears that ten per cent. of the equity investment of the Life

Insurance Corporation has gone to the Mundhras. You see star features, rising in the horizon of the Congress. Ten per cent. of investment has gone to the Mundhras alone, one person undertaking several concerns, eats up, takes away, attracts ten per cent. of the Life Insurance Corporation's equity investment. It is a serious thing, a matter to think about. Now, Sir, I do not know about the veterans in the field. Mundhra is only a budding cub of a man-eater. But there are very old veteran man-eaters who have not become vegetarians, like the Tatas, Birlas and Dalmias. I do not know . . .

MR. DEPUTY CHAIRMAN: Five minutes more.

SHRI BHUPESH GUPTA: .... how much they are attracting from the Government. I would like to know, but from accounts of the stock exchange it appears that the Government is investing heavily with these people. Yet our public sector requires money for development, for investment. Yet, we need resources of the capitalists to be channelled into investment for nation building purposes. That is what we need. Where else shall we get the money until and unless we get it from these capitalists who have accumulated funds? Therefore, in this connection I shall demand a change of the investment policy. The investment policy should be such as would strengthen the public sector and the parliamentary supervision and would weaken simultaneously the monopolists and the speculators in the private sector. That should be the guiding line. This should be the guiding line of investment policy. Sir, we should not allow ourselves to be blackmailed by a number of monopolists just because the Life Insurance Corporation has made heavy investments in some of them. If necessary, nationalise those concerns where you have made heavy investments. In this connection I would suggest that Jessop and Company should be immediately nationalised because forty per cent. of the orders of the company come from the Government. And after

such heavy investment there, there is no reason why we should not, say, nationalise it, save it from the hands of a flamboyant personality, gambler, speculator, from a friend and a donor of the Congress party that the Mundhra type is. Therefore, I would ask that thing. Similarly, where we have made investment of the Life Insurance Corporation fund, secure the control of the Government. Do not give away money without ensuring control of the money. If you give money, invest money, see that the control of Parliament is there, control of Government is there. If you like have them.

Then, Sir, about the Parliamentary Committee I have suggested that a Parliamentary Committee should be appointed. A permanent committee should be appointed to look after the working of the State undertakings and corporations. It is very essential. The Government have got a Vigilance Department, but the Vigilance Department sleeps until and unless the Mundhras run away with the money. We would not like that kind of vigilance. We would like to have the vigilance of Parliament. Let a Parliamentary Committee be appointed, a permanent committee, which would not give day-to-day guidance but which would supervise and look into the affairs of the State undertakings and corporations and see how things are running. That will be the real way of exercising vigilance. Therefore we have suggested it. At the same time, we would have sent out Mr. Vaidyanathan a long time ago. We have found that Mr. Kamat was a nincompoop. He could not do anything. He was there as the chairman, but did not know one end of a life insurance policy from another and pleaded complete innocence, and yet he was chairman. We would have seen in a Parliamentary Committee that such people are not there at all. Competent people, knowledgeable people, patriotic people, people who love their country more than they love the Mundhras and Birlas—we would have ensured that. Therefore, we demand that a Parlia-

mentary Committee for supervisory purposes be appointed to look after the affairs of the concern.

Then, Sir, we want a Parliamentary probe into the matter for a further investigation. I have no faith, I would not ask a judicial committee any more, because I have a fear that Chaglas will no longer be found out for appointment. I would not after what the Prime Minister has said about the Commission... (*Time bell rings*). Let me finish....one sided presentation and the remarks and the reflections he has made, the whole world has taken it to be a repudiation of the Chagla Commission. Now, Sir, I would not like, after that kind of thing, any more for the present, at least, till we are assured. We, therefore, demand that a Parliamentary Committee be appointed to look into the entire deal, including the part of the former Finance Minister. The hon. Minister should help us by placing at our disposal the services of his Intelligence Bureau. This should function under the direction of the Parliamentary Committee. The police investigation should go side by side with a view to helping the general investigation of the Parliamentary Committee. Let us all sit together, Congressmen, Communists and Praja Socialists, in order to discern the truth. Truth has to be found out. There are many things that are kept secret. There are many things that are kept immersed in the files in the department. We want a searching inquiry by a Parliamentary Committee commanding the confidence of the entire country to go into this matter and unravel the mystery and find out every single perpetrator in one of the blackest public scandals that India has known. That should be the approach.

MR. DEPUTY CHAIRMAN: Mr. Sapru. There are 16 speakers. I am restricting the time. Fifteen minutes each.

SHRI RAJENDRA PRATAP SINHA: Not to us, Sir. I think it is for those Members.

MR. DEPUTY CHAIRMAN: Yes.

[THE VICE-CHAIRMAN (SHRI M. B. JOSHI) in the Chair]

SHRI P. N. SAPRU (Uttar Pradesh): Mr. Vice-Chairman, Shri Bhupesh Gupta has developed a certain declamatory style which makes it difficult to understand his arguments. Therefore, I will not have much to say about him.

Sir, I do not think that it is right for us to talk about the Mundhras and the Birlas in this House. Mundhra is on trial and my judicial training tells me that I must not say anything which is likely to prejudice his trial. Even the meanest criminal has a right to a fair deal, and therefore I will not go into the question of Mundhra at all.

Mr. Vice-Chairman, let me say that I find myself in wholehearted agreement with the Resolution and the amendments which have been proposed by our esteemed Leader of the House, Pandit Govind Ballabh Pant. In doing so, I would like to remind the House that it was a Congress Member, Mr. Feroze Gandhi, who disclosed the facts regarding what has now come to be known as the Mundhra affair. Credit for what Mr. Feroze Gandhi did, cannot go to the opposition which for ideological reasons finds it convenient, because it has no alternative policy, to criticise the Congress in season and out of season. The difficulty with my friends opposite is that they have no coherent alternative programme to offer. Therefore they must talk without anything to substantiate it—about Congress support of big business and all that sort of things. All this is only clouding the issue.

Sir, let me first say a word about the inquiry and about the great Judge who presided over that inquiry. Mr. Chagla is one of our great Judges, incomparably in my opinion the ablest Judge in so many ways that we have in this country. He satisfies the requirements of what Theodore Roosevelt described in a famous letter he wrote to U.S. Congress regarding commending the appointment of Justice

Holmes, that is, that a Judge must be a constructive statesman. Mr. Chagla was our representative on the International Court of Justice for the Goa case. As a friend who has known him for many years, for nearly 37 years, I wish to pay a tribute to his impartiality, to his integrity, to his outstanding ability. The Leader of the House has paid a well deserved compliment to him, and he deserves to be congratulated on having selected for this responsible task a Judge of the eminence of Mr. Chagla. Let me also say a word about our great Attorney-General, inheritor of a great legal tradition, Doyen of the Indian Bar; he has throughout his professional career maintained the highest traditions of the noble profession to which personally I have the honour to belong. It is sometimes a very painful thing for counsel to comment on various people who figure in a case but counsel has got to do his duty. Counsel's first duty is to their clients and I cannot, therefore, endorse the criticisms which have been made by some Members against Mr. Munshi. He was doing his duty by his client.

Now, I would like to say a word about the procedure which was adopted by this Commission. This procedure was in accordance with the procedure which was adopted by the recent Bank Rate Tribunal in Britain. But the Bank Rate Tribunal had three Judges. It also had one advantage over this Commission. A lot of preparatory work had been done by the Treasury Solicitors. I do not know whether we have any institution in our Government corresponding to that of Treasury Solicitors. I think that the Legislative Department should first seek the acceptance of Treasury Solicitors and it would have been a wiser thing in future for us to go to an inquiry after all these preliminary investigations including police investigations were over. For all that we cannot blame the Judge, we cannot blame the Attorney-General. We can blame ourselves, that is to say, Parliament can blame itself, and our inexperience in dealing with this sort

of case is responsible for the mess in which we find ourselves.

In the very able speech which Mr. Kunzru made he referred to the correspondence between Mr. Krishnamachari and the Prime Minister, and he said that the Prime Minister should not have written that letter to Mr. Krishnamachari. Now the Prime Minister has explained his position very clearly beyond the shadow of a doubt. We know, that the Prime Minister is incapable of saying a thing in which he does not believe, and he has told us very frankly that he was not casting any reflection on Mr. Chagla or the procedure that he was adopting. He was rather worried about the procedure that Government itself had adopted. He had referred to defects in the procedure for which Government was responsible. He had, not in that letter referred to Mr. Chagla whom he has indeed described as a very eminent Judge. The Leader of the House himself has said that he was responsible for the appointment of Mr. Chagla as the Commission, and therefore Mr. Kunzru should not, I think, have gone further into this matter.

**DR. W. S. BARLINGAY:** Government did not lay down the procedure.

**SHRI P. N. SAPRU:** Well, my friend may be a greater supporter of Government than Government itself. I am telling you what the Prime Minister and the Home Minister said.

Then I have a word to say about the services. I find that the services have come in for some attack, particularly from Mr. Bhupesh Gupta. I would like to say that we want to develop and encourage in this country initiative and energy and drive among civil servants. And it is not right for us to talk in any lighthearted manner about the reputation of people who are not here to defend themselves. They cannot answer the charges that are levelled against them; they cannot write to the press, they cannot speak in public, about the things they are supposed or not supposed to have done.

**SHRI BHUPESH GUPTA:** They have got Ministers to speak for them.

**SHRI P. N. SAPRU:** They have got Ministers to speak for them. We have lost Mr. Krishnamachari, a good technician, but unfortunately he has referred to certain matters of a controversial nature in the statement he made before the Lok Sabha. I am sure that when the cases of these officials are dealt with administratively, they will have a full opportunity of refuting what he has said. That, I think, is part of the judicial process. Mr. Kunzru referred to certain speeches which were made in the Crichton Down case in the British House of Commons. I have got extracts from those speeches before me. Though there is the conventional responsibility of Ministers, the civil servants are not completely protected in the sense that, if they defy the instructions given to them by the Minister, they can be dealt with departmentally or otherwise, and though the Minister takes the responsibility for what has been done, the House or the Government is always forgiving in these matters. It often condones this technical responsibility. Whether Mr. Krishnamachari's version of the events is correct or not, I am not in a position to say. I have read the Report of Mr. Chagla very carefully and I am not prepared to say that it is based upon surmises. It is based upon evidence which was tendered to him at the inquiry, and it was for him either to accept . . .

**SHRI BHUPESH GUPTA:** Does that judgment justify the statement on the part of somebody whom you know that the Finance Minister's part has been of the smallest?

**SHRI P. N. SAPRU:** I think in a way it does, because Mr. Chagla—I would not pre-judge the issues here again—has placed emphasis upon constitutional responsibility, he has placed emphasis upon constructive responsibility; he has said that Mr. Krishnamachari was not truthful to the House, quite frank with the House, and that

[Shri P. N. Sapru.]

because of this lack of candour and because of his subsequent . . .

SHRI BHUPESH GUPTA: This is what he said—the hon. Member is a lawyer and I would like to enlighten myself—

“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 on the 24th June.”

SHRI P. N. SAPRU: Subsequent approval or acquiescence—my friend is a lawyer—is not always the same thing as prior knowledge. There is no clear finding, so far as Mr. Chagla is concerned, to the effect that Mr. Krishnamachari had prior knowledge of the transaction. It may be that he had prior knowledge of the transaction; it may be that he had no prior knowledge of the transaction; I am only going by the Report made here, and therefore, all that Mr. Chagla says is—I am myself inclined to agree with the finding—that there is *prima facie* evidence to support the view that Mr. Krishnamachari at one stage or the other came to know of the transaction but he did not repudiate it later on. That is all.

SHRI BHUPESH GUPTA: We do not know.

SHRI P. N. SAPRU: Mr. Vice-Chairman, Mr. Krishnamachari has paid the penalty, and we have lost, as I said, a good technician and credit is due to him for giving a progressive direction to our financial policy. I was a very firm supporter of the Wealth Tax and the Expenditure Tax. But let us think of the future. I would like to develop this point and I would, therefore, request you to give me some time more. One of the principal reasons for the difficulty in which we and ourselves is that the Principal

Secretary was also the Chairman of the L.I.C., and I think it is wrong in principle to appoint Secretaries as Chairmen of Corporations. A Secretary's job is to act as the principal adviser and executive of his Minister in regard to all matters. You cannot have divided loyalties in a man who is Principal Secretary.

DR. W. S. BARLINGAY: But that was only in the beginning.

SHRI P. N. SAPRU: My friend is obsessed with some ideas. A Secretary's job is to bring to bear a fresh mind upon all questions, and if Departmental Heads are made the Chairmen of Corporations, or if Corporation heads are made also to act as Principal Secretaries or Secretaries, they cannot do their duty properly either by the Minister or by the Corporation. I would submit that the public sector was not on trial. We have had a large number of private concerns going into liquidation. I remember the Directors of the Jupiter Insurance Co. getting sentences of large terms of imprisonment, and nobody has drawn from the fact that these concerns have gone into liquidation the inference that private enterprise is not good. We must not make the occasion of this debate a forum of propaganda for private enterprise. Let me state quite frankly that I am for public enterprise as far as possible.

Then, my other point is this where should a Corporation like the Life Insurance Corporation invest? I do not take the line that its funds should be invested invariably in the public sector. If the blue chip policy had been followed, we would not have heard of all this, and, therefore, the question whether a particular Director had a bad reputation or a good reputation would have become immaterial if the transaction had proved to be a good transaction. Let me say that some of these concerns are good concerns. There is the 'British India Corporation', there is 'Jessops', there is 'Richardson and Cruddas'. So far as 'Jessops' is concerned, while I think

it will be going too far to go in for immediate nationalisation, I think it would be a good thing to acquire a controlling interest in Jessops. There are various other suggestions which Mr. Chagla has made. I would like greater non-official element on these Directorates, but I would not like the Chairmen of the Boards of Directors to be drawn from the ranks of businessmen. I would rather in this matter trust the civil servants the professional man or even the politician. There should be specific instructions—it is a good suggestion of Mr. Chagla—to persons who act on these bodies as nominees of Government that they must exercise an independent mind. There must be specific instructions to our civil servants that they should bring to bear upon their work an independent mind.

*(Time bell rings.)*

This is my last word.

**SHRI BHUPESH GUPTA:** Allow him his last word.

**THE VICE-CHAIRMAN (SHRI M. B. JOSHI):** You have taken 7 more minutes.

**SHRI P. N. SAPRU:** Before I conclude, let the message go to the services that there is no occasion for them to feel demoralised, that this Parliament intends to be fair by every section of the community, that it will be fair to the services. They are our own kith and kin.

**SHRI B. M. GUPTE (Mysore):** Mr. Vice-Chairman, Sir, this episode which has agitated the public mind for the last two or three months has given rise to divergent feelings—even contradictory feelings. First of all there is a sense of loss at the deprivation of the services of a talented Minister who has rendered meritorious service to the cause of the country at a time of great economic crisis. Then there is a sense of surprise and a sense of astonishment at the astounding lapses of some of our most senior officers of

the civil service which has the well-deserved reputation for integrity and efficiency. Then there is also the feeling of frustration that in spite of all this inquiry, the whole truth has not come out. Much of the important material is yet missing. And last but not the least, there is a sense of gratification that the Government, the Congress Party and this Parliament are functioning in a manner which is in consonance with the best traditions of parliamentary democracy. Therefore as I said, there are conflicting emotions and reactions which this episode has given rise to. Much heat has been generated and I am very sorry that the outgoing Finance Minister made a statement before Parliament which is of a controversial nature. Our esteemed friend Dr. Kunzru commented much on it. I personally would say 'Leave aside that statement, it is not necessary at all to take into consideration that statement to assess the responsibility of the Finance Minister'. Dr. Kunzru has taken exception to the Prime Minister's statement in his letter that Mr. Krishnamachari's part was the smallest. I don't see why exception should be taken to it because it is in consonance with the judgment. It is quite in keeping with the verdict of the Commission itself. Even the Commission itself has come to that conclusion because the part of Mr. Patel is undoubtedly greater, the part of Mr. Kamat is undoubtedly greater, the part of Mr. Vaidyanathan is undoubtedly greater. That means the part of Mr. Krishnamachari is the smallest. I therefore don't think that any exception can be taken. I, therefore, say that it was unfortunate and it was not necessary for Mr. Krishnamachari to have put in all controversial matter because, to assess his responsibility it was not necessary at all. The Commission itself has taken that view,—and I agree that the Commission was generally fair—and the Commission has confined itself only to the evidence and the findings are quite proper. I personally cannot take any objection to them.

