

(c) what amount was spent by Government for purchasing seals from the said workshop during the year 1951-52 and what types of seals were purchased ;

(d) whether the Director General, Posts and Telegraphs, inspected the workshop this year ; and, if so, what was his report ;

(e) whether Shri Khurshed Lal, the late Deputy Minister, inspected this workshop and recommended the abolition of the contract system ; and

(f) whether Government are aware of the fact that the contractors get the seals prepared by artisans at a low rate and supply them to Government at a higher rate ?]

THE DEPUTY MINISTER FOR COMMUNICATIONS (SHRI RAJ BAHADUR) : (a) The number of Government servants employed in the Postal Seal Workshop, Aligarh, is 19, and the monthly expenditure incurred on them is Rs. 1940 per month.

(b) There are no workmen employed by the P. & T. Department. The contractors engage their own labour which is fluctuating. The question of declaring the Workshop a factory is under consideration. When this is settled the workers will be entitled to the amenities under the Factory Act.

(c) Rs. 2,75,000 approximately. A statement is laid on the table showing the types of seals purchased during the year. [See Appendix III, Annexure No. 20.]

(d) No. The Workshop is not to be inspected annually by the Director-General.

(e) Shri Khurshed Lal, the late Deputy Minister visited the Workshop in 1949 and had discussions with the workers and the contractors. He recommended the abolition of the contract system.

(f) The rate paid by Government to the contractors has to cover the cost

of the materials as well as labour and contractor's profit is naturally higher than the rates paid by the contractors to the artisans.

#### LEAVE OF ABSENCE TO SHRI B. S. VENKAT RAO

MR. CHAIRMAN : I have to inform hon. Members that I have received the following letter from Shri B. S. Venkat Rao :

"I have the honour to state that I am unwell, suffering from cold, cough and fever, I am also a diabetic. I am under medical treatment. I may attend the sessions when the doctor permits me to leave my house. Therefore I request you to kindly excuse my absence."

Is it the pleasure of the Council that permission be granted to Shri B. S. Venkat Rao for remaining absent from all meetings of the Council during this session ?

(No hon. Member dissented.)

MR. CHAIRMAN : Permission to remain absent is granted.

We go on to legislative business.

SHRI P. SUNDARAYYA (Madras) : Before we proceed, I suggest that the present time of beginning the session at 10.45, going to lunch at 1, coming back at 2.30 and proceeding till 5 or 5.30 is very inconvenient. As we have been doing last session I think we can start at 12 and go on till 5. I think it will be more convenient.

(Hon. Members did not agree.)

#### THE FORWARD CONTRACTS (REGULATION) BILL, 1952

THE MINISTER FOR COMMERCE (SHRI D. P. KARMARKAR) : Sir, I beg to move :

That the Bill to provide for the regulation of certain matters relating to forward contracts, the prohibition of options in goods and for matters connected therewith, as passed by the House of the People, be taken into consideration.

[Shri D. P. Karmarkar.]

Sir, I should like to hold the attention of the House for a little while because this measure, both before it was introduced in the House of the People and during the course of discussion in that House, has been the subject of comment and discussion, and rightly so. Before commencing my observations on the substantive portions of the Bill I should like to dwell briefly on one initial point for the purpose of clearing the ground.

Sir, as in all human affairs, there is a large amount of speculation, in matters of trade also. There is a bit of a shady impression connected with the word "speculators" as such. But, Sir, I am quite sure that hon. Members of this House appreciate the fact that speculation, rightly exercised and rightly guided, does perform a very useful function in matters of trade, and especially so in respect of what are known as forward contracts. If we were to be guided by a law which allowed only what we know as ready delivery contracts, in the sense that A offers to buy and B offers to sell and both the transactions—the contract as well as the delivery—are concurrent, if that were the law, it would necessarily lead to a large dislocation of trade. For instance, the grower can enter into a forward contract with the primary dealer who buys his goods. And unless there was a time lag, it might as well be that the grower might be at a disadvantage. The grower has not a very large staying power; the grower wants advances and accommodations. Therefore, it is in the interest of the grower that the law enables him to enter into what is known as a forward contract with the trader who purchases the particular commodity from him. The second advantage of a forward contract is this, that such a contract enables the trader to minimise his risk. He enters into a contract with the seller, and if he finds at any moment that it is advantageous for him to sell away those goods, he can do so. That gives him a very healthy freedom. Then, thirdly, forward contracts, rightly entered into and rightly regula-

ted, do also result in a steadiness in prices.

Whereas this is what we might call the constructive aspect of speculation, there are disadvantages also; if speculation were to be allowed to run its own course unbridled by any regulation. This speculation has in the past taken many forms. One particular form of it which is sought to be banned altogether is what is known as options. I should like to invite the attention of the House to the definition of options at clause 2(g) in this Bill. "Option in goods" means an agreement, by whatever name called, for the purchase or sale not of a particular commodity, but of a right to buy or sell or a right to buy and sell. The commodity is not specified. The commodity may not be in existence at the time that the transaction to buy or sell, this right, to sell or purchase, is entered into. It is not actually any transaction whatsoever. It is only a nominal sale of the commodity. A enters into a contract with B and says, "Now, here is a right to purchase which I want to purchase from you." That particular right to purchase is itself made the subject of another contract, and then, later on, after A has acquired the right to purchase or the right to sell, as the case may be, he sells that right. He does not sell the commodity, the agreement between the parties being that he should have a right to purchase an unspecified commodity at a future date. Now, I sell away that right. Such a transaction is known as *satta* in common parlance, or what is popularly known as *teji* and *mandi* or *galli*. But these are the words current to describe what is known as an option, which is a purely speculative transaction.

AN HON. MEMBER : "Gambling".