[Shri B. M. Gupte.]

And what has the Commission found? It has found that constitutional responsibility is there. I am personally of the opinion that whenever anything goes wrong in the Ministry or Department, the Minister must take the responsibility and offer his resignation. I have no doubt about that. Therefore, in any event, Mr. Krishnamachari would have been required to tender his resignation. Therefore there is no question of constitutional responsibility but even the factual responsibility is slender as found by the Commission. The Commission has simply said that he gave only general assent. Not only that. The very man who is interested in shifting the burden and who has attempted to shift the burden—Mr. Patel—he himself says that the Minister gave only general assent. Beyond that nobody goes and what that general assent amounts to? That does not extend to those aspects of the transaction which are found objectionable by the Commission. Shri Krishnamachari had nothing to do with prices. Shri Krishnamachari had nothing to do as to whether the Investment Committee was consulted or not or whether the rules regarding modified section 27A was complied with or not. His attitude is perfectly correct. On the first occasion, when the subject was opened to him, what did he say? He simply said that Mr. Patel might take up the question with the Corporation. Here he is respecting the autonomy of the Corporation. What else could be said? He simply said, "All right, take it to the Corporation. Let it judge". On the second occasion, when he was told casually—and he has correctly used the word casually—in between two important meetings, he simply said, 'All right, no objection if the Corporation is prepared to take it'. Because it was in consonance with his declared policy that the Corporation may buy blue chips, he had nothing to object, but at the same time he uttered a word of caution. It is stressed that he knew Mundhra very

well. Yes, it is true what was relevant in the circumstances, he did say. He did utter a word of caution 'Take care' about the spurious scrips. What more could he do? I don't see at all.

There is some confusion about it. Many are laying stress upon what the Attorney General has said. I am glad that the Commission has not based its judgment on that. We are not concerned with what is argued by the Counsel but with what is held by the Commission. As far as the Commission is concerned, there is nothing which Mr. Krishnamachari ought to feel that he cannot take with self-respect or any thing like that. So there is no question about it. I personally feel that this matter has arisen because Mr. Krishnamachari trusted his Secretary very much. One has to do it, especially a man who is harassed with many big economic problems of the country. One has to choose his Secretary and then trust him. But sometimes a Secretary goes wrong. I have nothing more to say against Mr. Patel but there were many examples quoted in the other House by Mr. Feroze Gandhi which showed in what way Mr. Patel functioned with the Minister. But even in the Commission's Report, there is a significant illustration of this. It is very significant and I wish Mr. Chagla had taken note of it.

The Commission says that it is not right to think that Mr. Patel would do anything without the consent of the Minister. But there is one example. On the 9th September a letter from the Reserve Bank officer—Mr. Raman—comes to the Minister's notice. In it it is said that there is gossip going on, and that there should be an inquiry into the concerns connected with Mundhra in which the Corporation had invested. The Minister writes on it that it "does not make good reading. Can we do anything about it?" What can we do? That is what he asks. And what does Mr. Patel do? He sends immediately an order to Mr. Kamat, the Chairman of



the Corporation asking him to purchase Jessop and Richardson shares. Now, imagine the circumstances. Take into consideration the circumstances. On the 4th September there was a question here in Parliament. The question had been asked by Dr. Ram Subhag Singh. And even Mr. Kamat's letter of 16th July showed that there were some objections, some gossips and it had become a matter of controversy—this investment of the Corporation in the Mundhra shares. By 4th September it was clear that the matter had spread much and had even come up to Parliament. At that time, Mr. Patel, without referring back the question of policy passed the order. Of course, Justice Chagla has said that Mr. Patel has done it with the best of motives, because he wanted to increase the holdings of the Corporation in those concerns—Jessops and Richardson. Therefore he ordered the purchase. But where was the reason for haste? He could have written back to the Minister, "It is no use asking for an inquiry. Let us ask for an administrator". In one day he could have got the Minister's consent. Instead he had sent the order and already good money had been thrown after bad and a further 10,000 shares were purchased on the 14th September and on 23rd September even after the matter was agitated in Parliament. I say this is an act which is not warranted by the regular procedure about the relationship of the Minister with the Secretary, because the Minister was available and the Secretary could have got his consent. Still he goes on doing these things. This is one example that we have. It is in evidence and it is a significant illustration showing the trend. Therefore, I say, as far as Mr. Krishnamachari is concerned that is the position.

As to the part of Mr. Patel, I do not wish to say anything more, because the matter is to be investigated. I am glad the Government has brought forward this comprehensive Resolution. There is hardly anything in this Resolution, if we keep aside party

feelings, which can be objected to by the Opposition. All their demands are practically granted. Therefore I am glad that a further inquiry will be held.

There are many issues raised in this inquiry. I do not wish to speak about them, because my time is limited. These matters about the relationship between the Secretary, the Minister and Parliament, or the nature of the control which Government should exercise on corporations, these are all very important matters but it is not possible to touch upon them within the limited time that is at my disposal. I will only say this that I am glad.

[MR. DEPUTY CHAIRMAN in the Chair.]

It was a very terrible ordeal for the Congress Party and I am glad that the Congress Party, has come out in a manner of which it can be proud. We were quite new to this matter and many allegations were made. But the Opposition cannot forget that it were the Congress Members, as the Home Minister pointed out, who started this inquiry first. They raised this point by interpellations and asked for an inquiry to be started and put all the evidence before the Commission. It is the Congress Government which has brought forward this Resolution, though it meant the parting with one of the most trusted, one of the ablest of our Ministers. There were party discussions. Though people here may not know of those discussions, they must have got a general idea from the newspapers, as to how much self-criticism was indulged in in the party meetings. Therefore, I say that the Congress Party can be well proud of what has been done in this matter. I am glad it has been done. The other day while speaking on the anti-corruption Bill, Mr. Bhupesh Gupta asked the Congress to set an example. I say the Congress Party has set the example of which it can be proud. I do not claim that this is the monopoly of the Congress Party. We are all interested in the purity of adminis-

[Shri B. M. Gupte.]

tration. I make this request to hon. Members of the Opposition. Let us fight for our respective policies for which we stand. But let us unite together in a co-operative endeavour to maintain the highest traditions of public conduct and public administration. I hope that co-operation will be forthcoming.

Sir, I have done.

SHRI RAJENDRA PRATAP SINHA: Mr. Deputy Chairman, in the short span of life of this sovereign body, there have been many epoch-making events, but the majesty of Parliament was never more asserted than it is today. Let the wide world know how healthy is our democracy and that the people of India, that public opinion has the dominant voice in the governance of this country.

Sir, mention has been made about the ex-Finance Minister and of the good job he did. I am aware, Sir, that this country is passing through a very critical economic stage and although many a time I crossed swords with him, we in the Opposition lent support to his taxation measures about which reference was made here—the Wealth Tax, the Expenditure Tax and all that—support which even many of his own party Members were not willing to extend so unequivocally. But in spite of that, when the former Finance Minister has fumbled and faltered, it is our duty to point it out not only to this House but to the public at large also.

Sir, I am glad the ex-Finance Minister has quitted office and he has bowed down to public opinion. But it would have been in the fitness of things if he had quitted office long ago, when the Commission of Inquiry was appointed. I know my esteemed friend the Leader of this House is an able parliamentarian and today it has fallen to his lot to rescue the Congress from the morass into which it has fallen. Sir, public opinion has been

exercised by the Report of the Chagla Commission and therefore the hon. the Home Minister had to remind us that it was a Congress Member who started the ball rolling for this probe.

Everybody is aware of that, 3 P.M. Sir. The public is also aware of that fact, that in spite of the fact that there has been so much of talk in the Congress Party about the public funds, nearly one and a quarter crores of rupees of public money has flown down the gutters and that this has happened in spite of the knowledge, in spite of all the information that the different Ministries of the Government of India possessed and in spite of the personal knowledge about the affairs of Mundhra that the Finance Minister had. Sir, only the other day, in the other House, Mr. Feroze Gandhi, again a member of the Congress Party, rendered signal service to the cause of democracy by laying on the Table a note from the Finance Minister addressed to the Principal Finance Secretary near about the 15th of April, 1957. I am mentioning the date because it is relevant. At that time the Mundhra transactions were being finalised. What does this reveal? It merely reveals that the Finance Minister knew, was in full know of the fact, that the affairs of the Corporation were being managed by most incompetent people and that they were in the hands of people who ought not to be there at all. Sir, the Finance Minister wrote this note not after a cursory glance but after a proper investigation and after proper inspection of the offices of the Corporation. He wrote:

“I find from the record which Mr. Kamat showed me about my direction to Rajagopalan more than two days ago that Mr. Rajagopalan had taken no action. I will consider it to be a grave dereliction of duty. I am not sure whether in the circumstances Rajagopalan is suitable to continue as the Managing Director of the Corporation. On all counts, Vaidyanathan is useless.”

Then he speaks about the Zonal Offices which he says are badly organised. About Vaidyanathan, he continues:

"He was never very good at the best of times and I suppose he is actually senile. Vohra, the Executive Director whom I dealt with in your presence is perhaps a typical example of the efficiency in the Corporation. Mr. B. K. Shah told me that Vohra was no good in the New India Organisation. He said that he was glad to get rid of him".

Sir, in spite of the fact that the Finance Minister wrote about these top officers of the L.I.C., these people continue there and the Principal Finance Secretary merely passes a remark on this note, "File" and no action was taken. Again, Sir, on the 9th September, the Finance Minister writes:

"I had indicated that I did not want that any extension should be given to Mr. Vaidyanathan and I also mentioned Mr. Vohra's services as Director should be terminated. I now understand Vaidyanathan has been given an extension for one year. I would like an explanation to be called from the L.I.C. as to how the extension has been given in spite of my specific instructions to the contrary".

Sir, this is how the affairs of the Corporation were being managed in spite of the Congress watch dogs on the Opposite. Sir, the Corporation was in a state of terrific confusion; not only the Corporation, Sir, but I would say that the Finance Ministry itself was in a state of terrific confusion. Sir, what I understand of constitutional responsibility is this. Either the Minister must get his policies implemented by the subordinates or he must quit. I had the impression that Mr. Krishnamachari was a strong member of the Cabinet. How is it then that instructions in

regard to the affairs of the Corporation were flouted by his subordinates in the manner in which they have done as has been brought to our notice? Sir, this is a very very important matter. Was this matter reported to the Cabinet, that his subordinates are not obeying his orders or implementing the decisions that he has been taking? Sir, is this way the public corporations in this country are going to be managed? What has the Chagla Commission to say about it? They say:

"...sub-section (2) of section 43 cast a duty upon the Central Government, as soon as may be after the commencement of the Act, to make section 27A applicable to the Corporation subject to such conditions and modifications as may be specified; but that section has not yet been made applicable. I may also point out that no rules have been framed by Government as contemplated by section 6(2)(b) and in respect of which express power has been conferred under section 48(2)(g) which provides for rules to be made with regard to the manner in which and the conditions subject to which investments may be made by the Corporation".

Sir, it is this Parliament which votes moneys for the establishment and running of these Corporations and we are entitled to know if the sovereign laws made by this Parliament are being flouted like that, as has been done in the case of the L.I.C. If that is the case, how can we repose confidence in the present executive? The public is entitled to know. Sir. Laws are passed by this Parliament and the Government is expected to see that the laws are respected and implemented by all concerned, including the public servants. This is what we find. The Corporation has been in existence for a number of years now but, in spite of the specific provisions, no rules have been framed so far as to how its money is to be invested either by the Executive

[Shri Rajendra Pratap Sinha.]

Committee or the Investment Committee. On the top of that, Sir, what happens is that the Principal Finance Secretary, as it is alleged by him before the Commission and accepted by the Commission, with the general approval of the Finance Minister directs, in spite of section 21, the Corporation to invest money in a particular concern. Sir, I have no time to quote copiously to you but you will find that when this Life Insurance Corporation Bill was before the anvil of the Parliament, it was stated, as has been stated several times after that, that the funds of the Corporation will be used not for purposes of helping any particular individual or any other but for purposes of safeguarding the interests and getting dividends to the policyholders. Of course, Government is entitled to give directions under section 21 and that too in writing in the public interest, but was it serving the public interest to invest money in the Mundhra concerns? Cock and bull stories were framed and put across the Commission that this was being done to remove the drag on the Calcutta Exchange. That has not been believed by the Commission. How is it that under the very nose of the Government such things happen and, as hon. Members have pointed out and as the Commission have pointed out, all these things were in the know of the Finance Minister?

Sir, issues have been raised as to what relationship subsists between the corporations and the Parliament. We vote the money and therefore we are entitled to have supervision over them. I do not plead that we should go and interfere in the day to day administration of the Corporation; far from it. That I don't plead, but my amendment is this, that we must have a Standing Committee of the Houses to supervise the functioning of these corporations. Why? Because we find that even the specific sections of the law are not being implemented while running these corporations.

Why should Government feel shy of that, a Standing Parliamentary Committee, I cannot understand. It will supervise whether these corporations are being managed according to the law made by this sovereign body or not. They will only see whether the general policies of administration framed by the Corporations are in public interest or not, and whether they are being implemented or not. That is why my suggestion, Sir, in my amendment is that we must have a Parliamentary Committee to supervise such public corporations.

Now, Sir, I would like here to point out that questions have been raised to confuse the point at issue; the question of the private sector and the public sector has been brought in. Here I am one with the Home Minister that this inquiry has nothing to do with the public policies adopted by this House, and that the public sector must be encouraged; it must grow, and nothing has been said by the Commission that deflects us from that policy. Sir, there may be shortcomings; and there may be defects in the management of the public sector. But it is our duty to see that those shortcomings are removed, not that the public sector itself is removed. Sir, I also grant that so long as we allow the private sector to function we must give them that much assistance that is necessary for them to function effectively and to play their role in the wider framework of our Plan. I grant that. Such issues are not to be raised, are irrelevant to the present inquiry. Both the sectors have their own place and we have got to give due encouragement and due consideration for both these sectors. Here I am one with the Home Minister.

Sir, I would like the Government to consider very seriously the question of revising the L.I.C. Act itself very drastically. I would like the Government to examine whether such a monolithic institution is a suitable institution or whether we should split this Corporation into more than

one, two or three corporations. Sir, the lessons of this Inquiry should not be lost. We know that the Corporation has to deal with Rs. 10 lakhs per day for purposes of investment. A small committee of three or four people do with it. I am not very categorical, but an examination of this type is absolutely essential, whether it will not involve less risks if we have more than one committee, where more men will be there and each committee deals with smaller sums of money.

Then the other point I would like to urge is this, that, if we have small committees they will be in a better position to supervise the large number of concerns in which the Corporation makes its investments. I am told there are a 1000 or 1500 companies in which the Corporation has made investments.

(Time bell rings.)

I will just finish, Sir. Now if we have these small committees and the number of concerns that is allotted to each committee is also small, then these committees can look after them better.

Lastly, Sir, I would like to emphasise that the policy-holders must be associated with the affairs of the Corporation. The policy-holders through elections must find their way on the Investment Committee and the Executive Committee as well. They must have a say, the policyholders. It is the policyholders' money and they must see how their money is being invested by the Corporation. That is my submission, Sir, and the Government may consider the appointment of a committee to look into these suggestions, as to what lessons we have learnt out of this inquiry and what steps should be taken. If necessary, amendments may be brought to the L.I.C. Act itself so that these defects and these lacunae don't creep in again and we may not have such things to happen again.

Thank you, Sir.

SHRI B. SHIVA RAO (Mysore): Mr. Deputy Chairman, I shall try to be as brief as possible bearing in mind the time limit that you have imposed.