SHRI D. P. KARMARKAR : "Gambling" is rather a crude word to describe options, but it is liable to result in gambling. In fact the effect of indulging in this type of contract is what is known as gambling. I should like to make it clear that this is sought to be banned by the present Bill.

I should also like to refer to another technical expression which has been in use recently. Formerly there were only two types of contract, namely, the ready delivery contract and all the other types other than those covered by the expression "ready delivery contract". Under the ready delivery contract the goods are there to be delivered and ready to be purchased. Those which were not covered by the term "ready delivery contract" went in under one category. During the war, when the futures contracts were sought to be regulated for the first time, there came into vogue what is known as a non-transferable specific delivery contract. Now, this is a contract for specific delivery; that is to say, delivery maybe, not of the goods now in existence, but certainly of tangible goods that are sought to be specifically delivered—not a general description—that such and such types of goods shall be delivered after a certain date. Now, hon. Members will easily be able to appreciate that such a contract might be a transferable contract; that is to say, by the terms of the contract itself it may be provided that I am entitled to transfer it. I have got a certain right under the contract, and I am entitled to transfer it to anybody whatever. Then, there is also another category which is evolved by practice, which we have tried to define here as a non-transferable specific delivery contract. Now, this contract is a contract which in the first instance invites specific delivery to complete that contract. And in addition to that, if you are to go by the face value of the contract itself, it is a non-transferable specific delivery contract; it cannot be transferred. That is the agreement between the two parties.

There has been some discussion in respect of including straightway within the purview of this regulatory law the non-transferable specific delivery contract also, and therefore I should like to hold the attention of the House for a moment and dwell on this particular type of contract. Now, though ostensibly a non-transferable specific delivery contract may be non-transferable, there are ways and means by which it

can also be rendered a speculative contract. What is the precise significance of a non-transferable specific delivery contract? The precise significance is this, that that contract is a real contract. It is not a speculative contract. It is a contract that has to be carried out by the actual fulfilment of the terms of the contract. Supposing A enters into a non-transferable specific delivery contract with B, what happens? At some time or other, A, if he is the buyer, and B the seller, who has to deliver the goods to A at a specific future date, in addition to that part of the contract, A binds himself with B that the contract will be non-transferable, that A will deal with B as per the terms of the contract. Now, suppose at a later date both A and B find it convenient, not actually to carry out the terms of the contract but to make up what is known as the difference. Maybe, A loses in the transaction at a particular time. Now, if A is the loser and B the gainer, then the whole transaction may be squared up by making up the difference by one party to the other—a sort of compensation for breach of contract or non-fulfilment of contract. And this kind of transaction might also give rise to unhealthy speculation.

This question has also been considered by the earlier experts' committee, and then, later on, during the various stages of the Select Committee, and the two views that were urged before us were these. One view was that since a non-transferable specific delivery contract might also, once in a while—it more or less depends on the particular intensity of the view that a particular person takes—might, though rigidly worded, lend itself to speculation, it would be safer for us to bring it within the purview of this law which seeks to regulate all types of contract.

Sir, it all depends upon how you put it. You might bring it under the provisions of this Act. Since the article contracted is of a particular kind under section 15, the same notification shall be issued in respect of these contracts also. But, however, in cases where Government find it proper, they may exempt the non-

[Shri D. P. Karmarkar.]

transferable specific delivery contracts from the purview of this Act. You might as well put it there to start with the exemption from the purview of this Act, but wherever Government thinks it to be desirable, in those cases, Government may deem it proper to bring all these specific contracts within the purview of this. It all depends upon the emphasis one lays upon the nature of the non-transferable specific delivery contract.

Sir, I shall refer to this point later on. But at this moment, I would like the hon. Members to remember the definition of a non-transferable specific delivery contract. It means "a specific delivery contract the rights, or liabilities under which or under any delivery order, railway receipt, bill of lading, warehouse receipt or any other document of title relating thereto are not transferable". Now, then, there is what is known as "ready delivery contracts", which is also defined here. I shall not take up the time of the House in reading its definition in detail. It means that the delivery of the goods and the payment of the price therefor shall be immediate or within such period not exceeding eleven days after the date of the contract. Since it is a ready delivery, it has to be a ready contract. It has been found that for the purpose of convenience certain types of commodities require this facility to enable the seller to make the goods readily available to the buyer. Suppose, the goods are for Delhi. It will take some time for them to reach the place. But under the contract, it has to be a ready delivery. It simply means a specific delivery contract which is not a non-transferable specific delivery contract. That is to say, there are certain circumstances under which the right may be transferred. These are the various types of contracts which this measure proposes to deal with.

Sir, there is a history behind this measure and it might be interesting to the hon. Members to know a little about it. This Bill is intended to provide a machinery by which the

Central Government can regulate forward trading in commodities on an all-India basis. It is intended to fill an important, and I should say, a serious gap in the existing legislation on this subject. While it is recognised that forward trading has a useful role to play in the economic life of the country, it is essential that Government should have powers to keep it under control, so that it may not degenerate into mere gambling, or assume such unhealthy proportions as would adversely affect the economy in general. As the House is aware, the subject of "stock exchanges and futures markets" is included in the Union List and consequently, the State Governments are no longer competent to enact legislation with regard to forward markets. Under the Essential Supplies (Temporary Powers) Act, 1946, the Central Government can regulate forward trading only in the essential commodities specified in that Act, but action may be needed, not only in the case of those commodities, but also in many others. It is, therefore, clearly necessary that the Central Government should have the powers, which this Bill seeks to give them to regulate forward trading in all commodities. At present, Bombay is the only State where forward trading is being regulated, under a State law, more or less on the lines proposed in this Bill. The House will appreciate that any such action affecting trade in commodities which are of all-India significance should be taken on a country-wide basis, or, in other words, such action should be taken by or under the authority of the Central Government. The Constitution-makers had this object in view when they decided to include this subject in the Union List and this Bill is intended to implement that decision.

The subject-matter of this Bill has been under discussion between the Central Government and the various interests concerned for nearly 2½ years. The first draft of this Bill was prepared in February 1950. It was circulated to State Governments, the

Reserve Bank of India, Chambers of Commerce and various other interests concerned in order to elicit their views. In July 1950, the comments received from various sources were referred to an Expert Committee under the chairmanship of Shri A. D. Shroff. The Bill was revised in the light of these comments and the recommendations of the Expert Committee, and it was introduced in the last Parliament in December 1950, by Shri Sri Prakasa, the then Minister for Commerce. After a general debate on the main features of the Bill, it was referred to a Select Committee which revised it further. Since then, the Government of India have received some more comments on the Bill from various quarters, including the State Governments and commercial interests. The Bill further amended in certain particulars to take account of these comments, was introduced in the House of the People in August last and was referred to a Select Committee. The Bill before the House is virtually as it was recommended by the Select Committee which was accepted by the House of the People.

Now, Sir, as I said earlier at the commencement of my speech, speculation has its own uses. In so far as speculation is based on intelligent anticipations about the future changes in demand and supply, it tends to even out price fluctuations and thereby makes for greater stability of prices. Thus, within limits, speculation can exercise a wholesome influence on the economy of the country. At the same time, it must be borne in mind that, with a few exceptions, forward markets in India are not yet well-organised and that, in the past, speculation has been responsible for excessive fluctuations in prices. Many of the associations under whose auspices forward trading was carried on in the past failed to exercise proper control over the activities of their members. In many cases the associations found themselves unable to take strong action, because the persons involved were either members of the governing bodies or were otherwise holding important positions in the

trade. During the war, Government had to prohibit futures trading under the Defence of India Rules in many commodities such as foodgrains, oilseeds, oilcakes, vegetable oils, raw cotton, spices, sugar and bullion. After the Defence of India Act expired, some of these orders, such as those in respect of foodgrains, edible oilseeds and oils, raw cotton and spices were kept in force under the Essential Supplies (Temporary Powers) Act, 1946 and similar orders about cotton seed and sugar were issued under the latter Act. In the case of raw cotton only, as hon. Members are aware, a general exemption was granted, subject to certain conditions, with respect to futures trading conducted under the auspices of the East India Cotton Association, Bombay. In view of this past experience, it is not Government's intention to effect any general relaxation of the bans at present in force on futures trading in commodities. Cases where futures trading should be allowed to be resumed will be selected with great care after a thorough examination of the prospective conditions of demand and supply and their likely effect on wholesale prices and cost of living. Futures trading will be permitted only in the case of commodities where this facility is genuinely needed and will be confined to those associations whose rules, bye-laws and general standing and experience provide reasonable assurance that the activities of their members will be kept under proper control. Government are aware that forward markets in India have a tendency to get into recurrent crisis, mostly due to over-trading, and it will be the endeavour of Government to devise adequate safeguards against this evil. Regulation of forward trading, to the extent contemplated in this Bill, is avowedly a new undertaking and Government, therefore, propose to extend their commitments in this field by gradual stages and as experience is gained.

This Bill is largely an enabling measure and its main features are fairly simple. Control over for-

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ward trading is to be exercised mainly through the medium of an association or associations to be recognised by Government. Whenever Government decide to regulate forward trading in any commodity, they will notify the decision and invite applications from associations wishing to be recognised under section 6. It is our intention that generally only one association should be recognised for any commodity in any demarcated area. Section 6 provides for the appointment of a Government representative on the governing body of a recognised association and also of not more than three persons, to be nominated by Government as members of the governing body, to represent interests not directly represented through the membership of the association. When an association is recognised for any commodity and a notification applying the Act to that commodity is issued under section 15, forward trading in that commodity will not be allowed to be carried on except by or through the members of the recognised association, and in accordance with the bye-laws of the association.

For an association, bye-laws form the chief instrument of control, because it is through the bye-laws that an association regulates the day-to-day activities of its members. Any change in the bye-laws of an association or its rules will require the approval of Government. And, Sir, in the past, during the course of these discussions it was brought to our notice that in spite of the agreed bye-laws being there, openly the associations allowed members to square up their deals in a manner not originally agreed between them, not certainly in a manner which might be encouraging. Sir, such a thing will be impossible because this Bill provides remedies for such a transgression of its working rules by the association. A recognised association, either on its own initiative or at the instance of Government, will have the power, under clause 11, to impose any restriction on the activities of its members, by

way of fixing maximum and minimum prices, limiting daily fluctuations in prices, requiring members to receive margins from their customers against purchases or sales, limiting the volume of business done by any one member or in any other way. Government will have the powers, under clauses 10, 12 and 14, to amend the rules and bye-laws of an association and, in emergencies, to suspend the business of an association. Clause 8 of the Bill empowers Government to order an inquiry into the affairs of a recognised association or those of any of its members. In extreme cases, Government will have the power under clause 13 to supersede an association or under clause 7 even to withdraw recognition. It is necessary that Government should have these powers to enable them to exercise effective control over forward trading.