There is really not much to say in this debate because all the important points that have emerged out of the Report of the Chagla Commission and its sequel have already been dealt with by previous speakers. In a general way, Sir, I think this debate has served to bring out the strength as well as the weakness of our parliamentary system, as it is functioning at the present moment. Our strength lies first of all in the fact that Government agreed, after that debate in December, 1957 to appoint a Commission and in the excellent choice of the Judge who presided over that Commission and then in the approach of both Justice Chagla and the Attorney-General, a man who is honoured anywhere he goes, as I know for myself, having had the privilege to work with him in the United Nations more than two or three times, and finally, Sir, I think our strength lies in the fact that the Government has accepted all the operative parts of the Chagla Report. We have had to pay a very heavy price for this Inquiry, probably a price which we did not expect we would have to pay when the Commission was appointed.

Our first casualty was the able Finance Minister, who had to leave the Government on the eve of the presentation of the Budget, and our next casualty, which I think is equally grievous, is that we shall lose the services of the Principal Finance Secretary, a man of great ability, who has played a distinguished part in the service of the country since independence, and even before, and who in his capacity as Principal Finance Secretary did his job of co-ordinating the various activities of that Ministry extremely well. And, Sir, may I remind the House, especially when so much has been said against Mr. Patel and the other officials who are involved in this unfortunate affair, may I

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remind the House that even in the recent negotiations that Mr. Krishnamachari conducted both in the United States and in Germany to secure foreign aid, the part played by Mr. Patel behind the scenes was not an insignificant one. It would be worthwhile to inquire who wrote all those admirable speeches which Mr. Krishnamachari delivered before an appreciative audience in Washington and in New York, which had so great an effect as to change the attitude of the American people and of the Government towards us. I mention this because, in this debate and elsewhere too, we have been so ready to condemn what we consider to be the failures and the weaknesses of our officials but we are so unwilling to recognise and to give credit where good work has been done.

Sir, the last speaker quoted from a document which was placed before the Lok Sabha in the course of the debate yesterday. It was a top-secret letter written by Mr. Krishnamachari as Finance Minister, I think in April 1957, to Mr. Patel, who was then his Principal Finance Secretary and also the Chairman of the Life Insurance Corporation. In that letter the Finance Minister had asked Mr. Patel to terminate immediately the services of three officials of the Life Insurance Corporation, two of whom were Directors of the Corporation. Mr. Krishnamachari asked his Finance Secretary to discuss the matter with him and it was alleged in the Lok Sabha yesterday that Mr. Patel merely filed the letter. Sir, that is **not fair** to the Principal Finance Secretary because he is not here to defend himself. It would be worth while to inquire when the proceedings are taken whether Mr. Patel did not go to the Finance Minister in accordance with the request contained in that letter and discuss this very proposal which the Minister had made. Did he or did he not ask his Minister how he was to terminate the services of two of the Directors when they had contracts? Mr. Vaidya-

nathan had a year's contract from September 1956 to September 1957 and Mr. Vohra had a two-year contract which expires in September of this year. Sir, in these days, as you know, it is not easy to get rid of even a chaprassi or a petty clerk. How then was Mr. Patel, as Chairman of the Corporation, to terminate the contracts of two of the Directors and it was for Mr. Krishnamachari to explain on what grounds the termination was to be ordered by the Chairman of the Corporation. Incidentally, I think this action shows the hallow nature of the autonomy of that Corporation. It was also said yesterday that Mr. Krishnamachari wrote a second letter in September to Mr. Patel renewing the request that the services of Mr. Vaidyanathan and Mr. Vohra be terminated, but at that time Mr. Patel was no longer the Chairman of the Corporation and he could do nothing more than pass on the letter to Mr. Kamat, his successor.

That brings me really to the main point I want to make in the course of this debate. We have inherited since independence a number of wholesome conventions from British constitutional practice. To one of them Dr. Kunzru referred in some detail this morning and it is that a resigning Minister has a right to make a statement in Parliament stating the reasons for his resignation. The exercise of this right also gives the Prime Minister an opportunity to make a counter-statement if he considers it necessary to do so. But Sir, in British constitutional practice it is also well recognised that a resigning Minister never throws his responsibility on his officials. There are many authorities on this subject, who have discussed the relations between the Ministers and the Civil Servants. Dr. Kunzru quoted one—Mr. Herbert Morrison—there are others, including Lord Attlee, a former Prime Minister of Britain. That is the British practice. It is somewhat different in the United States because there in America civil servants can be and are often criticised in the Congress. But

civil servants in that position have the right to appear before a Committee of the Congress and make their defence. We seem to have borrowed the British practice to the extent that a Minister can make a statement about his resignation in Parliament but excluding the vital condition that he should not use that right in criticising his own officers and throwing the responsibility entirely on them. And we have also borrowed the American practice of permitting such criticisms of officers but without giving them the right that they have in America of making a statement in self-defence. It seems to me that at the present moment our civil servants have the worst of both the worlds. A friend of mine, a non-Indian, who called on me a few days ago said to me with reference to this episode, "What sort of a democracy are you building up in this country? You attack your civil servants in Parliament but you don't give them a forum, in which they can defend themselves." I attach very great importance to this matter, Mr. Deputy Chairman, because I have many friends among civil servants at all levels. If we do not protect our civil servants as they deserve to be protected, we shall see a rapid decline in the standards of efficiency. We will not attract the best talent in our administrative services. Our civil servants will always work with their eye on the principle of safety first, regardless of the fact that that will result in slowing down the tempo of administration. They will hesitate to take any initiative in any matter, major or minor, without written orders from the Ministers and in course of time we shall have a secretariat consisting of second-rate yes-men. That, Sir, will be a disaster for the future progress of the country.

Now, Mr. Deputy Chairman, I want to pass on to another matter which seems to come up as a result of this episode. Mr. Krishnamachari pleaded that he could not possibly look into every one of the hundred or

more files that passed through his hands at the time when he was a Minister. He may be right in making that point but at the same time I would like to point out that the Finance Ministry, when he was in charge, was without the assistance of two Ministers of State who were of help in carrying on the administration of the Ministry during the time of his predecessor. Mr. Krishnamachari had only one Deputy Minister to help him. Undoubtedly though an able person with knowledge of the problems with which he has to deal, a Minister with a single Deputy Minister cannot possibly attend to all the numerous duties of a Finance Minister especially with the problems of the second Five Year Plan claiming most of their attention. I mention this point so that when the Prime Minister looks round for a successor to Mr. Krishnamachari this aspect may be borne in mind. Even with adequate ministerial and secretarial help no Minister can deal with questions relating to the day to day administration of statutory and autonomous corporations. Their number is increasing in this country and here again, Mr. Deputy Chairman, I would suggest that we must study and if possible follow the British practice and conventions. In the House of Commons no questions on the day to day administration of autonomous corporations are admissible. This autonomy in Britain is a real thing. Both the Government and Parliament respect in practice their autonomous nature. They exercise only a general supervision over their working and interest themselves only in matters of policy. How, it may be asked, is this power of general supervision to be exercised. They have in the last two or three years set up a Committee in the House of Commons known as the Standing Select Committee of Parliament analogous to the Public Accounts Committee and the Estimates Committee and equal to them in status and in powers. This Standing Committee scrutinises the annual reports and the audited accounts of all the autonomous corporations, gas, electri-

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city, power, steel etc. That is the exclusive concern of this Select Committee and then this Committee submits a report on the working of these corporations to Parliament with its own comments and criticisms, if any. And it is on the basis of the Committee's report or reports that questions can be asked or debates raised on this floor of the House of Commons. That I think, is the only fair and practical arrangement that we can devise in the conditions we are establishing today. It ensures to autonomous corporations the autonomy to which they are entitled; and it retains in the hands of the Government and Parliament the right to intervene in regard to policies and general working. If we can progress in both these directions, that is, if we can establish a firm convention that Government will protect civil servants from all attacks of a personal nature on the floor of parliament and secondly if we can ensure the autonomy of our statutory corporations in their normal working—looking to the Government and Parliament only for general directives on matters of policy—then, I think, we should have profited by this inquiry and the findings of the Commission.

MR. DEPUTY CHAIRMAN: Prime Minister.

THE PRIME MINISTER (SHRI JAWAHARLAL NEHRU): Mr. Deputy Chairman, I venture to intervene because my hon. friend, Dr. Kunzru, has been pleased to refer to what I have said or written on another occasion and to express his disapproval of it. It is always an unhappiness for me that Dr. Kunzru should disapprove of me or anything that I do or that any other Member of this House should feel that way. But I confess that searching my mind and heart I do not think I have done anything that I myself think is worthy of Dr. Kunzru's disapproval. But I shall deal with the various matters he said, among them apparently he disapprov-

ed of the fact that an Indian Air Force plane was provided to Mr. T. T. Krishnamachari to go to Madras. I suppose that is a test of the standard we apply in these matters. I think it was not only right, but more than right for me to do so, and it amazes me that any person should be so little-minded as to object to our providing an Indian Air Force plane to a retiring Minister to go back to his home. If that is his approach to this question, I am not surprised that he has gone wrong all over the place. He starts from a prejudice. He starts with little-mindedness; he starts with a narrow outlook; he starts with a bias. Well, if you start with that how can you consider anything objectively? Now, let us consider what particular objection he takes. I presume that he has read the report of some of the speeches delivered in the other House a little while ago, yesterday and the day before. I venture to deal with this particular matter about my having said something in my letter to Mr. T. T. Krishnamachari on his resignation. I dealt with it there pretty fully and Dr. Kunzru is a conscientious and careful reader of all these reports. I thought he must have read it. If, therefore, I have to repeat some of the things that I said there, I seek your forgiveness, but I have to, because in spite of having presumably read that, he repeats arguments which had been, I thought, met there rather adequately. When I said—as I did say in that letter—that the presentation of the case has been rather one-sided—and which I think is a perfectly true statement and I repeat it here now—it had nothing to do with the Judge. It had nothing even to do with the Attorney-General. I explained quite clearly that the way, the method, in which all these inquiries are held is not a very happy one and I did not even discuss this case. I quoted at some length from the criticism of an inquiry in England. It has nothing to do with personalities or judges. There also an eminent judge tried it. And it was pointed out, and there was



considerable argument there, in well-known newspapers like the 'London Times' and elsewhere, as to whether this procedure is a satisfactory procedure or not. In fact, I quoted at some length from the 'London Times'. It had nothing to do with this particular case, as to how, somehow inevitably only a one-sided presentation can take place—these are the words, I think, of the 'London Times' in such cases, and I had this 'London Times' article and other matters in my mind. So, the fault, as I said in the other House, was, if anybody's at all, this Government's for having not thought out these matters, the procedure, for instance, the normal practice which has developed in England. A great deal of reference has been made to what is the British practice and my friend, Mr. Shiva Rao, thinks that nothing in the world can be better than what is done in England. I do not wholly hold with him, although broadly we follow the practice there. But I did not know frankly. If I had known that, we probably would have followed it, which is to have a preliminary investigation to help the Judge, to help the Attorney-General, to help anybody who goes there. And now the Treasury Solicitor is put in charge of an inquiry. He is helped by the head of the police. They collect facts; they get evidence, etc. and then they present all these to the Attorney-General who places it before the Inquiry Commission. Now, it was these matters that I referred to. In this matter,—this type of inquiry, this method of inquiry is not the happiest way of doing it. I confess it was our fault, the Government's fault for having not made it easier for the inquiring Judge by a preliminary investigation. I used a word there, which was not a very happy word. But I was frank enough to say so that we did not want to delay this inquiry at all, because we did not wish to feel—as some people apparently felt—that Government was trying to avoid the inquiry or to delay. In fact, I got questions in the other House: "Is Government or is some member of

Government trying to delay this?" There was that feeling and we felt that we should do it. And I did not have all this in mind. Otherwise, it would have been far more helpful to the eminent Judge, to have this material after an investigation. Then, of course, the Judge would have dealt with it as he did and the Attorney-General would have dealt with it also as he thought right and proper. My point is that what I wrote to Mr. T. T. Krishnamachari in that letter had nothing to do with the ability of the Judge or the Attorney-General. We have said a great deal about the ability of the Judge and the way he conducted this matter—this rather, as my colleague has said, an unpleasant task—with speed and ability and efficiency. But these questions raise all kinds of side issues. It is not such a simple thing. All kinds of Governmental policies come in.

SHRI H. D. RAJAH: May I know from the hon. Prime Minister what would have prevented them from making this inquiry many-sided?

SHRI JAWAHARLAL NEHRU: Prevented whom?

MR. DEPUTY CHAIRMAN: What would have prevented the Government from making this inquiry many-sided?

SHRI GOVIND BALLABH PANT: That is what he has explained.

SHRI JAWAHARLAL NEHRU: That is what I was venturing to say—our ignorance of the subject. I am saying that we were in a hurry to have it and we really did not think out all the various aspects of it, which now we learn by experience. It is not so easy even if we had sat down. I do not know if these aspects at all would have been before us. But it is subsequent to this that we have naturally studied the cases in England where conditions are relatively similar and

[Shri Jawaharlal Nehru.]

found that the same difficulties that we have experienced here now were experienced by them and they are considering what to do in future about these inquiries. Even so, as I said, their practice is to have a preliminary investigation and then go on to the inquiry which I think is better naturally because one knows—just like in any ordinary case,—if you suddenly put it before a Judge without any inquiry, it is not fair to the Judge. That was the whole object of my saying that. There is no question of challenging anything.

Apart from that there is another aspect. A great deal is said about what I have said, my not accepting or my rejecting some finding of the Chairman of the Commission. I do not know which finding it refers to. Speaking from memory the main thing that the learned Chairman of the Commission says is in regard to the evidence given by Mr. Krishnamachari, by Mr. Patel and Mr. Bhattacharyya, about a certain incident which happened when there was a little talk. Now I have avoided in the other House going into evidence and all that. It is a very difficult matter. There is a pile of evidence. We cannot easily consider all that. I do not propose to go into that. As Dr. Kunzru has referred to that, I shall briefly say my own understanding of that. First of all a meeting takes place—not a fixed meeting—after a three-hour meeting of a certain committee which has nothing to do with this. People get up for lunch and as they are going for lunch a brief two minutes conversation takes place of people who are either standing or moving towards lunch. This takes place eight months ago. Now, to be asked to repeat your casual conversation eight months ago, only the gods can speak the precise words, not human beings like myself or people like myself, and then to say that a person must be accurate about it. I mentioned in the other House, I shall mention it here, in the course of this inquiry suddenly I read in the

newspapers my name appearing, that I have made a note in a file about Mundhra. I was astonished because I had no recollection of it at all. I sent for the file. There was a note by me.

SHRI BHUPESH GUPTA: Any way it was a good note.

SHRI JAWAHARLAL NEHRU: It is very kind of him to say so. I do not know whether he knows much about it. He is perfectly entitled to express his opinion whether he knows anything about it or not. I am telling you this. Here was a file put up before me. It was not an important file, it had nothing to do with this affair of course, something else. Quite casually Mr. Mundhra's name came in it, and I said in that file that this gentleman about whom I have heard vaguely—I have never seen him—this gentleman is not a person of high reputation, something like that I said, about a six line note. My point is that I wrote that and completely forgot it. If I were asked to give evidence on it, if I were asked about it, "Have you written a note", probably I would say "No" because I have completely forgotten it. It was not important enough to hold on to my mind and remember it. But when I saw it was in my handwriting, I remembered it. You must look at these contexts. We here are examining with a microscope and a magnifying glass what the people have said in their evidence. We are considering everything important. But we forget that when those events happened they may not have been considered so important and people read them casually and did not attach much importance to them.

SHRI H. N. KUNZRU: All these events were about six or seven months old when you appointed the Commission. Why did you not appoint the Commission then?

SHRI JAWAHARLAL NEHRU: My hon. friend, I am afraid, is not quite on the right lines. We appointed the Commission because it came to our

knowledge that something had gone wrong. Therefore, we appointed the Commission to inquire into it. It was appointed because certain facts came to light, which facts made us feel that wrong things have been done which needed inquiry. That is why we have appointed the Commission. You ask why not appoint it before. If we had known before, we would have appointed it and taken other steps. For my part I did not know anything about the deal till this matter was brought up in the Lok Sabha. What I venture to submit is this that so far as all these facts are concerned, individuals apart, here was a deal which struck us when we heard about it before the Inquiry Commission as a questionable deal, it should be inquired into. We did not know much about it. We appointed the Commission, evidence has been given, the Commission has come to finding, and we have no doubt, we entirely agree with the finding of the Commission in regard to this deal. It is wrong, it is full of impropriety, all that. That is what is said, I believe, in the Resolution put forward by my colleague the Home Minister. So one can say much about it, one need not argue it. That is the basic thing.