Sir, I would like to refer to three or four other features of the Bill. Firstly, stock exchange transaction have been excluded from the scope of this Bill. Regulation of stock exchanges raises somewhat different problems and Government considered it best to deal with them by separate legislation. Secondly, Sir, under clause 19 of the Bill, options, as I said a moment ago, are to be prohibited altogether. In an option transaction, a man's liability is limited to the premium he has to pay for the right to buy or the right to sell and this right is not accompanied by any obligation to buy or to sell. This makes speculation a fairly inexpensive game for persons with small means and attracts a large number of outsiders into the market, because the utmost liability there is to pay the difference or to pay the compensation. As the Expert Committee observed, the option business has thus a demoralising effect on the whole trade and Government have, therefore, accepted the Committee's recommendation to prohibit options altogether. Thirdly, Sir, "non-transferable specific delivery contracts", as defined in clause 2 of the Bill to which I referred a moment ago, are to be exempted

from the provisions of this Bill. But provision has been made to prevent any association other than a recognised association to deal in such contracts. Non-transferable specific delivery contracts are contracts which provide for future delivery, but are not transferable from one party to another. Being non-transferable, they are not normally settled by being offset against one another, and hence this type of contracts is not generally used for speculative purposes. However, this particular provision had undergone several changes from the time when the Bill was first considered by the Provisional Parliament till it was finally passed in the House of the People two weeks ago. The present provision of clause 18(1) is, but for the proviso, in the same form as it was in the original Bill introduced in 1951. These provisions follow the recommendations of the Expert Committee which had recommended that non-transferable specific delivery contracts should be exempted from the purview of this measure. But in the original Bill, provision was made to bring in such types of contracts also within the purview of clause 15. The first Select Committee had, however, changed the position. The change enjoined the Central Government in cases where notification under clause 16 had been issued in respect of any goods or classes of goods, to define by a like notification the area in which a recognised association may regulate and control non-transferable specific delivery contracts in respect of such goods or classes of goods. It went further than that in the second sub-clause of clause 18 and empowered Government, where it considered expedient, to regulate and control non-transferable specific delivery contracts even in areas which have not been notified under clause 15. The Bill, as it was introduced in the House of the People, carried these provisions in clause 18. But the Select Committee by a very substantial majority decided to go back on the decision of the previous Select Committee and restored the original sub-clause (1) of clause 18 with the proviso that

no person shall organise an association or that association shall function other than as an association recognised under clause 15 in order to regulate non-transferable specific delivery contracts. Naturally, because Government saw that no harm was done to the body of the Bill, a provision had to be put in not to empower Government to bring non-transferable specific delivery contracts within the competence of a recognised association in cases 12 NOON. where it was considered necessary, and sub-clause (3) was added. Sub-clause (2) of clause 18 has a different history. Certain sections of the jute trade had claimed exemption in respect of transferable specific delivery contracts, a position which was made clear in the dissenting minutes to the Select Committee's Report. The claims of the jute trade were supported by the Government of West Bengal. It was originally intended that the exemption clause, which is now clause 28, could be utilised for this purpose and relaxations made in special cases in granting exemptions. It was, however, felt in the Select Committee of the House of the People that the assurance given to the jute interests had better be put in by a clause empowering Government to exempt transferable specific delivery contracts in certain cases and sub-clause (2) of clause 18 fulfils this purpose. I would like to add that there was a large amount of opposition to the change made by the Select Committee of the House of the People. The opposition largely arose from the fact of a misunderstanding of the position. The provisions of clause 18(3) are sufficiently adequate to prevent any abuse of the right conceded by the exemption of non-transferable specific delivery contracts. The Government are quite prepared to give an assurance that, should such abuse exist or come into being, any demand made for a notification under clause 18(3) which is supported by the State Government would be very carefully considered by the Central Government. The Government have not, by accepting the change proposed by the Select Committee of the House of the People, surren-

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dered the powers to control the abuse of non-transferable specific delivery contracts even though they have agreed to change the form in which powers were vested in Government.

Sir, the hon. Members will observe that in clause 3 of the Bill provision has been made for the establishment of a Commission called the Forward Markets Commission. In order that the forward markets in the country may be kept under close observation and that Government may have the necessary expert advice in regard to the various technical problems which will arise in the course of administering this measure, it is necessary that a specialised agency should be created under the Bill. In addition to assisting Government in the current administration of the Act, the Commission will also study the wider problem of improving the organisation and the working of forward markets and make recommendations. The Commission's advice will be available not only to the Central Government, but also to the State Governments to which the Central Government may have to delegate some of their powers under this Act. Provision has also been made under clause 25 of the Bill for the appointment of an Advisory Committee to advise Government in relation to any matter concerning the operation of this Act. The Advisory Committee's functions have been often mistaken and it has been considered by many that an Advisory Committee is redundant particularly because the Forward Markets Commission itself would be advising the Government on all matters necessary in connection with the administration of this measure. The Advisory Committee is really a consultative committee. The nature and composition of the Committee will have to be determined under the rules, but it will cover a very wide field of activities in forward markets. There will be no ban on people who are actually dealing in forward contracts and even they will be invited to serve as members of this consultative committee. It may be that the Com-

mittee might meet once or twice a year as the case may be. Its chief function will be to review the working of the Act, to advise Government generally in the administration of the Act and suggest such changes as are necessary from time to time to correct the abuses that have crept in and so forth. In the opinion of Government, such a body might be very useful particularly in the matter of a measure of this kind.

The hon. Members would perhaps have read the Minutes of Dissent of the Members of the Select Committee of the House of the People. I trust I have adequately dealt with the minutes in respect of clause 18 by what I have said above. The contents of one of the Minutes of Dissent should perhaps be mentioned. It is a point raised by Shri C. C. Shah of the House of the People, who, I am aware, has considerable experience of the working of the forward markets in his capacity as a legal adviser to several bodies dealing with forward contracts. It was obviously his intention that the area of the operation of this measure must be wide so that there can be no association anywhere in the country functioning for purposes of regulation and control of forward contracts excepting an association which applied and obtained recognition. Similarly no person shall be a member of the association unless it is a recognised association. It will virtually mean that the provisions of clause 15 should be widened so as to apply to the whole country and that Government should permit recognised associations in particular places as and when they choose. The Government felt that while it might be the ultimate culmination which should be aimed at, they were not ready at the moment to undertake this responsibility. The intention of clause 15 is that it should be applied to particular places and where it is applied the associations shall be recognised associations and shall come within the scope of this measure. As we go on gaining greater experience, it is quite possible that the aim that Mr. Shah



has disclosed in his Minute of Dissent would be possible of being achieved.

The economic situation in India and in the world generally has undergone a marked change in the last few months. In the case of many commodities, the earlier inflationary trend has been sharply reversed and considerable uncertainty prevails about the future trend of prices. In such a situation, the availability of hedge trading facilities might be of considerable assistance to trade in certain commodities. Government have already received a request from the East India Cotton Association for permission to reopen hedge trading in cotton. The proposal requires careful consideration from several angles and Government have not yet reached a decision. In Bombay, futures markets are functioning in castor seed and bullion. Since, under the Constitution, futures trading is a Union subject, it is desirable that the Central Government should be invested with the necessary powers as early as possible to secure co-ordinated action in this matter. The House will appreciate that even if futures trading were to be allowed only in the commodities, I have just mentioned, the task of regulating it would be of sufficient magnitude and importance to justify the setting up of the machinery contemplated in this Bill.

Sir, that is about all I have to say by way of inviting the attention of hon. Members of this House to the salient facts of this measure. I took the liberty of speaking at this length because I thought if the essentials of the Bill were grasped, it would be easy for the Members to deal with the various points. The intention of this measure is to regulate, not to ban, all forward contracts. Firstly, the contracts of a purely speculative nature have been excluded and they have been banned. No person would be free to enter into such contracts. Secondly, regular associations recognized for the purpose will be in a position, under certain circumstances, in notified areas,

to carry on transactions of this nature. Thirdly, such associations also have not been given absolute freedom. Government have thought it proper that it is very necessary that those very associations will require the popular will and so we have taken care to see to it that those safeguards are exercised firstly by regulation of the bye-laws of such companies because it is the bye-laws that will be effective in directing the affairs of the particular association in a healthy or unhealthy manner; secondly, by way of taking action even to the extent of suspending the operation of its work by particular associations because an association consciously or unconsciously may be doing something which is not desirable from the point of view of fulfilling the purpose of this legislation. Fourthly, I should like to invite the attention of this House to one salient feature of this particular measure. We have not sought to go far with it and we have not sought to go very near it. We want to learn by experience; we want the country to learn by experience. As Members are aware, trade is a subject which has to be handled with great care. While our object is certainly to stop unsocial speculation, at the same time it is not our intention in any manner to obstruct the free flow of trade. Under these conditions, Government felt that this measure is a measure which does not go too far, which does not go too near and which would take a definite step in the right direction and with the full co-operation of the people and the great mercantile community, will make progress and may be in a short time, it may be possible for us, when the full implications of this matter are understood by the people concerned, it may be possible for us to take another stride forward completely eliminating the unhealthy effects of speculation which might result in harmful effects to the country. Sir, I move.

MR. CHAIRMAN : Motion moved :

That the Bill to provide for the regulation of certain matters relating to forward contracts, the prohibition of options in

[Mr. Chairman]

goods and for matters connected therewith, as passed by the House of the People, be taken into consideration.

SHRI B. GUPTA (West Bengal) : Mr. Chairman, it is in the very fitness of things that this first elected Parliament should have directed its attention to this question of speculation that goes on in the country. But the regret is that the present Bill and its proposals, instead of striking at the very heart of speculation, seek to justify it. And the hon. Minister has put it that speculation, if rightly exercised and correctly guided or something like that, has a very beneficial function to play. That has been the point of view of the business world in India. Some of them said that it is the trade on intelligent anticipation. The leader of the Hindu Mahasabha, while speaking in the other House, contended that this forward trading and speculation brought benefits to the industry and the consumers and many men of business got up to lend their support to this great cause of speculation provided it was, as the hon. Minister would have us believe, rightly guided and wisely exercised. Now, we don't share these points of view because we don't feel that it is at all a beneficial thing to have this kind of speculation in the country. We have had ample experience of this speculation during the last two decades and we have come to realize the common man has come to realize, whether he be a primary producer or be he a consumer—that the speculation ruins the producing classes, the agriculturists; the speculation fleeces the consumers; the speculation or forward contracts, if you like, ruins and smashes the small men in the trade and industry and at the same time it concentrates the power of wealth in the hands of a very limited few who begin to dominate the economic life of the country. It is futile to escape from the realities when they are knocking at your doorstep almost every day. The hon. Minister in introducing this measure did not take into account those grim realities probably because that did

not suit the interests of those people who stand behind the party in power. Now what is this business of forward trading? We are not here concerned with the kind of contracts that normally take place in a civilized society. The contracts are there and there may also be a lag in time between the signing of a contract and performance of it. This is very normal but here in India we have come across what we call forward contracts—they have acquired a special connotation in the context of our economy and these contracts are downright speculation. There is a claim on the part of the Government that they are going to guide the misguided and control the uncontrollable. Now it may be so, but what we really know from our experience is that you can't possibly control a social sin, a social injury, let loose in the economic field by this kind of platitudinous measure which would mean nothing in practice. Now, what are these things? We see that in our society, forward trading has started in certain commodities, for instance, in jute, cotton, oilseeds and other things, which are produced by millions of agriculturists spread all over the country who, as the hon. Minister himself said, have no staying power, who live on the border line of starvation and who are absolutely up to the neck in debt and who are left to the mercies of economic situations over which they have no control. These are the people who actually grow the wealth of the land, who produce these things. These things have, naturally, to be disposed of ultimately, some in mills and in some cases by means of exports. So, on the one hand, you have the producers of these commodities and on the other hand, you have the ultimate consumers. The consumers of some of these commodities, like jute and raw cotton, are just a handful of people. There are about 400 textile mills in India and there are about 125 jute mills in the country. These again are under the control of a number of managing agents. In fact, they are shared between a number of families and 'Houses' as they are called. There are the British, the