The second point is about responsibility, etc. Important. And the third point was certain principles that the Chairman of the Commission has laid down. Now the first and the basic fact with which I believe about 80 per cent. of the findings or the decisions of Mr. Chagla are concerned,—they are basic and narrative of what happened—and the decision of this thing was an act of great impropriety, etc. etc., which is accepted. Then the question arises about responsibility. Obviously the responsibility—I am talking about him not myself—is of those who did it. I need not say who actually did it. If I may give an instance, the officials of the Life Insurance Corporation. In what measure, I do not know, I am not a judge, because however much I may feel that way, I would rather not judge till I have given an opportunity

for a person to explain it or defend the action that he took, and that is why without ourselves asking this hon. House to judge we say that inquiries should be made in regard to those officials who are concerned. They may be completely and absolutely innocent, some may not be, some may be mistaken, whatever it may be. I may add that reading through the whole of Mr. Chagla's Report you may get an impression, and you must get an impression that all is not well obviously, but Mr. Chagla, like the eminent Judge he is, has not attacked the persons' *bona fides*, has not definitely said anywhere "this is *mala fide*". He has said this is strange, this is odd, all kinds of questions arise, which do arise. He has not said definitely, there is no finding to that effect, naturally there could be none.

SHRI H. D. RAJAH: He himself says that full facts are not placed before him, his inquiry is restricted, the framers have restricted the inquiry. That is the main point. Therefore he says he cannot put *mala fide* intention on anybody.

SHRI JAWAHARLAL NEHRU: If Mr. Rajah heard me, I have started by saying this, and in the nature of things it was difficult for a hurried inquiry like this without preliminary investigation and finding out. So far as we were concerned, the Government, I confess it that it was not right for us but we kept absolutely aloof from this inquiry in every way. We appointed no counsel, we had nobody, we prepared no brief, we simply left it in the hands of the Chairman of the Commission to function as he chose.

SHRI BHUPESH GUPTA: But you sent the Attorney-General there.

SHRI JAWAHARLAL NEHRU: Quite so. Mr. Justice Chagla mentioned to Mr. Krishnamachari—remember, it was Mr. Krishnamachari who appointed Mr. Justice Chagla as the Commission—I think Mr. Chagla said that he would like the assistance of the Attorney-General. Mr. Krishna-

[Shri Jawaharlal Nehru,] machari said, "gladly you can have him". I do not think that any member of Government, either Mr Krishnamachari or the Home Minister or any one else or me, ever after that discussed the matter with the Attorney-General because we have never thought that we were concerned in this way. Why should we interfere? We are not parties to it, the Attorney-General would help,—that was our approach, whether it was right or wrong. It is a fact, I agree with Mr. Rajah—I agree very much so as Mr. Justice Chagla is saying—that one feels in this that all the facts have not come out. All the facts cannot come out either because those who know do not say so or those who know are not produced. There are only two ways. Then, again, there was this difficulty that because there was lack of that preliminary investigation, some facts which witnesses might very well have been prepared to say, if asked, they could not say because it is all a case of question and answer. That is the difficulty. It is not as if a witness is asked, "Will you please give us the whole of this story?"

SHRI BHUPESII GUPTA: A witness is asked to say what he wants to say and then questions are asked.

SHRI JAWAHARLAL NEHRU: No, Sir. That was not like that. But so far as the whole transaction is concerned, we have accepted Mr. Justice Chagla's findings fully, and we propose to proceed on that basis. So far as the others are concerned, officials etc., all we can say is that in the normal way, of course, we shall have inquiries and investigations made. We will take such steps as are laid down by rules and regulations and statutes.

Now, it is thought that we have been treading rather gently, rather softly, where Shri T. T. Krishnamachari is concerned. Exactly what is the charge against Shri T. T. Krishnamachari? The question is about basic responsibility. Now, responsibility

can be constructive, or factual that he knew all that was happening—two kinds of responsibility. Thirdly, of course, comes the question of the *bona fides* of the Ministers or officials. Now, there is no reference anywhere of *bona fides* or motives being attacked, so that the question resolves itself into one of factual responsibility, because constructive responsibility is there—there is no doubt about it and in fact that is why he has resigned and gone. Factual responsibility. Let us examine that on the basis of what Mr. Justice Chagla has said. Mr. Justice Chagla has examined three witnesses, the evidence of the three witnesses to whom I referred just now. He says that Mr. Krishnamachari's evidence in regard to that particular matter is negative, that of Mr. Bhattacharyya slightly positive and Mr. Patel's as positive also. Therefore he thinks that positive evidence should have greater weight. That is the whole pith and substance of that so-called difference of opinion.

In regard to the matter as to whether Mr. Krishnamachari gave his general approval to this transaction or not, there is a good deal of discussion as to whether he failed to object or whether he gave his general approval. These are fine distinctions. I might be asked as to what I said some six months ago in oral conversation, whether I gave my general approval or not. It is impossible for me to say; nobody can say, unless one is precise. But let us take it that he gave his general approval. It may have been presumed. Whether he gave it constructively or not does not matter. But to what did he give his approval? To a transaction being carried out, i.e., the purchase of some shares in regard to some set of companies which were under the control of Mundhra. Now, it is admitted that the actual companies mentioned were not all the companies which came into the picture afterwards. It is admitted that there was no talk of the price of the shares which is a vital matter, and it is admitted—whatever actual words. Mr. Krishnamachari used—that he

said, 'Be careful. Let the L.I.C. go through it' so that . . .

SHRI H. D. RAJAH: If he had known about the whole thing, why should the Finance Minister say 'Be careful'? What is the significance of that?

SHRI BHUPESH GUPTA: If you had known what Mr. Krishnamachari had known, would you have allowed it?

SHRI JAWAHARLAL NEHRU: I am really sorry that the obvious is not obvious to the hon. Member, because it is a well-known fact that everybody knew that Mundhra was not a safe person to deal with.

SHRI H. D. RAJAH: That is true.

SHRI JAWAHARLAL NEHRU: It is not a matter for laughter. It is a point to be understood. The hon. Member would kindly understand it because, the whole basis of this is that in spite of that knowledge, the matter was proceeded with. In another context, the Governor of the Reserve Bank was brought in. The Governor of the Reserve Bank in letter after letter had written about Mundhra, that he was carrying on dangerous activities, he was a speculator, etc. He was warning and everybody knew about. There is no difference there. But people seemed to think that because it was known that Mundhra was a shady type of person, therefore one should not have bought them. We knew all about him, this knowledge was a common factor, but long before even in April shares were bought from Mundhra, shares of Jessops. The Leader of the Opposition in the Lok Sabha after criticising all this, said that Jessops was a gold mine, that Government should acquire it. Now, observe that, Jessops is a gold mine; i.e. Jessops is a great manufacturing concern in India, one of the most important, one of the most vital, in which any Government is interested, and regardless of the share market speculations, it is a solid thing which you can see. It is producing crores and crores of rupees worth of goods for us. Jessops does not become less

important because Jessops in the meanwhile becomes the property or semi-property of Mundhra. Jessops is Jessops even though shares may be bought this way or that way. There is no justification for this whole act; that is why we condemn it, but that is a different matter. We admit it for a variety of reasons, but the mere fact of buying shares from Mundhra is not wrong at all, provided—I repeat for the hon. Members' benefit—provided that you are not bamboozled in the process.

SHRI BHUPESH GUPTA: The whole point is that the shares were bought to relieve Mundhra of his financial difficulties.

SHRI JAWAHARLAL NEHRU: That may be so or may not be so, I do not know. I am merely saying that the Life Insurance Corporation has to buy shares—perhaps the House knows—to the tune of Rs. 35 to 40 crores; it has to invest that much. Most of this is in Government Paper, Government securities, but Rs. 10 to Rs. 11 crores go into private equity shares. It is a fairly large sum. Lakhs and lakhs of rupees they are investing from day to day. We think it big because this matter has come up, but it is doing it from day to day, and in the course of these one and a half year's transactions there has been, so far as I know, nobody objecting to the Investment Committee doing them. They bought shares from Mundhra in Jessops previously. Even the Investment Committee agreed to it. It is a normal course. The only thing that we need see is that the shares are good and are bought at a proper price.

4 P.M. Now, I put it to hon. Members here that if this very transaction had been carried through and a proper price had been paid for it, not an inflated price, and the shares had been good shares like Jessops, nobody could have raised any objection; Mundhra or no Mundhra, because one would have got something which was money's worth. There is another aspect of it. Apart from getting good shares, we would have got interest in a good concern.

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An argument has arisen as to what was the policy of the Life Insurance Corporation? Was it to buy good shares or was it to influence the stock market or what was it? I cannot precisely say or give a reply to that question but to say that it had no policy is not quite correct because the Investment Committee and the Life Insurance Corporation had passed a Resolution about their policy and they have actually adopted Section 27A of the Insurance Act with some modifications because the whole thing could not be adopted,—they did not apply to them—there were some matters which could not apply to them. They applied to a private concern but not to them—they don't. Please remember that in this present transaction which we had criticised, everything went wrong. That is why we object to it. They did not even follow their own principles. They did not even follow the rules they had laid down; but leave that out. Apart from this, they had been following a certain policy and that may not have been absolutely precise and clear, because that policy laid stress, rightly, on the goodness of the shares. That is, they should be good shares. That is obvious. They should be good shares. The Life Insurance Corporation has no business to buy bad shares. But other questions also arise. When you are investing crores and crores, well, whatever you do, it affects the share market. The Life Insurance Corporation does not go to speculate. It does not sell normally. It only buys. Rarely it may sell. It does not speculate but what it does, affects the share market. When you buy certain shares, their value may go up. Crores and crores worth of shares come in. Therefore the question of policy comes in and the policy cannot be decided by the Investment Committee or any Committee. It has to be decided on the highest level because it affects the economic policy of the Government. It is no good saying, as Mr. Shiva Rao said, about autonomy. A lot has been said about autonomy. A good deal is sense, a good deal is the reverse of sense, that is being said

about it here. Autonomy—of course nobody wants to interfere. May I with your permission, refer to a letter which I wrote both to the Speaker and to the Chairman of this House sometime ago—apart from this inquiry—pointing out certain things. I did not know anything about this inquiry then. It related to questions that are put to us. I said, "Questions are put to us about the day to day working of these State Corporations. It is difficult because, first of all, Government does not wish to interfere in the day-to-day working and to answer them in the Parliament." Of course, question in regard to policy is all right. I actually drew the attention of Mr. Speaker and Mr. Chairman to this fact because I was anxious to preserve the autonomy of these Corporations. But autonomy in day-to-day work is one thing but where it affects . . .

SHRI BHUPESH GUPTA: If we elicit information, how autonomy is affected?

SHRI JAWAHARLAL NEHRU: May I go on, Sir? Therefore it is no good saying that there should be complete autonomy because that has no meaning in the circumstances of the case. It is right to say that there should be no interference by Government—no normal interference except in matters of policy—but in any event, Government has to keep a view, especially on this type of thing, where your whole economy depends upon it. You have to fit it in with your Five Year Plans etc. One thing more that I would like to mention is, this. In the other place, that, in connection with Jessops when Mr. Dange said, "why not nationalise Jessops? It is a gold mine", I said, "Why should I nationalise Jessops or others and pay heavy compensation because that is presumed? Why should we do it? It is a simpler thing for me to acquire a majority holding in it and the Government can control it. It is a much simpler proposition." Now it is said "Oh! this means some kind of back-door method of nationalisation." There is nothing back-door about it. I say

that it was not our deliberate policy to nationalise corporations or companies by this way. I mean, our investments in the L.I.C. were not meant to further this but I say it is worthy of consideration. Why should not we do this where necessity arises? Take the present position in regard to Mundhras and others. Here are these companies—Jessops, Richardson & Cruddas, and B.I.C. I am not going into their present financial position. Part of it has been injured very greatly by Mr. Mundhra's dealings but here are these three companies—the two companies and the third is a huge empire in the U.P., that is, the B.I.C. These are very big concerns, manufacturing concerns, not paper concerns but manufacturing concerns. I think at the present moment they have orders worth Rs. 20 crores from the Government. Rs. 20 crores is a huge thing. We are interested in them. Let us say, if they break down, if they collapse, it affects our plans, it affects, of course, the credit structure of the country and all kinds of things happen which are not desirable, but it affects our Plan. So Government is interested. Government is not merely interested in buying the shares because they are good but Government is interested further to see that by somebody's trickery or speculation, they don't collapse. So all these factors have to be considered which cannot be done by any Investment Committee sitting there. They are not interested in the Five Year Plan, they are not interested in other things. They are only interested, at the most in the safety of the investment. We are interested in the safety also of course, but in addition to that we are interested in other factors so that while I entirely agree about autonomy, one must always remember that in organisations of this kind, they cannot be left to themselves, whoever might run them, whether they are businessmen or officials. So I would like this House to consider this question.

There are all those principles at the end of Mr. Chagla's Report. *Prima facie* one reads them and they appear to be good and many of them are

obviously good, but if you ask me to adopt them in toto, as they are, then I would say that I should like to examine them more fully because I don't want to get caught in some decision which comes in my way or the Government's way or our policy. He says for instance that businessmen of stock-exchange experience should be appointed as Chairmen of these Corporations. Now with all respect to him, because I respect him greatly, that is not a judicial matter for decision by a high judicial authority. Other factors have also to be considered. May be, a businessman with stock exchange experience may be an excellent Chairman but to confine myself to that really is to limit my choice and something that may not lead to happy results. There are some other matters. So we have said that we want to examine carefully what he has said and then lay down principles—not secretly—but when we have gone into it, we would inform this House as well as the other House 'These are the principles'. If the House wants a discussion on them, they can have a discussion and nothing is going to be done but merely to say that we accept those principles may lead us to difficulties. That is meaning no disrespect to Justice Chagla because it is a question of principle. That has nothing to do directly with this affair. Indirectly of course it may arise and we are thankful to him for giving us a lead in the matter. We shall consider it. Thank you.

**SHRI H. N. KUNZRU:** May I put a question to the Prime Minister with regard to the finding of the Commission regarding the responsibility . . .

**MR. DEPUTY CHAIRMAN:** Dr. Kunzru, Shri Gupta wants to ask something.

**SHRI BHUPESH GUPTA:** Sir, my question is, since the Prime Minister has been good enough to speak in this House, whether he and his Government accept the findings of the Chagla Inquiry Commission stated in the Report itself with regard to the part

[Shri Bhupesh Gupta.]  
of the Finance Minister? It is a very straight and simple question and I would like to know at least about that.

MR. DEPUTY CHAIRMAN: He has made it sufficiently clear. Mr. Kunzru.

SHRI H. N. KUNZRU: That has not been made clear.

MR. DEPUTY CHAIRMAN: You wanted to put the same question?

SHRI H. N. KUNZRU: Yes, the same question.

SHRI JAWAHARLAL NEHRU: Sir, may I enquire from Dr. Kunzru what is the finding, according to him? And then I shall give my reply.

SHRI H. N. KUNZRU: On page 20 Mr Justice Chagla says, after referring to the versions of Mr. Patel and the Minister:

"I would prefer to accept the positive evidence of Mr. Patel and Mr. Bhattacharya, 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 at the end of page 20 he says:

"But this was neither a case of day to day administration nor a case of emergency. Government were going out of their way to ask the Corporation to invest a large amount which was done without consulting Investment Committee, and that too for the specific purpose of removing the drag on the Calcutta Stock Exchange created by the Mundhra shares. Why should Mr. Patel act on his own responsibility with regard to so unusual and doubtful a transaction? And if there was some conversation with regard to this transaction, as the Finance Minister admits that there was, why should Mr. Patel have stopped at merely discussing the generalities and not

getting the specific approval of the Minister? As a matter of fact, one of the reasons given by Mr. Patel for the haste with which the transaction was put through was the necessity of availing himself of the presence of the Minister in Bombay."

And throughout this Report, Mr. Justice Chagla has regarded Mr. Patel's statement which was supported by Mr. Bhattacharya as far more probable than that of the Minister. Then again he goes on to say on pages 22 and 23 with regard to other factors. On page 23 . . .

MR. DEPUTY CHAIRMAN: Just read the findings of the Commission.

SHRI H. N. KUNZRU: I am only reading that part.

MR. DEPUTY CHAIRMAN: It is not necessary to read the whole evidence.

SHRI H. N. KUNZRU: I am not reading the whole evidence. Here Mr. Justice Chagla says:

"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 on the 24th June."

And then he goes on to consider the constitutional responsibility on which I need not dilate now.

SHRI BHUPESH GUPTA: I would only like to . . .

MR. DEPUTY CHAIRMAN: No further speech, I am sorry. You have taken one hour.

SHRI BHUPESH GUPTA: But this relates . . .



MR. DEPUTY CHAIRMAN: Order, order.

SHRI BHUPESH GUPTA: It relates to facts.

SHRI JAWAHARLAL NEHRU: Dr. Kunzru, in reading this just said something about specific approval of Mr. Krishnamachari. I should like him to point out where in the whole of the evidence, Mr. Patel or Mr. Bhattacharya had used these words. Mr. Bhattacharyya . . .

SHRI H. N. KUNZRU: But that is not the point, Sir. The Commission had this before it and all the pads and other things and then they came to this conclusion. How do you challenge it?

SHRI BHUPESH GUPTA: Where is it . . .

SHRI JAWAHARLAL NEHRU: Let me give my reply.

MR. DEPUTY CHAIRMAN: Order, order.

SHRI BHUPESH GUPTA: Sir, you seem to be allergic to me.

SHRI JAWAHARLAL NEHRU: This controversy cannot go on in this way. The Commission has recorded no findings. I say the Commission has not. Read the whole Report and on this subject there is no finding. What the Commission has said on this matter is that the evidence leads one to the conclusion that he gave his approval or that he acquiesced. If that goes as the finding, well and good. I dealt with this question—perhaps Dr. Kunzru did not hear me—a little while ago. So far as I am concerned, if you want my view, I say there is no discord between what Mr. Patel said and what Mr. Bhattacharyya said and what Mr. Krishnamachari said. None at all, but slight variations. It is about an event which happened long ago. And the question does not really arise. Unless in some kind of an esoteric way you may consider it, it does not arise, because the

responsibility of Mr. Krishnamachari is admitted by him, by me and by everybody; unless you want to go on, trying to find out and then say, "Oh, we have tripped him, we want to trip him somehow." If that is the approach to this question not the approach to find out broad principles of policy, but just trip somebody, then of course, it is a different matter

SHRI H. N. KUNZRU: Whom are we trying to trip up? This is really unfair. It is a very unfair remark and the Prime Minister must withdraw it. It is very unfair.

SHRI JAWAHARLAL NEHRU: Why should I withdraw it?

SHRI H. N. KUNZRU: Who is the individual that we are trying to trip up?

SHRI JAWAHARLAL NEHRU: I think Dr. Kunzru is trying to trip Mr. Krishnamachari up.

SHRI H. N. KUNZRU: This is very untrue, totally untrue.

SHRI JAWAHARLAL NEHRU: I cannot help, that is my view.

AN HON. MEMBER: It is obvious.

SHRI BHUPESH GUPTA: Here is the finding of the Commission . . .

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

SHRI BHUPESH GUPTA: . . .that there is clearly acquiescence on the part of the Minister. And the Prime Minister knows English better than I do. What does that mean?

MR. DEPUTY CHAIRMAN: Order, order. That will do. Yes, Mr. Rajah.

SHRI H. D. RAJAH: Mr. Deputy Chairman, I am very happy, the Prime Minister has found some time to come to this House and explain the position of the Government with regard to this so-called "Mundhra scandal". The Report is before us for

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discussion and when we discuss this Report we have to go to the background of the history of the Life Insurance Corporation. When this Corporation was formed, the then Finance Minister Shri C. D. Deshmukh said this:

"The nationalization of Life Insurance was a further step in the direction of more effective mobilisation of the people's savings."

I am reading from the Report:

"and he emphasized the fact that a nation's savings were the prime mover of its economic development, and he drew attention to the fact that with the second Five Year Plan in the offing involving an accelerated rate of investment and development, the widening and deepening of all possible channels of public savings had become more than ever necessary, and he wound up his broadcast by saying that the nationalization of life insurance would be another mile-stone on the road the country had chosen in order to reach its goal of a socialistic pattern of society and in the implementation of the Second Five Year Plan it was bound to give material assistance."

This broadcast of the Finance Minister then indicated to the nation and to the whole world that the country was on the road to a socialistic pattern of society and we were nationalising life insurance with a view to augment the resources of the country for the Plan and for the purpose of developing the country's economy. But this is very counter to the method which the Government has subtly taken by diverting the channels into concerns in the private channels. Sir, shares of individual companies are all in the market. Where these shares are already owned by certain sections of society, there is no need to go and divert that money into private channels again. What has happened? After the Life Insurance Corporation was brought into being there is a halting proposition on the part of the Government.

The Government by a section in the Life Insurance Corporation Act has solemnly told the public the following words:

"The Central Government shall, as soon as may be after the commencement of the Act by notification in the Official Gazette direct that the following sections of the Insurance Act shall apply to the Corporation."

The Corporation was formed in September 1956 and up to the end of 1957 you do not find any order issued by the Government. Gradually they are thinking, the officials of the Government are precipitating the issue. They want some excuse or the other. They did not want the provisions of section 27A to be applied for the purpose of investment of the Corporation's funds.

Then again you find under section 21, they give the method for giving directions for the Corporation for the investment of its funds. Section 21 says:

"In the discharge of its functions under this Act, the Corporation shall be guided by such directions, in all matters of policy involving public interest, the Central Government may give to it in writing, and if any question arises where the direction relates to a matter of policy involving public interest, the decision of the Central Government thereon shall be final."

What does this mean? This section means that any direction which you have to give to the Corporation should be given in writing. You usurp the functions and your officers go there and direct the Corporation to invest in this, that and the other and in junks and you do not give them, I mean the Corporation, any direction in writing. As a matter of fact, there is no directive from the Government to the Corporation in writing. You play hanky-panky with them, you play ducks and drakes with the Corporation funds. This is a matter of policy

involving the fundamental issue of the responsibility of the Cabinet to Parliament and I say that it is not confined to the Finance Minister alone whom you have made to resign. The entire Cabinet must resign; lock, stock and barrel you must go out. When you have taken the power from Parliament, you are responsible to the Parliament to discharge those functions and to function properly and effectively. It is not a question of the Finance Minister alone being responsible; it is not a question of Mr. Patel alone being responsible but it is a question of the policy which you have gradually come into, a policy of turning from the public sector to the private sector. It was not necessary. The Prime Minister himself once referred in Bombay to the hot bed of making money quickly; he referred to the stock exchanges. I entirely agree with him. There are speculators and speculators and you have the Mundhras, the Dalmias and others but you are not there to go to their assistance when they are in distress. A friend of mine was humorously telling me. "I must get my daughter married. I require about Rs. 2½ lakhs for that purpose. I prefer to appeal to the Life Insurance Corporation to give me a temporary loan for this purpose". If Government is a party to this kind of thing, what is the use of our complaining about one particular individual or about one particular man.

Now, the verdict of Mr. Chagla has been before us and we have realised how grave the situation is. I demand the resignation of this Government forthwith. Not only that, Sir, I do not want you to come back through the back door because of the Congress majority. Dissolve the Parliament and go out to the public and get the verdict from them and then come and form the Government and run it.

The hon. Home Minister said that this Report has enhanced the prestige of Parliament and the functioning of the democracy in this country. I entirely agree with him. This Report has enhanced the prestige of Parliament

and now your reputation will be enhanced more when you go and seek the verdict of the people and then come and run this Government. That will be the proper position to which you must reconcile yourself. If you shirk that responsibility, then we will have to say that all of you are responsible for this kind of a deal and the Government can be charged with negligence and want of responsibility on their part.

SHRI JASPAT ROY KAPOOR: Does the hon. Member hope to return this time?

SHRI H. D. RAJAH: I need not come but the country will go on whether you are in office or out of office. What I want is that the Government, like Cæsar's wife, should be above board.

DR. W. S. BARLINGAY: Is this a political issue?

SHRI H. D. RAJAH: I quite appreciate that, but then you may be afraid that you may be defeated at the elections but, on the other hand, you will have made a proper study of the things. You have got your Five Year Plan to be implemented; you have got the various other projects that are there and yet you are thinking of the Party alone. You take other good friends into confidence, get their support and then you will be in a position in which there is no opposition to the implementation of the Plan and of the national policy. You could carry this on with the help of your opponents. If you do that there is no question of any trouble arising and this kind of mischief on the part of the Government servants will never take place.

SHRI H. P. SAKSENA (Uttar Pradesh): Let Mr. Rajah bring a 'No Confidence Motion'.

SHRI H. D. RAJAH: I know as to what the fate of such a motion will be. Why do you worry. Anyway, you cannot bring them here also.

Mr. Bhupesh Gupta has rightly said that an All Party Parliamentary

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Committee should be appointed to go into every such transaction. Basically, that sounds to be good but I know my friends opposite will never concede a request of that nature. Now, the democracy in this country functions in a funny way. It is a brute majority with a few people sitting on the opposite side shouting and nothing more is done about it.

Now, Sir, I come to this particular transaction. The Principal Finance Secretary is assailed and the constitutional responsibility is placed upon the Finance Minister but, I have gone a step further and placed the constitutional responsibility on the entire Cabinet. Now, let us see to some extent, what kind of a Principal Finance Secretary we have. Before he became the Principal Finance Secretary, he was the Finance Secretary and before he became the Finance Secretary, he was the Defence Secretary. I will tell you one or two instances that happened under his Secretaryship of the Defence Ministry. Our brave soldiers who are guarding the frontiers of Kashmir are living under very severe strain and are facing the extreme climates there. They wanted blankets and, Sir, when the blankets were wanted, the order was placed by the Defence Secretary and here is what the Public Accounts Committee say about that. "When the blankets arrived in the receiving Ordnance Depots in India between May and July 1949, it was found that the blankets were infested and un-serviceable. . . .

SHRI H. P. SAKSENA: Moth eaten.

SHRI H. D. RAJAH: I agree with our hon. friend, Mr. Saksena. All this time, our soldiers in the frontier who had to be guarded against the cold by blankets were awaiting these blankets and these blankets were not given to them at all. This is how he served the brave soldiers of our country when they were defending the frontiers.

Now, Sir, there were certain purchases of material for the purposes of the Army and one of them was nand grenades and in the matter of that purchase. . . .

SHRI BHUPESH GUPTA: Did they burst, explode?

SHRI KISHEN CHAND (Andhra Pradesh): No, non-violent ones.

SHRI H. D. RAJAH: . . . an offer came from the High Commissioner's Office that the grenades could be brought at £6 but an officer flew from London, came to India, was closetted with Mr. Patel for about one and half hours and a bulk order was given which ultimately ended in our paying £7-17-0, instead of £6 thereby bringing a loss to the Exchequer of our country to the extent of Rs. 78 to Rs. 80 lakhs. These are the antecedents but then what did he get? He got a promotion in our Government; he was lifted to the post of Finance Secretary.

SHRI BHUPESH GUPTA: That always happens.

SHRI H. D. RAJAH: From the Finance Secretary's post, he has been made the Secretary-General of the Finance Ministry.

SHRI BHUPESH GUPTA: And he narrowly missed being a Governor.

SHRI H. D. RAJAH: When that is the record of this gentleman, people are unable to find out how he can be dealt with. Have our Government become so bankrupt in its ideas? Are they not people to locate the man and his mischief? Could they not do something forthwith? How are the rules governing these civil servants to be applied in such matters? They can take into account such things which have been brought to their notice. If they are brought to their notice by the Opposition, they could forget them but if they are brought to their notice by their own Members, all honour to them for keeping up the integrity and the responsibility of Parliament. When such things are

brought to your notice, I do not ask you to go all out for the man's blood. Suspend him. Do not give him salaries and ask him to take holidays but **suspend him**. Let an inquiry be instituted; if he is found not guilty, restore him and pay him all the back pays and let him continue to serve your Government under your orders but, instead of doing all that, you ask him to take leave and you give him salaries. He is actually enjoying a pension. Now, Sir, this is a serious matter which has been brought to my notice. Mr. Krishnamachari has said that he is not responsible for the deal but he had written a note in which certain files are called for, certain actions are to be taken. Mr. Patel files that letter. He does not seem to have taken any action on the orders of the Minister. I ask in this House, I ask the Government, whether the civilian Secretary is ruling this country or the Ministers appointed by the President. What are your functions? What are your responsibilities compared to the civil servants? Are they so firm that you would allow them to be led by your nose or, is it that you have a conscience, that you have a head of your own which you use? Or, is it that the civil servants use their heads, as is happening in this country? What are the effective responsibilities of the Ministers and what are the functions of the Secretaries?—These are the points on which I should like to have a reply from you.

Now, Sir, coming to this particular deal, lots of words have been used and we do not know where we are. Now this amendment of our Home Minister, Mr. Pant, categorically says that they are not accepting the Report *in toto*, and obviously the reason adduced by the Prime Minister was that he cannot accept a proposition in which the Government will not be a party for appointing experienced men of the stock exchange to positions of power in autonomous corporations. I agree with that. But are the civilians better? What are the experiences these civilians have in commer-

cial matters? You may not think stock exchange as the place for recruitment of men, but are you so bankrupt, is the country so bankrupt that outside these two sources there are no men of integrity in this country, capable and experienced men who can discharge their duties conscientiously and honestly, men who are able to do something good to the nation and contribute better for the prosperity of the country? I want to know from you whether it is a matter in which only there are these two classes of people, that is, the civilians on the one side and people with experience in the stock exchange on the other. The hon. the Prime Minister said stock exchange is a horrid place for making quick money. I agree with him. But why do you want stock exchanges at all? When you have started this private sector and the public sector, the stock exchange wholly belongs to the private sector, and the private sector is being assailed every day by you. But what do you do on the other hand? You sneakily enter into the private sector and want to prop up the difficult positions of individual fellows like Mundhra, and from the public sector moneys are taken and thrown into the private sector. Is this the way in which your private sector and your public sector are to function? I go a step further than your policy. I say, abolish all private sector if you have got the guts and the capacity, and if you want to bring about socialism which is your objective, what you have to do is to abolish the private sector and take to nationalisation. The hon. Mr. Nehru suggested just now that it was not back-door entrance into the private sector to invest moneys and that it was a proper proposition for the Government to consider. That will arise only when you have got a controlling interest in the private sector business. He said that some Mundhra shares were good and that there was nothing wrong in going for them, Mundhra or no Mundhra. I join issue with him. Everything depends upon the man who runs the show. You had

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previous knowledge. Mr. T. T. Krishnamachari had previous knowledge that Mundhra was a man of doubtful character. Mr. Krishnamachari had reported to the Home Ministry that this person required to be watched. Mr. Krishnamachari when he was the Minister of Commerce and Industry, had known all about him; the Government and all of you had known about him. The Company Law Administration knew about him. The Company Law Administration had said that certain things were done wrongly by this man and deserved to be prosecuted. But side by side your Principal Secretary for Finance goes to him, hugs him, rubs shoulders with him and wants to make a donation of one crore and fifty lakhs of rupees. I advisedly say "donation" because the Life Insurance Corporation has not yet known that the shares given to them are still genuine. There are duplicate shares; there are triplicate shares, shares which are forged and so many kinds of shares, and so long as the Life Insurance Corporation has not established its title to all the shares that they have bought from Mundhra, I consider a crore and fifty lakhs of rupees are a dead loss. I cannot think in any other way and I can think only this way that you made a gift to Mundhra.

(Time bell rings.)

Just two minutes more, Sir. The deal which you made with Mundhra is a deal based upon personal factors and nothing else. The Report says there are mysterious reasons. There is no mystery about it so far as I am concerned, and I can think about it.