Birlas, the Dalmias and similar other houses which stand behind the Congress. These are powerful people in the sense that they have the tremendous force of wealth at their command. They are actually behind it all and there are other financial—if I may say so—financial sharks. They are a handful, but they are in a position, by virtue of their pre-eminence in the economic set-up, because of the wealth they possess, to control the entire organism. They, no doubt, have their agents in various places and they control the markets through the telephone. They function through the telephone, from Calcutta, Bombay and Ahmedabad. From these places they control the cotton market of the whole of India. They determine the fate of the producers of cotton—and all this over the telephone. If you go to any of these places, you will find how the whole arrangement functions. They actually take no part in the production of the commodity. Some of them, of course, take interest as industrialists ; but some of them are there as mere speculators. These speculators are not even industrialists, they do not even own a mill, but they control the market. Against these people, these people who form the financial oligarchy, buttressed with power, buttressed with all kinds of things and most certainly with their command over the wealth of the country, we have the producers, the producing classes, the poor agriculturists. Now, naturally, when the harvest comes in—even before the harvest comes in—the agriculturist is under their power. The agriculturist has to sell his produce and he rushes to the market to sell it as speedily as possible in order to make his both ends meet. As we know, whatever he has, he has to sell and he gets very little compared to the costs of what he has to buy. It is a well-known fact that the prices of agricultural products do not keep pace with the rise in price of other commodities which normally the agriculturist consumes. So, naturally, he rushes to the market and there he is preyed upon and he is ambushed by the financial sharks, by their finan-

cial agents. They enter into contracts and they rob the agriculturist, so to say, and he is made to sell his things at whatever price he is dictated to by the financial bosses, who sit somewhere in Calcutta or Bombay or Ahmedabad. These poor people do not know what happens to the stock exchange they know nothing about the trends in the markets, they do not even read newspapers. They live in complete darkness. Among these folk all kinds of stories are spread so that they might sell away their products. And when they sell, they do not sell in the sellers' market, they sell actually in the buyers' market. This is what happens in our country, because of the manipulation of speculative forces. That is how things are cornered by these agents.

Then come some "intelligent people" to display their intelligence. After this initial robbery "these intelligent men" come to try what is called their intelligent anticipation. After this initial robbery then, of course, all kinds of speculation take place between these people. Whether they are clubbed together in associations or not, is immaterial for us, because they carry on the business among themselves to their mutual advantage. It also happens that some of them lose, but others gain. But the sum total of it all is that some people always get the benefit, though the number of gainers may progressively diminish; they have the monopoly. And this is how the monopoly comes into the picture.

Here we also find that some of the industrialists have become speculators and some of the speculators have turned industrialists. That is how their interests begin to overlap. We have such instances in Bengal. Suppose Mr. X is an industrialist and he owns a number of cotton mills, shall we say, in Calcutta. He starts speculation or what they call futures or forward trading and he buys some cotton at a certain price. If the price of cotton shoots up, he sells off the cotton and makes more money. But if the price falls, he straightaway uses the cotton

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in his own mill, as an industrialist. He thus becomes a sort of consumer. It is a case of "Heads they win, tails they do not lose". That is the logic of these industrialists-cum-speculators.

Because of these reasons our industry has got very much inter-twined with the speculating classes. It is not the normal development that you have had in the early last century in Europe. We find here in our country industry gradually getting inter-mixed with the speculating classes and, abnormal trends and tendencies are beginning to operate and dominate the field. Naturally, in a situation like this, the interests of the consumers are thrown to the four winds. The interests of the workers are given the go-by and it is only the interest of the big money that is looked after with meticulous care by these intelligent persons who believe in intelligent forward trading. This is how things go on. As a result of all this, we find a crisis taking place. Suddenly there is a break in the market; there is a collapse in the market and there is no certainty about anything. Nobody knows where he is living, because he is living in a mad world, thanks to these business people. But behind all this madness there is a method. This is what is called forward trading. If you go South, you will find that before the War the price of pepper was about Rs. 125 per candy or about 672 lbs. By 1950 the price had gone up to Rs. 4,000 and, who got the benefit of this rise? Not those people who toil in the fields and work hard to produce the commodity; the benefits went to these speculators who function under the colour of forward trading—financial concerns like the Volkart Bros. and various indigenous concerns and financial houses who change their names as they operate in different States. They are so elusive that it is difficult to catch them. These are the very few people who grab these things and they export the commodity outside. Government got its share of revenues in export duties and also perhaps collected some more in income-tax and all that sort of thing. However, these people who

sold these things in the foreign markets made lot of money; but, those producers who had always been denied in the past, did not get the blessings of, shall we say, the boom in the market, as far as that particular commodity was concerned. How can they possibly know the market position? After all they are still in the dark, they do not read the speeches and they are deliberately kept in a state of backwardness. They do not know that the Korean War has started and somebody has taken to stockpiling somewhere. They do not know that our Ministers are for converting the deficit in the balance of payment into a surplus, by heavy exports to feed the American War machine. How could they know all this kind of thing? Once this kind of thing is started, naturally the financiers speculate and get big moneys, but the other people are left where they were and they are fleeced. This is how this thing has been manipulated.

In the olden days, before the partition of Bengal, we had what was called *Phatka* in our parts.

SHRI GOVINDA REDDY (Mysore): What does it mean?