Sir, Mundhra goes and sees Mr. Patel, alone in Bombay before he has written a letter and Mr. Patel says, "You come to the Reserve Bank; We shall finish the deal." And I have got reliable information that the entire deal was finished in Delhi, and it was only a make shift for these people to reach Bombay and conclude the deal.

Now another joke you see, Sir. Here comes Mr. Bhattacharyya. He

has been referred to by those friends, including our Prime Minister. Mr. Bhattacharyya, as soon as the deal was over, tells Mundhra in the presence of the Governor of the Reserve Bank; Mr. Bhattacharyya says, "Mundhra, mind you that you give genuine shares." Sir, Mr. Bhattacharyya, Chairman of the State Bank, tells Mundhra, "Mind you, you give genuine shares to the Corporation."

SHRI V. K. DHAGE: Where?

SHRI H. D. RAJAH: See the pathetic level our officers have gone to. So Mr. Bhattacharyya is aware that Mundhra has got not only genuine shares but other counterfeit shares also and he tells . . .

SHRI V. K. DHAGE: Where do you get this information from?

SHRI H. D. RAJAH: If you had followed closely the proceedings you would have seen it. Therefore, Sir, everything is rotten in the State of not Denmark but India. The only solution by which this miserable state of affairs can be put an end to is to ask the Government to resign and come back with the verdict of the people.

Thank you.

SHRI T. S. PATTABIRAMAN: Mr. Deputy Chairman, Sir, the tornado of the Prime Minister has hit and the wall of cards of the opposition and their amendments have crumbled to pieces. There is very little for us to do except to do the last rites which remain to be done.

Freedom-loving democratic people all over the world and all Indians are grateful to the Prime Minister and the Home Minister for having brought forward this comprehensive Resolution for consideration and acceptance by this House. Instead of allowing an acre of conjecture to gather around an inch of fact the Government of India did the prompt thing in instituting a public inquiry under the chairmanship of one of the greatest Judges. Mr. Chagla, who is known for his

integrity, character and impartiality. The Report is with us, Sir, and it is our duty to consider the same as we have done in the past.

I do not share the opinion of many persons who suggest that we must approach this Report as a Bible, that we cannot question it, that we cannot discuss about it, that we must accept it *in toto*. I would like with your permission, Sir, to quote the precedents in our House and the other House of Parliament, namely, that we have discussed the Report of the States Reorganisation Commission, the Report of Chief Justice Wanchoo, that of Justice Misra and so many reports of Commissions presided over by very able and distinguished members of the judiciary of this country. We considered them in detail, not only in the Parliament but also outside, in the streets, and fought our elections over them, but we never meant any disrespect to the members of the judiciary who gave their opinions in those reports. Similarly, Sir, we are justified in going through the details of this Report, form some opinions, and yet keep up the greatest respect to the judicial officer who was responsible for it. My learned friend, the most respected friend, Dr. Kunzru also admitted that we have a right to differ from the opinion of the Judges. This Commission of Inquiry has stated many things and I do not want to go through the haze of evidence that has been led in. It is in volumes and we cannot do justice to it within these few minutes, but I would like to point out that the Judge himself, the Attorney-General himself and all the Members of the Opposition are agreed on one fact, namely, that the truth has not come out in full, that full justice has not been done to many details as to fix the real responsibility: If that is, Sir, I would like to point out how there is scope for a further re-examination of the whole thing and consideration of the Report. The terms of reference empowered the Commission to inquire into and report relating to the purchase of shares in the companies mentioned in the Schedule, which are six

in number, and Messrs. Jessop and Company is one of the six mentioned in the Schedule.

Sir, prior to June 24, which has been taken as the most important date of the transaction, there have been three transactions with Mr. Mundhra, and after June 24 again there have been four transactions. I am not at all clear and I do not know for what reasons the Commission of Inquiry came to the conclusion that June 24 transaction was the most important one with which it was concerned. But the terms of reference as published in the first page of the Report is not confined to this only because it says that all the investments in all the concerns mentioned in the Schedule are important and are within the purview of the Inquiry. If that is so, Sir, the learned Attorney-General who appeared in this case for the truth, the whole truth and nothing but the truth rightly pointed out that the responsibility for those deals lay between Mr. Patel and Mr. Vaidyanathan and that it was difficult to fix the responsibility between them as there was conflict of evidence about them. In conclusion, in his address to the Chief Justice he requested the Judge to fix the responsibility between those two persons and find out who was really guilty of the transaction for the purchase of one lakh and ten thousand shares of Jessops costing 26 lakhs of rupees of public money. I am very surprised. I would like my hon. friends who are now absent from the House to point out to me why in spite of the Attorney-General's insistence no opinion or no decision has been given about the purchase of these three transactions and the responsibility for the same. May I submit to you that these three transactions and the fourth transaction and the last four transactions are a single unitary thing and they are the corollary of each other and they should be looked into as one great conspiracy. There is no use isolating the June 24th transaction alone and then bringing it to the glare lights of publicity and making much of it. Sir, I say

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that if all the eight investments in the six concerns had been taken together the responsibility could have been fixed and the responsibility would have become crystal clear and there need be no ambiguity about it.

I would like to point out another fact, namely, whether the contention of the leading members of the L.I.C. should be accepted. Mr. Kamat and Mr. Vaidyanathan are not children. They have enough experience to represent our interests abroad; they have the experience of 20 years in the financial and insurance world and they are considered to be giants among giants, but still they say that they were overawed by the personality of Mr. Patel and simply hypnotised into signing for things that were asked by Mr. Patel. I would like to know whether even after the admission of Mr. Kamat and Mr. Vaidyanathan, even after their taking up full responsibility for this investment, it will be proper and whether we will be creating a good precedent to say that these people may be excused because they were all overawed by the personality of Mr. Patel. Everybody will come and say the same thing. 'Ignorance of law is no excuse' is a well-known dictum in jurisprudence. If a man says that he did something because somebody else asked him to do that, he has to take full responsibility for his acts.

Sir, there are many things which are going to be discussed and I do not want to take much of the time of the House but there is one point about which I am very particular. I wish Mr. Kunzru had been here. Sir, there is no one single sentence, there is no one single piece of evidence in the whole of the evidence that has been recorded by Mr. Justice Chagla to connect Mr. Krishnamachari with knowledge of the transactions or to make out that he gave his consent to it. Mr. Kunzru argued that the Prime Minister did not accept that responsibility had been pinned direct-

ly but he failed to understand the very words of the Commission itself. This is what he 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."

Mr. Chagla himself admits that in the absence of positive evidence he is guided by the factors that are surrounding it. That is what Mr. Krishnamachari said; he said that he had been found guilty on probabilities and surmises. And that is exactly the opinion of Mr. Chagla also. Of course, we cannot blame him because full facts have not been made clear. Mr. Chagla himself says:

"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 June 24."

Sir, it was a negative approach and I would like to know whether a man can be convicted or found guilty on a piece of negative evidence. Sir, consider what Mr. Patel and Mr. Bhattacharyya had said. What they have said is very clear and even there, there is no single line to connect Mr. Krishnamachari with direct knowledge. With your permission, Sir, I would like to point out what they had said:

"After the State Finance Ministers' conference was over on the 23rd, Mr. Patel and the Minister had a conversation and Mr. Patel told the Minister that a principal was willing to sell shares and that L.I.C. was willing to buy and the Minister said that if the L.I.C. was buying there was no harm in it and he added that Mr. Patel should be careful because there were some rumours about certain scrips being



spurious and asked him to take precautions."

I would like hon. Members to ponder over this very important piece of evidence. This is the evidence on which a verdict has been given. It is crystal clear that it is nowhere said that Mr. Patel told Mr. Krishnamachari that he was asking the L.I.C. to purchase the shares. He has been misleading Mr. Krishnamachari and misleading him and concealing the vital fact that he was asking the L.I.C. to purchase the shares and not that the L.I.C. had decided that way. Mr. Krishnamachari had perhaps not been in mood because he was just going for lunch and he must have thought that when the L.I.C. had decided to do that—it was an autonomous body—it would have gone through all the formalities but even then he asked Mr. Patel to look into it and not to confirm it without taking all action that was necessary. Where then is the evidence to connect Mr. Krishnamachari of having given his approval or consent to Mr. Patel to purchase these worthless Mundhra shares for Rs. 1½ crores? I would submit to the hon. House that taking all these circumstances I feel that Mr. Krishnamachari was right when he said that he had been found guilty on surmises and probabilities. Sir, Mr. Kunzru has a right to differ but I would say that if the Government had the powers—and I think the Government has the powers—let it refer the whole matter to the Supreme Court and I am sure the learned Judges of the Supreme Court will come to the right conclusion which will be most acceptable to all the people in the country.

Sir, there have been many figures behind the scenes; there have been many things which I do not want to bring out but there is one fundamental factor. There are certain important personalities who have to be considered. Sir, I want to know whether the great constitutional exponents here, who were advocating constitutional responsibility, quoting

precedents of the British Empire and America, have anything to say about the part played by the learned Attorney-General. I have the greatest respect for the Attorney-General, but I would like to know whether it is in constitutional propriety for the Attorney-General to go against and give public vent to his feelings about the accepted policies and decisions of this sovereign Parliament. This sovereign Parliament has placed nationalisation and public sector as important things and we are bound by the socialistic pattern of society. Is it constitutional propriety for the Attorney-General, while in office of the State under the President, to go and say that for the L.I.C. to purchase shares in a private concern is backdoor nationalisation and that this sort of wrong thing can be done only in nationalised concerns thereby creating prejudice and ill-feeling among the masses of this country. If there is any constitutional propriety and if my friends have been really constitutionally inclined, they must have demanded the resignation of the Attorney-General and then he would have been free to give vent to his opinions but they have not said anything against him. Finally . . .

**SHRI BHUPESH GUPTA:** May I know if he is voicing the opinion of the Congress Party about the resignation of the Attorney-General?

**MR. DEPUTY CHAIRMAN:** He is voicing his personal opinion.

**SHRI T. S. PATTABIRAMAN:** I am voicing my own personal opinion, and nobody's opinion, in the matter.

Sir, there is one other point. There are certain persons who have had a very important role to play. I think, Sir, there is one person, Mr. D. H. Patel, living in the fashionable quarter of Churchgate Reclamation area in Bombay and he has been the connecting link between all those concerned and it will be interesting to note a strange coincidence that he left Bombay on the day on which Mr. Krishnamachari announced the

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appointment of the Commission and he returned only very recently. What are his antecedents? What are his properties? What connections has he got with the higher persons of the officialdom in this country? These are things which should be inquired into and I am sure, Sir, it will be done. *(Time bell rings)* Two minutes. Sir.

MR. DEPUTY CHAIRMAN: One minute.

SHRI T. S. PATTABIRAMAN: Sir, there are many things which I would like to say. The Government must see that they get the correct information. Formerly it was the practice for the Director of the Intelligence Bureau and the Inspector-General of the Special Police Establishment to have direct access to the Prime Minister and the Home Minister and tell them what happens in the country about persons and matters. If that practice is revived and permission is given to them to go directly to the Home Minister and the Prime Minister without the formality of having to go through their Secretaries, many things could be avoided and I hope this will be given consideration.

Finally, I am very happy that it is the Congress and Congress Party alone which can take the entire credit for bringing this nasty thing before the public and solving it in a very creditable manner. Sir, it was a Congress member who raised the question in the Lok Sabha; it was a great Congress member who raised a debate in the Lok Sabha; it was a greater Congressman, Mr. Krishnamachari, who readily agreed for the inquiry and it was for the greatest Congressman, Pandit Jawaharlal Nehru and Shri Govind Ballabh Pant to bring it to the House and ask for the acceptance of this motion. Of course, the Communist Party is very sad. *(Time bell rings.)* Sir, I would not have referred to the Communist Party but for the fact that Mr. Bhupesh Gupta referred to the Congress. Sir, I say that the Communist Party has been having

connection with Mr. Mundhra right from 1953. Mr. S. K. Acharya, a member of the Communist Party of Bengal was drafted by Mr. Haridas Mundhra for a case in 1953 and he continues to be his lawyer. In October 1957, during Puja Day celebrations, there was a big Puja party in their house and the chairman of the meeting was Mr. S. K. Acharya and the great guest of honour was no less a person than Mr. B. Mukerjee, the Deputy Leader of the Communist Party in Bengal and in that particular meeting all of them joined and abused the Congress and its policies like anything.

*(Time bell rings.)*

Last thing I want to say, *(Interruption)* Dr. Baliga, a member of the Bombay Communist Party, was a liaison officer and he was found with Mundhra throughout the inquiry and it is said that he prepared a statement on behalf of Mundhra and when the inquiry is instituted by the Home Ministry I will appeal to the Home Ministry to inquire into this aspect—the dealings of the Communist Party with Mundhra, and then throw light on it. The Communist Party will be afraid of a public inquiry. *(Time bell rings.)* And so the Congress prestige alone has been vindicated and the Communist party stands tarnished now.

MR. DEPUTY CHAIRMAN: Prof. Wadia.

SHRI BHUPESH GUPTA: I have something to say. I would like to know . . .

MR. DEPUTY CHAIRMAN: You have had your say. He is returning the compliment . . .

SHRI BHUPESH GUPTA: Question. He has made certain references to . . .

MR. DEPUTY CHAIRMAN: Order, order.

SHRI BHUPESH GUPTA: Here is cutting from paper, Mundhra is waiting . . .

MR. DEPUTY CHAIRMAN: Mr. Bhupesh Gupta, order, order.

PROF. A. R. WADIA (Nominated): Mr. Deputy Chairman, I am thankful to you for giving me an opportunity to speak even at the fag end of this debate . . .

SHRI BHUPESH GUPTA: The 'Amrita Bazaar Patrika' cutting is here . . .

MR. DEPUTY CHAIRMAN: Order, order. He is on his legs.

PROF. A. R. WADIA: I rise to speak in full support of the Motion moved by the hon. Home Minister especially as he moved it in such suave and pleasant manner that nobody could take objection to it. There is only one sentence with which I disagree and that is the only justification I have for participating in this debate and that sentence is that with the resignation of the Finance Minister that question is closed. Unfortunately it cannot be taken as closed for the simple reason that this Motion cannot be dissociated from the unfortunate letter which the Prime Minister wrote to Mr. T. T. Krishnamachari and Mr. T. T. Krishnamachari's statement in the other House, both of which are very intimately bound up with the merits of this Motion. I remember in my student days nearly fifty years ago Mr. Bipin Chandra Pal said that a statue in gold should be built of Lord Curzon because he was the person responsible for raising the patriotism not merely of all Bengal but of all India. Following in that line I am at least tempted to say that a meed of praise is due to Mr. Mundhra for Providence has selected him to be the instrument of pricking the bubble of Ministerial infallibility and the infallibility of civil servants. Sir, I am a very warm admirer of the Prime Minister. I know that he is the greatest asset that our country possesses at the present moment. I am not blind to his transparent sincerity, his unchallengeable patriotism, his unimpeachable integrity, his love of

peace and friendship and humanity at large, that is what has made him a leader of the world. But apart from this he has unfortunately also the noble gift of friendship and he is so loyal to his friends that he finds it very difficult to look at the other side of the picture. It is a human failing which makes him very loveable. But I am afraid that is responsible for many of his difficulties and especially at the present juncture. The Home Minister has claimed credit for his Government and for the Congress Party that they yielded so readily and appointed this Commission. I entirely agree with him. The prestige of the Congress has certainly risen for the very simple reason that there is a widespread feeling in the country that there is a lot of corruption and that the Government is not interested in putting down this corruption. That feeling may be right or wrong—I will not consider it now—but that feeling exists. And when the Congress readily agreed to appoint this Commission it certainly gave a sense of relief to the whole country and people began to appreciate that the Government is after all awake and they are going to take steps in this important matter. It is a triumph of democracy that the Prime Minister yielded to the public pressure on the floor of the Lok Sabha and I congratulate the Home Minister on his success in persuading so eminent a man as Mr. Justice Chagla to accept this onerous responsibility, which is also perhaps a thankless responsibility. Well, Sir, Mr. Chagla asked for the assistance of the Attorney-General and Mr. Krishnamachari himself readily agreed to it and the Attorney-General has played a very important part in this inquiry. I agree with the opinion which has been expressed from all sides of the House that it was not possible to find a judicial officer of greater eminence than Mr. Justice Chagla. Nor was it possible to find a greater legal luminary than our Attorney-General. Now, when the inquiry has been conducted under such good auspices and a report has been produced one would expect that the Government would accept this

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Report, place it before Parliament for discussion—with their views of course—but unfortunately the Prime Minister thought it fit to write a personal letter to Mr. Krishnamachari in which he has praised the services of Mr. Krishnamachari. I can understand that. After all it is the duty of the Prime Minister to appreciate the good work of his own colleagues. He could have ended there, but unfortunately he passed on to make strictures—with due deference to the explanations given by the Prime Minister in this House and in the other House I expressly use the words that he passed strictures against the Report in several respects. He found it necessary to say that the procedure was wrong. Now, of course. . . .