SHRI B. GUPTA: The agriculturists were left absolutely helpless and they became a sort of a pawn in the whole game, they were reduced to that status and that happened alongside with economic robbery and plunder carried out in the name of forward trading. We found, Sir, in Bengal, big financial houses developing and you will find, Sir, that almost every big business house in Bengal has got this double role: On the one hand, it has got certain business, sometimes genuine business and sometimes a sort of second line of defence against odds in the speculative market; on the other, it carries on speculation. We find, in any case, big businessmen getting inter-twined with this kind of speculation and they become more or less, identical if you will just try to ascertain their names and numbers. Now, Sir, what has happened. Some businessmen who were at the bottom, people who started with very small

capital, industrialists who could not operate in the face of fierce competition not only in India but also in the markets outside, are getting smashed gradually. They are being elbowed out of the industry and the market altogether. Therefore, let it be clear that this business of speculation is something which annihilates, whatever it may be in respect of the man at the top, the small men in the trade and it is not in the interests of anyone whatsoever including small industrialists. We are a country which has got a vast number of small industries, somehow or other carrying on, they are living a hand-mouth existence. Now, these people are getting eliminated. We found, Sir, immediately after the War, in Bengal, a large number of industrialists collapsed. The speculation is so infectious and, Sir, once you go to Dalal Street or Lyons Range, you would feel that you are affected by some kind of hilarious enticements of that area. These people got a little infected and how could they stand in that business, in that speculation when there were big businessmen like Birlas, Bangurs and Jaipurias, etc., who dominate the speculation market in our part of the country. I do not know whether they have learnt anything by their experience, but they will tell you a tale of their sorrow and misery, if you ask them. This is one of the points that I want to press here.

Therefore, let us not talk about this thing. It is a most unhealthy development. It does not show the strength of our economy; on the contrary, this forward trading or speculation, which is just a cover and screen, shows a degeneration of the capitalist economy of today. Now, our industrialists think in terms of speculation. I know, Sir, that they will immediately quote the U. S. A. where speculation is rampant and where the Supreme Court is supposed to have given its blessings on this business of speculation. But, it is useless to tell us about U. S. A. because we know, Sir, what has happened there. In the U. S. A. hundreds and hundreds of small businessmen had been ruined under the crushing wheel of that speculation.

That story is not told when they recite those judgments from the United States Supreme Court, when documents or certain books dealing with speculation in the United States is referred to. I want the hon. Minister to go into the other side of the story and see how the speculation has brought about ruin on hundreds and thousands of ordinary common industrialists and businessmen in the U. S. A. and how over their ruins had been built big financial houses which dominate the world today. After that, I hope, our small industrialists would ignore one-sided examples as justification for speculation. Therefore, what we need here today is complete banning of speculation. I am glad that Government, after five years, has come to realise that 'options' are bad and that they have at last legally proposed to ban it. I do not know whether in practice it will be so because in Bombay the options are still going on. You can ban many things in law, we have got many control orders and we have got legislation to check profiteering and black-marketing, but one thing is clear—and I hope the hon. Minister would not deny—that the black-marketing today is perhaps the most flourishing trade, it is something which is being longed for by many people at the top. This business is going on and it has not been checked despite all rules, regulations and control orders. It is not a question of merely passing legislation; it is a question of dealing blows at the financial oligarchy that is responsible for carrying on this kind of thing, that is responsible for plunging the country into this kind of economic disorder and chaos. There is no proposal in this six-chapter Bill to deal with this. That is because, they start with the assumption that speculation is something good. Some people have done wrong things, have abused speculation and they are going to take some measures to regulate them so that we get all benefits out of it. Now, this is a thing which, to my mind, seems utterly preposterous when we have already got our own experiences of the business of speculation.

Now, they will ask, "How then would you maintain supplies to the indus-

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tries?" We have an answer to it. It is understandable that industry should have certain sources of supply of raw materials, that our export trade should be legitimately conducted and such conditions should be accepted as are in the interests of our country, as would get us foreign exchange, whether it is dollar or sterling or something else. Today, our export trade is directed to somebody else's interests and to help the stockpiling and all that sort of thing. Now, Sir, how would you maintain the supplies? It is possible, Sir, if you break away from that kind of out-dated, rotten and subversive channels—I say subversive because it subverts normal trade channels. Suppose we had, producers' co-operatives spread all over the country. Through these co-operatives, the industrialists can get their supplies and also the genuine exporters, properly authorised for export can get their supplies. It may be done that way. Similarly, on their side also, the industrialists, the consumers and those people who carry on export trade, can have their own co-operatives, so that they can enter into agreements. This will be quite a different thing. Here, there will be no trade in futures; here, there will be no question of speculation. We shall know the requirements of our industry. After all, the textile mills are very tangible things. There are looms—one can count them and can also estimate their production. We can, after taking into account all these things, say how much cotton we require every year for keeping our mills running. Accordingly, we can negotiate with the producers' co-operatives so that supplies can be maintained. Naturally, the supplies will have to be made all-round the year and all these arrangements can be made. Therefore, Sir, common Boards can be created so that these things are negotiated with the interests of the producers and the industry and of the community in view, where the interests of the producers are concerned. Probably the Government would not accept this thing, this idea of co-operatives. Willy nilly, some of

them, and some very consciously get into the trap of the speculator.

This speculator, I do not know, how intelligent he is, but he is certainly a very shrewd fellow. He knows how to talk to the Commerce Minister. He knows how to touch his heart, because he has got the golden means of touching hearts. Therefore, Sir, I am getting little relief from these people who pass this kind of legislation, which is futile—the embodiment of futility in practice, as it will prove. You say that you are planning. The Government are telling the country day in and day out that everything will be based on the plans. On the one hand, there is all this talk about the plan—you are supposed to be planning for the country—and on the other hand, we find that there is a kind of worshipping at the temple of speculation. They are moving in contrary directions. All these plans are there merely in order that the people at the top may not be disturbed. All this is a matter of show to the public. That is the truth. That is why they are ostensibly banning options. I am glad they are banning it. But they are not banning speculation at the same time. This approach is totally misconceived.