DR. W. S. BARLINGAY: That is not a stricture.

PROF. A. R. WADIA: He explained it and I accept his explanation that he meant to criticise himself and his own Government about this. But whoever reads this letter will never come to that conclusion. (*Interruption.*) Whoever reads this letter will reasonably come to the conclusion that it is a reflection on the procedure adopted by Mr. Chagla. (*Interruption*) He passed on to say the presentation of facts was one-sided, again Sir, a very unfortunate statement, especially when Mr. Justice Chagla brought to bear on his subject a remarkably high degree of legal ability and integrity. If it was one-sided, it was not his fault and, again, I find that the Prime Minister admits that it was not Mr. Justice Chagla's fault. But the impression left on the mind of an ordinary man like myself was that he had criticised Mr. Justice Chagla.

SHRI JASPAT ROY KAPOOR: Has that impression been removed or not now?

PROF. A. R. WADIA: Sir, listen to me to the end. Well, now, my point is this that I was not the only person to understand the letter in this light. It may be that my knowledge of English

is very poor. I plead guilty to it. But I find the same impression was created on the minds of so many other people . . .

SHRI BHUPESH GUPTA: 'Manchester Guardian', 'New York Times'. . .

PROF. A. R. WADIA: . . . including the members of the Congress Party and I felt very sorry after reading that letter. And the next day I found—no less a person than Mr. Chatterjee finding it necessary to write an open letter in the press standing up for the dignity and the integrity of the judiciary and the legal profession, that the remarks made by the Prime Minister were wrong and were not justified.

SHAH MOHAMAD UMAIR (Bihar): You would be misinterpreting the Prime Minister's expression. After the Prime Minister has already clearly explained the implications the word 'one-sided' does not go to mean stricture..

MR. DEPUTY CHAIRMAN: Order, order.

PROF. A. R. WADIA: Sir, I made my position very clear in the very beginning that this letter was unfortunately written. And what is done cannot be undone. You can explain it away, but the unfortunate impression made on the minds of us all to a certain extent remains, and I have been asked whether the impression has been removed. I very much regret to say that it has not 5 P.M. been completely removed, for this reason that even when he brought forward the motion on the floor of Lok Sabha, he only wanted to move that the Report be taken into consideration. It was only after a long time that he thought it desirable to propose a substitute Resolution which the Home Minister has moved this morning in this House, and it is a Resolution which commends itself to me and, I am sure, to so many others. I think even the other amendments are almost identical in the light of this proposition, but the proposition

comes late. The impression on my mind is that the Prime Minister has offered us a fine, delicious cup of milk, but when you taste it there is a bitter taste of quinine in it.

There is another matter which makes me all the more anxious to raise this question. There is a fundamental difference in the approach of the Chagla Report to the question of ministerial responsibility and the opinion of the Prime Minister. It is a very fundamental difference. Mr Chagla follows the British tradition rightly or wrongly, and he holds the Minister responsible for his action. On the other hand the Prime Minister is pleased to say that this question of ministerial responsibility cannot be taken up in this light, and that the Minister cannot be held responsible for all the acts of omission and commission on the part of his subordinates. Well, Sir, the Prime Minister may be right. It is perfectly possible for him and open to him to have a new conception of Indian democracy. But I feel that it is not the democracy with which we have been accustomed to associate our Indian Constitution. We have borrowed heavily on the western constitutions and we have accepted that traditional democratic concept of ministerial responsibility.

DR. W. S. BARLINGAY: One of the conclusions of the hon. Mr. Chagla is this—at page 24 of the Report:

“That the Minister must take full responsibility for the acts of his subordinates. He cannot be permitted to say that his subordinates did not reflect his policy or this is what is important—acted contrary to his wishes or directions”.

Would you endorse it?

PROF. A. R. WADIA: Yes, I would. It is perfectly consistent with the conception of western democracy. What exactly is the position? Some friends have waxed very eloquent on the other side. I am an admirer of Mr. Krishnamachari's abilities and his services. But what exactly does this

prove? Nobody can pretend that Mr. Krishnamachari was not aware of what Mr. Mundhra was. Nobody can pretend that Mr. Krishnamachari was not aware of his dealings, that he was not aware of the Life Insurance Corporation going in for Mundhra's shares. He may not have given his consent in writing, he may not have consented to it in a long discussion, but the fact that he knew about it cannot be challenged. That is the inevitable basis of the Chagla Report. Sir, yesterday a letter was produced on the floor of the other House which goes to show that Mr. Krishnamachari took a very strong view and a very correct view of Mr. Mundhra's dealings, and he wrote his opinion in explicit language and passed it on to Mr. Patel. Mr. Patel did not act on it. Mr. Patel filed it. What should Mr. Krishnamachari have done? It is difficult to believe that Mr. Krishnamachari who is such an able, strong man should have taken this lying down coming as it did from a subordinate of his. It was his duty to pull him up. It was his duty to see that Mr. Patel carried out his policy. It was his duty to penalise Mr. Patel in every way that he could have done. If he had done it, he would have discharged his ministerial responsibility, and there would have been no question of his resignation. Unfortunately he did not do that and therefore the question of ministerial responsibility stands.

Now, the Prime Minister is pleased to make a subtle distinction between constructive responsibility and factual responsibility. He assumes that Mr. Krishnamachari was guilty of this constructive responsibility, and that is why he resigned and he has accepted his resignation. But he insists that Mr. Krishnamachari was not factually responsible. I regret to say, Sir, it is my misfortune and it makes me sad if I have to differ from the Prime Minister just as the Prime Minister feels sad when he has to differ from Pandit Kunzru, but the obvious thing is not clear either to him or to me. It is very strange that a thing which

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can be understood in such simple language is taken up in this light.

Sir, there is just one more point I should like to refer to, and that is the statement of Mr. Krishnamachari. He had every right to make a statement. He had every right to defend himself. Whether it was right that he should, at that stage, have thrown the responsibility on his subordinates is matter of opinion. But I do not think he was justified in misleading the House or the public of India by trying to picture himself as a victim of some "man eater". Sir, this is a game which is not worthy of emulation. The "man eater" has done very useful service in the history of our country. Sir, when Bombay was brought into the possession of the East India Company, it was not worth more than a rental of ten pounds a year. Today it is one of the biggest cities in India, perhaps the wealthiest, a real metropolis. Who has done it, Sir? With all due deference I would say that the "man eaters" have played their very important part in the building up of Bombay, they have done the same in Calcutta, they have done the same in Madras.

SHRI DEOKINANDAN NARAYAN (Bombay): And eaten up the whole economy of this country.

PROF. A. R. WADIA: May I humbly remind the Congress Party that in those great days when Gandhiji was carrying on his struggle against the dominance of British imperialism, there was need for money, and that money came in lakhs into the coffers of the Congress Party . . .

SEVERAL HON. MEMBERS: Even now.

PROF. A. R. WADIA: . . . . .from these "man eaters". As late as last year I know that one industrialist was persuaded to pay as much as seven lakhs to Congress. Does it reflect any grace on the part of a Congressmen to cast such mud on the "man eaters"?

Perhaps he himself has not always disdained getting help from them. What would the Finance Minister do unless he could tax these "man eaters" of Bombay, Ahmedabad, Calcutta and other places? If Mr. Krishnamachari had not these resources to fall back upon, I am afraid he would have to go a begging to all the countries of the world with double begging bowls to get the resources for the Second Five Year Plan. If he has been helped in this work so willingly, so spontaneously by these "man eaters" who are members of the Congress Party, who are quite willing to share with the Government their future policy of enlarging the public sector, I submit with all humility that Mr. Krishnamachari should have resigned in good grace a month or so earlier saying "I take the responsibility for what my subordinates have done, I accept that responsibility and I resign". We would have honoured him much more if he had resigned without casting all this mud at people who have been helping him and many of whom, I am sure, are his personal friends.

Sir, with these reservations I have great pleasure and I feel it my duty to support the Motion moved by the hon. Home Minister.

DR. P. J. THOMAS (Kerala): Mr. Deputy Chairman, as I have only very little time, I shall not speak much. I feel that this Report has created a lot of trouble, caused headache to many people, much mud-slinging has been going on, and a Finance Minister who was doing very well had to go. As the Home Minister pointed out at the outset, it has had a very important toning effect, because this has shown to the world and to our people that our Parliament is truly sovereign, that our Government is doing things in the true democratic way, that when it was found that some fault had been committed, immediately there was a public inquiry. But at what cost? At the cost of a very able Minister going away. I am not an expert in constitutional law, but so far as I know,

on strict principles he need not have resigned, because after all this question has been outside his Department, outside the main work of his office. I do not want to elaborate this point, but I do feel that in the future at least, specially when we are running these Five Years Plans, there should not be any such sudden changes in key Ministries like the Finance Ministry, because it is important for the working of our Plans.

But there is one important aspect of this inquiry which has not been brought out. That is the investment aspect. It has become clear that this Corporation has very important potential value for increasing investment in the country and for even expanding the public sector about which many friends here are so keen. And much of their criticism levelled against the Corporation deal is really against this interest. In my opinion this Corporation can help the country in developing the public sector, for preventing people like Mundhra even for completely abolishing the need for them. In fact, this Corporation has already helped in that. Apparently Mr. H. M. Patel had this idea but unfortunately his point of view has not been heard in this matter. Unfortunately this inquiry has concerned itself only with the legal aspect. In fact, the economic aspect, which is more important, has yet to be gone into. The Commission has arrived at the conclusion that Government should not interfere with the working of autonomous statutory corporations and that if they wish to interfere, they should not shirk the responsibility of giving directions in writing. In my opinion, this cannot at all serve our larger purposes. As the Prime Minister rightly pointed out, there is a very large amount of money for being invested by the Corporation; it has accumulated over Rs. 200 crores; it can invest several crores every month, and it can utilise this in buying the shares of suitable concerns, raising their economic possibilities. The price paid can tone up the whole mar-

ket and then really speaking can strengthen the public sector ultimately and expand the industrial development of the country in a healthy way. In this country, in my opinion, this Corporation can serve a very useful function. To my mind, the investment aspect of this Corporation is very important. My idea is that this Corporation deserves our special consideration, because the other Corporations are of a different character. For instance there are Corporations like the Damodar Valley Corporation and so on, but they are of a different category. But here we have a large amount of money collected, and the investment of these funds can be a source of elaborate activities in the life of the country, can help greatly in the industrial development of the country. In fact it is justified in purchase of the shares of companies like the British India Corporation or Jessops. This will give to the Government control over these companies, and control of the Government means control of Parliament and not of people like Mundhra. This can be a source of great progress in the country and we must go into the matter fully. I do hope that the Government will examine this aspect not only with regard to this Corporation but also a Corporation like the State Trading Corporation. These two Corporations, in my opinion, are most important. Therefore, we must make these Corporation effective media for advancing the higher economic interests of this country.

**SHRI GOVIND BALLABH PANT:**  
Mr. Deputy Chairman, Sir, I have listened with undivided attention to the speeches that have been delivered during the last five and a half hours. I had expected that the spirit of my Resolution would be appreciated and that so far as the principles embodied in my Resolution are concerned, there would be unanimity in the House, that there might be some nominal opposition from my friend, Mr. Bhupesh Gupta, who may not openly accept, even if he was satisfied that my Resolution is the right resolution . . .

SHRI BHUPESH GUPTA: You accept mine and I will accept yours.

SHRI GOVIND BALLABH PANT: Well, there is no bargaining here.

SHRI BHUPESH GUPTA: It is always with Mundhras.

SHRI GOVIND BALLABH PANT: We are to examine propositions on their merit. I would venture to make this submission that questions of the character which are under discussion today should be viewed calmly and dispassionately. Even party point of view should be subordinated to the higher demands of probity, integrity and efficiency of administration and the handling of public funds. These issues do not admit of any controversy. We may well concentrate on the special features of particular cases, but we should not lose sight of the nobler, of the wider, aspects of these problems. I saw that a lot of thought and ammunition was unnecessarily used up; it has hardly made any impression anywhere, I think, and it has hardly left any mark. But it has perhaps given some satisfaction to those who want to develop their marksman-ship here.

SHRI BHUPESH GUPTA: But the targets are impervious.

SHRI GOVIND BALLABH PANT: Now I would request you to look at my Resolution. After this, what is the point of difference and where do we really seem to be so sharply divided as not to be able to look at the real vital problems that face us with almost unanimity? Now the first part of the Resolution openly, frankly, unequivocally accepts that the transactions which form the subject matter of the inquiry were improper. They were entered into in an imprudent way, hurriedly and the ordinary canons of business were forgotten and ignored. After that, to repeat the arguments which have been advanced by the Commission in respect of this

transaction is hardly necessary. Whom do the hon. speakers want to convert? There is nobody here who differs on this point but a lot of time was taken up in the scanning of this part of the Report about which there is no difference of opinion here. So, that is really the essential part of the entire Report of the inquiry.

Then if we all agree about that, then we have certainly to give thought to what should be done to prevent the recurrence of such abuses. Well, that is contained in the third part of the Commission's Report. I venture to submit that too much of the controversy centred round the personality of the former Finance Minister.

SHRI H. N. KUNZRU: Nobody discussed his personality. We were all concerned only with the findings of the Commission and not with the personality of Mr. Krishnamachari.

SHRI GOVIND BALLABH PANT: I am prepared to accept what Dr. Kunzru says but still when the arguments advanced hit only one man, whatever be the motive or the purpose, then he becomes the centre of controversy and that has been the case almost during the half of the afternoon today. I don't see if there was any occasion for that. All those who were directly or indirectly concerned with this deplorable affair have already been touched by what has been done. As to the Finance Minister, he has resigned and he is no longer with us. He has resigned because of this episode—that he has himself said. I don't know if hon. Members have seen that part of his letter which he sent even before the Report of the Inquiry Committee was available. "Whatever the findings of this Commission"—that is what he said in his letter to the Prime Minister, "it seems reasonably certain that the action taken by the Principal Secretary will attract the responsibility of the Minister to the Prime Minister and to Parliament", so that he accepted his responsibility in unqualified terms.



**SHRI BHUPESH GUPTA:** By passing on the baby entirely to others.

**SHRI GOVIND BALLABH PANT:** I can see the hands moving but I cannot catch the words.

**SHRI BHUPESH GUPTA:** Very inconvenient.

**SHRI GOVIND BALLABH PANT:** The Prime Minister in his reply said: "It is clear, however, that a number of steps taken in regard to these investments were not taken in the proper manner or with due safeguards. Whoever might be responsible for this, you very rightly say that, according to our conventions, the Minister has to assume responsibility, even though he might have had little knowledge of what others did and was not directly responsible for any of these steps", and the Prime Minister accepted the resignation. Well, I don't see how thereafter there is so much of heat over this matter. The responsibility is accepted and not only that, but action has been taken in accordance with this acceptance of responsibility both by the Prime Minister and also the Finance Minister. I think in the circumstances, it would have been graceful if we had not dilated upon this subject here but everyone is liable to be subjected to the scrutiny of the very penetrating eyes which are often found in Parliament and therefore one need not necessarily be tender nor should decorum and dignity necessarily guide one in his attitude towards problems.

So far as the other aspect of the Finance Minister in this affair goes, is there any room for saying that the Finance Minister has not been straightforward? The Finance Minister admitted before the Tribunal that the matter had been referred to him and that he asked the people to look into it but warned them to be careful. That was one occasion. The Finance Minister was again reminded or something was said about another affair and he said, "Yes, there was another occasion". But what was it that the

Finance Minister said or what was the Finance Minister told? If you will kindly look into the Report of the Commission you will find that at page 19 it is said:

"There can be no doubt on the evidence that Mr. Patel was primarily concerned with the transaction."

I may make it clear that I have no desire here to say anything against Mr. Patel. I am only reading out what is here but it is necessary to refer to certain matters.

"At this meeting Mr. Patel brought up the proposals which he had received from Mundhra. They were discussed briefly and it was agreed that he (Mr. Patel) should take up the question with the L.I.C. whether they could appropriately accept any of these proposals. It is further the evidence . . ."

Now all that was at that time suggested was that the Life Insurance Corporation proposes to buy these. Have you any objection? There he said, "Let the Insurance Corporation consider the matter. I don't come in the way". The Life Insurance Corporation was in charge of the funds. The Life Insurance Corporation had to arrange the deal and also to sanction investments. The Investment Committee of the Life Insurance Corporation was to look into these matters.

Then again Mr. Bhattacharyya says—I am giving extracts from the evidence of witnesses on whom reliance has been placed by the Commission. It says:

"After the State Finance Ministers' Conference was over on the 23rd, Mr. Patel and the Minister had a conversation and Mr. Patel told the Minister that a principal was willing to sell shares and that the Life Insurance Corporation was willing to buy and the Minister said that if the Life Insurance Corporation was buying, there was no harm in it, and he added that Mr. Patel

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should be careful, because there were some rumours about certain scrips being spurious, and asked him to take precautions."

This is the evidence against Mr. T. T. Krishnamachari, as it is said. Well, what does it show? There was a proposal that the Life Insurance Corporation wants to purchase certain shares. He said, "if the Life Insurance Corporation considers it proper, it is their business and they may give thought to the matter". I do not see how in those circumstances he can be held responsible for the Life Insurance Corporation's not following the rules and regulations prescribed for the purpose. The Investment Committee was not consulted; other steps were not taken. The whole thing was finalised in a hurried manner. But so far as the evidence that is placed before us is concerned, it shows that the Finance Minister was not responsible for all that. He only said that if the Life Insurance Corporation wants to purchase these shares, it is their business. He warned them. He uttered words of caution and said, "they must be careful". The man is of somewhat shady or suspicious character. He had often been issuing spurious certificates. I do not see how in these circumstances one can raise such a furore over this Resolution that I have placed before the House. I think the position is absolutely clear. What does this Resolution say? So far as the operative part of the Report is concerned, we propose to take action against the officers who may be directly concerned in arranging this deal. Then the Finance Minister was the other person who constitutionally was concerned with this and who according to his own statement had said something. I have given you the exact words, and I hope a lot of misapprehension will be removed thereby. In the circumstances I submit that when we propose to take action against the officers concerned and when the Finance Minister has already resigned,

what more are we required to do? So far as the officers are concerned, they will have an opportunity of offering their explanation or their defence. They will be given such charges, if any, based on this Report, as may flow from it, and they will be requested to state their point of view. The Finance Minister had no such opportunity. He was never asked to offer any explanation. The Minister goes out—no explanation, no inquiry—and adopts such an honourable step. Even after that if you go on flogging him, I don't think, that is right.

SHRI BHUPESH GUPTA: We are not flogging him; we are pursuing the truth. We want to find it.

SHRI GOVIND BALLABH PANT: We are all trying to pursue truth, but it is always difficult to ascertain what is truth.

SHRI H. D. RAJAH: Truth is God, according to Gandhiji.

SHRI GOVIND BALLABH PANT: Having dealt with this part of it, I would refer to the third part now. The third part refers to the general principles that have been laid down by the Commission. I referred to the Bank Rate Inquiry Commission in the morning. The Bank Rate Inquiry Commission dealt with a more or less like problem. As hon. Members are aware, the bank rate in England was raised from 5 to 7 per cent. The final step is taken by the Bank of England, that is to say, fixing the bank rate is the function of the Bank of England. Some of the Directors of the Bank of England who were aware and who had been party to the raising of the bank rate there, entered into certain transactions and sold away some of the gilt edged securities just on the eve of the day on which the Bank rate was raised. Naturally it roused the suspicion that they had done so because the value of those securities was bound to go down after the Bank rate had been raised. But the Commission of Inquiry said that though

they did take part in such transactions they did not allow this to be influenced by their knowledge of the proposed increase in the Bank rate. What a judicious approach to the problem! How many would take such a charitable view here? That was what they decided. But there was another thing and it was with regard to that that I referred. This Commission also said that the question had been raised before them, whether the Directorate of the Bank of England should have any industrialists in its Board because some such situations would perhaps frequently arise and they would have members in the Board interested in shares or industrial concerns. The Commission observed that it was not open to it or possible for it to express any opinion. It said if this point had been referred to it or if it had been required to express any opinion on the matter, it would have made a very thorough and exhaustive inquiry, which would have perhaps taken a very long time, before venturing to express any opinion. So where matters involving general principles or policies are concerned they have to be examined with great care. So while attaching considerable weight to the wholesome suggestions that had been made by the Commission it must be the duty of the Government to examine these problems fully and to see that far more thought is given to them. We have, perhaps, suffered a lot sometimes because of our endeavour to do things quickly. While speed is necessary in the matter of development, so far as the determination of principles and policies for guidance are concerned, they have to be given considerable thought. I hope, in the circumstances, the third part of my Resolution will also be found to be altogether unexceptionable.

There were, I think, many unpleasant remarks made in the course of the discussion today, but there was, at least, one welcome feature. Mr. Chagla has, on all hands, been considered to be the most eminently

fitted Judge for this inquiry. He received tributes from everyone. Similarly, I think everyone has also appreciated the valuable services rendered by Shri T. T. Krishnamachari and also has expressed regret that the country at this juncture should have been deprived of the great assistance and guidance which he could have given. Sir, there were many other remarks made. There was also some reference made to the words used in the Prime Minister's letter about the part of the ex-Finance Minister in that affair being of the smallest. I think the whole record shows that his part was the smallest. But for two casual and occasional talks which he had while going in or coming out, there was hardly anything done by him. So, it was a literally correct statement and I do not see why there should be any objection or any grievance on that score. I think truth would compel Shri Gupta to accept that.

Well, Sir, there were some other remarks made. Mr. Rajah said that the Government should resign.

SHRI H. D. RAJAH: That is Parliamentary responsibility.

SHRI GOVIND BALLABH PANT: He seems to be the only one swallow in this summer here because he does not belong to any party, so far as I know, and so, he alone cannot run the Government; but then he must have got a brainwave in the course of the discussion here because, so far as his own amendment goes, it asked the Government to do something else.

SHRI H. D. RAJAH: This is a step further.

SHRI GOVIND BALLABH PANT: It says, "recommends that Government should order a further and full investigation into the affairs of the Life Insurance Corporation of India with particular reference to the transactions which have formed the subject matter of the inquiry with a view to fixing the factual and legal responsi-

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bility for the transactions and punishing the person or persons found guilty".

SHRI H. P. SAKSENA: After the resignation of the Government or before it? That is what I would like to know.

SHRI GOVIND BALLABH PANT:  
I think Har Prasadji should have appreciated the significance of the Resolution and the comments that I had made. He—Shri Rajah—had not the idea till then that this Government does not deserve to be where it is. In the course of the discussion here it occurred to him that it would be better if he could somehow manage to elbow us out altogether and occupy all seats by himself, in Parliament as well as in the Ministerial Cabinet, benches. Well, he is welcome to entertain those notions. I have no quarrel as it is a relief to us. I also congratulate. . .

SHRI H. D. RAJAH: I want you to be there.

SHRI GOVIND BALLABH PANT:  
I am glad then that that settles it.

I do not know if there were many other things said. Certain remarks were made by Mr. Gupta about no sort of inquiry being allowed with regard to the officers who were connected with this transaction. Well, I can understand his attitude. He stands for deportation and purging. He does not like the idea of this sort of judicious approach to problems. "Take the man by the throat and throw him out." That is enough; but we have adopted a different procedure, different policy and different creed and I am told that even the Communist Party of India now stands for peaceful methods.

SHRI BHUPESH GUPTA: Yes, Sir. we want Mr. Patel to be very peacefully dismissed.

SHRI GOVIND BALLABH PANT:  
Well, Sir, if the methods are to be peaceful . . .

SHRI BHUPESH GUPTA: Very peaceful.

SHRI GOVIND BALLABH PANT:  
. . . they have also to be just; otherwise, what is unjust cannot be secured by peaceful methods.

Well, Sir, there are also some other points scribbled by me, but I do not think it is necessary for me to take more time of the House. A suggestion had been made that a Parliamentary Committee should be set up to keep a watch on all Corporations. Well, corporations are attached to Ministries and every Ministry, I think, has a Parliamentary Committee attached to it.

SHRI BHUPESH GUPTA: No, we do not have any power. You may not consult us.

SHRI GOVIND BALLABH PANT:  
It is for the Ministry concerned to consult them but I may remind the hon. Members that if they want the Report of the Chagla Commission to be reviewed by a Parliamentary Committee, that would be a very queer sort of procedure.

SHRI BHUPESH GUPTA: No, we are not asking for that.

SHRI RAJENDRA PRATAP SINHA:  
We do not want that.

SHRI GOVIND BALLABH PANT:  
If there are other matters over which there is any dispute and if they should be referred to Parliamentary Committees, then I may just mention that cases of that character were referred to Parliamentary Committees in the U.K. with the result that the Reports of the Committees were always divided according to the parties to which the Members belonged. No unanimity could, however, be reached and always there was a division on party lines. So, the judicial

method is the best one. So far as the officers are concerned, the usual course will be adopted and if sufficient material is forthcoming for enabling the Government to make a further investigation into matters connected with or arising out of this inquiry Government will be prepared to make full use of such material.

Sir, I hope that this inquiry will have put an end to the various doubts and misgivings that might have arisen out of this transaction. We have now to devote our attention to constructive tasks. Let us then join hands, march ahead and see that the status and the stature of the country and of every citizen living in it are raised to the maximum height possible; and let us not be misled by rumours, insinuations or innuendo which do not become the citizens of a great country like India.

SHRI H. D. RAJAH: Sir, in view of the categorical assurance received from the hon. Minister that he will be glad if he is relieved from the post, I expect a General Election to come soon.

With these few words, I beg leave to withdraw my amendment.

\*Amendment No. 1 was, by leave, withdrawn.

SHRI BHUPESH GUPTA: Sir, I would like to support Shri Pant's amendments 3(ii) and (iii). We have no objection to these. Now, our amendment was given to the original motion of the Government but that now has been amended. I would like to support 3(ii) and 3(iii) and then add on our things. Let there be give and take. I accept two of yours and you accept four of mine.

\*For text of amendment, vide col. 1195 *supra*.

MR. DEPUTY CHAIRMAN: No give and take.

SHRI BHUPESH GUPTA: What about a bargain, Sir? It is better than the Mundhra bargain.

MR. DEPUTY CHAIRMAN: Do you want me to put this to the vote?

SHRI BHUPESH GUPTA: I would like to know from the Government.

MR. DEPUTY CHAIRMAN: No give and take.

SHRI BHUPESH GUPTA: No give and take with us? Only with the Mundhras? All right.

SHRI GOVIND BALLABH PANT: You accept mine today and I shall give sympathetic consideration to yours day after tomorrow.

MR. DEPUTY CHAIRMAN: The question is:

2. "That at the end of the motion the following be added, namely:—

'and having considered the same, this House—

(i) accepts the findings of the Commission on the terms of reference before it;

(ii) recommends that in view of the fact that the entire truth has not been revealed, an All-Parties Parliamentary Committee be set up to further probe into the Life Insurance Corporation of India-Mundhra deals and all allied and relevant matters;

(iii) recommends further that a permanent All-Parties Parliamentary Committee to supervise the working of autono-

[Mr. Deputy Chairman.]  
mous corporations and State  
undertakings be set up;

(iv) directs that Government  
take steps to remove from  
service all officers involved in  
the Life Insurance Corporation  
of India-Mundhra transactions;  
and

(v) directs that Messrs.  
Jessop & Co., Ltd., be taken  
over by the Government and  
nationalised and effective Gov-  
ernment control be establish-  
ed in all concerns in which  
the Life Insurance Corporation  
of India has invested sub-  
stantial funds.'"

The motion was negatived.

MR. DEPUTY CHAIRMAN: The  
question is :

4. "That at the end of the motion  
the following be added, namely:—

'and having considered the  
same, this House approves that—

(i) Government accept the  
findings of the Commission;

(ii) Government propose to  
enquire into the responsibility  
of and to institute proceedings  
against the officers involved in  
the transactions between the  
Life Insurance Corporation and  
Shri Mundhra which are  
referred to in the Report of the  
Commission;

(iii) Government examine  
carefully the principles recom-  
mended by the Commission for  
adoption by Government and  
the Corporation;

and recommends that Govern-  
ment should lay before each  
House of Parliament the result  
of their examination and the  
principles which they propose to  
adopt in future.'"

The motion was negatived.

MR. DEPUTY CHAIRMAN: The  
question is :

5. "That at the end of the motion  
the following be added, namely:—

'and having considered the  
same, this House—

(i) records its approval to  
the findings of the Commis-  
sion that the transaction  
resulting in the purchase of  
shares of the six companies was  
not entered into in accordance  
with business principles and  
was opposed to propriety on  
several grounds;

(ii) recommends that Gov-  
ernment take strong measures  
against all officers who are  
involved in it;

(iii) recommends that further  
a detailed probe be held in  
the whole matter so that the  
full truth comes out of it and  
the share of responsibility is  
properly laid on the officers  
and other persons con-  
cerned;

(iv) recommends that a suit-  
able pattern of administration  
and management be evolved for  
all nationalised industries and  
corporations;

(v) recommends that proper  
enquiry be held why the  
answers given by the Minister  
concerned are not in confor-  
mity with the evidence tender-  
ed by the Minister and why  
full and correct information  
was not supplied by the depart-  
ment to the Minister; and

(vi) recommends that parlia-  
mentary committees be associa-  
ted with the Minister regard-  
ing all industries in an advi-  
sory capacity.'"

The motion was negatived.

MR. DEPUTY CHAIRMAN: The  
question is:

6. "That at the end of the motion, the following be added, namely:—

'and having considered the same, this House recommends—

(a) that Government should institute a further inquiry into all investments made by the Life Insurance Corporation since its inception; and

(b) that a Standing Parliamentary Committee be set up to supervise the working of autonomous Corporations and State undertakings.'"

The motion was negatived.

MR. DEPUTY CHAIRMAN: The question is :

3. "That at the end of the motion the following be added, namely:—

'and having considered the same, this House records its approval of the decisions of Government that—

(i) Government accept the Commission's findings to the effect that the transaction resulting in the purchase of shares of the six companies was not entered into in accordance with business principles and was also opposed to propriety on several grounds;

(ii) Government propose to initiate appropriate proceedings, on the basis of the findings of the Commission, in respect of the officers responsible for putting through the transaction; and

(iii) Government propose to examine carefully the principles recommended by the Commission for adoption by

Government and the Corporation.'"

The motion was adopted.

MR. DEPUTY CHAIRMAN: Now I put the original motion as amended by amendment No. 3.

The question is:

"That the Report of the Commission of Inquiry into the affairs of the Life Insurance Corporation of India, laid on the Table of the Rajya Sabha on the 13th February, 1958, be taken into consideration, and having considered the same, this House records its approval of the decisions of Government that—

(i) Government accept the Commission's findings to the effect that the transaction resulting in the purchase of shares of the six companies was not entered into in accordance with business principles and was also opposed to propriety on several grounds;

(ii) Government propose to initiate appropriate proceedings, on the basis of the findings of the Commission, in respect of the officers responsible for putting through the transaction; and

(iii) Government propose to examine carefully the principles recommended by the Commission for adoption by Government and the Corporation."

The motion was adopted.

MR. DEPUTY CHAIRMAN: The House stands adjourned till 11 A.M. on Monday.

The House then adjourned at fifty-one minutes past five of the clock till eleven of the clock on Monday, the 24th February 1958.