This document, first of all, starts with the short title etc., and then 'Definitions'—as though all that we need do is to define certain sections, certain things, certain matters. We have no dearth of definitions. We have been making and giving definitions for a long time. Under this Act, we have to give some definition, at least some very good definition in the interest of the people.

The second chapter is "The Forward Markets Commission". A Commission will be appointed and its functions have been enumerated here. In this chapter there is no indication that the growers' interests will be safeguarded. Some people—experts as they are called because, if one is not found to be expert in any field of public work, then he is always found to be an expert for a Commission in Delhi and such experts are always available. Experts may come

and experts may go, but what will they do? They will keep the forward markets under observation and draw the attention of the Central Government or any other prescribed authority to any development taking place in India. He will collect, and whenever the Commission thinks it necessary, publish information regarding the trading conditions in respect of goods etc., etc. These will be roughly the functions of the august Commission that is going to be appointed. Now, Sir, we have had a plethora of Commissions in this country. They have come and gone, but the conditions of the people have become worse. I do not know how much this Commission is going to cost the public exchequer, but I know, Sir, this will not stop—will not even touch—speculation at all. This Commission which is going to be appointed may be a good show, to make it known to the world that you are doing something to stop the abuse, but in effect it will be a useless body, maintained at the cost of the public exchequer, because, on that body not even the genuine interests of the producers and other people—people who may not have intimate knowledge of the wiles of the market, but who may have sound common sense but have that measure of public spirit which will ensure good and hard work—will find any place.

Then there is the question of recognised associations. The association will be composed of the very gentlemen who are carrying on what they call trading on intelligent anticipations. These gentlemen will comprise the Committee and the Government will naturally extend its recognition to that particular Committee and make them acceptable in the order of precedence in the Durbar of Delhi. That we can understand. But how does it help the growers? How does it help the countrymen, the common man? How does it help the consumer? There is no indication whatever that these interests will be represented. The associations will be more or less renamed. Those who form an association will apply for a sort of certificate from the hon. the Minister, and the

Minister, obliging as he always is, will no doubt issue the certificate at the earliest possible reference. Now Sir, these associations have been given plenary powers. If the Government is of opinion that any recognition granted to an association under the provisions of this Act should, in the interest of trade or in the public interest, be withdrawn, the Central Government has even the right of taking away the recognition. I know all that. But it is these speculators who will formulate the rules, Sir, the principles, the code of behaviour for the trade. It is these gentlemen having their knowledge and experience—knowledge which has brought about so much ruin to our country—who shall formulate the laws and the bye-laws and I do not think they are any less clever persons than many of our Ministers and Deputy Ministers. They are past-masters in evading laws; they are past-masters in formulating rules and regulations, whereby they can escape certain legal restrictions and control orders, and they will naturally arrange their house in a manner that will suit them. Probably the Minister will say: We will try to check, we will find it out when it goes against the interests of the country. From whatever experience we have of our hon. Ministers, we would not feel very optimistic about such a statement. Because we find that it is the Ministers' laws that change when any coalescence between the Ministers and the gentlemen in the trade takes place. When there is this unholy coalescence between the two, the laws that change are the Ministers' own laws and not the laws of the big business associations. Therefore it gives me no hope whatsoever.

Then again we find something has been said about the non-transferable specific delivery contracts. Sir, everybody knows and certainly the businessmen—some of the hon. Members have got very good experience of business—know that the non-transferable specific delivery contracts can, in many cases, be turned into specific delivery contracts. The word "non-transferable" can be eliminated. Take for instance, a contract between A and B, which is

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not transferable. You can easily make it transferable by endorsing, just as you do in the case of a bill of lading or a railway receipt, or by authorising somebody to receive the goods on behalf of A or B. These things are frequently done in the country.

SHRI C. G. K. REDDY (Mysore) :  
Just import licences.

SHRI B. GUPTA : Yes. That is a case in point. These things are usually done. I do not want to go into the legalistic details of the matter. But let us be clear on one thing. When you leave this kind of thing out you at the same time create a situation in which these contracts will also be used for frustrating whatever little intentions you may have in this law. They will be abused for speculation, as they have always been in the past. Therefore, there are some people who feel very strongly about this matter. I am not going into it.

When the crux of the matter has not been satisfactorily handled, when the business of speculation has been left in its place, it is pointless to argue with the Government, with regard to the details. Therefore, I am not going into it. We know that these non-transferable specific delivery contracts will very easily become speculative, whenever speculators desire them to be so. Speculation on them will go on merrily, as it is going on today.

There are certain penal provisions in the Bill. The offence has been made cognizable. We know that when the real problem has not been handled, this kind of provision will no more frighten the speculators than did the various other control measures, that exist in the country, frighten the profiteer and the black-marketeer. In fact, when such measures are passed, when these regulations are passed, when these penal provisions are declared from the housetops to the business community, it becomes a kind of joke among them, because they know well how they can

evade this kind of measure and frustrate the processes of law. Therefore, if the hon. Minister thinks that he is going to frighten the business community and the speculators by this kind of penal measure, he will not succeed, for the simple reason that the traders and the speculators know that their basic position remains unaltered and that they can carry on as before. I wish we were in a position today to give our unconditional support to a measure which would go all out to crush speculation in the country. There is no such measure before us. This measure is good in so far as it bans options. At best it is a measure which only proposes to control and regulate speculation. I can tell you from what experience the people have, from what experience I have and others have in this House, and I hope my contentions will be borne out if my hon. friends in the business, multi-millionaire friends, will make a little confessional statement here, that these measures will not serve any purpose whatever. They will become a joke and will go down in history as yet another law which the Congress made to save its face and not for the abolition of social injustice. Therefore, I hope the next Bill, if they are at all contemplating it, would come very soon before the House, and that before preparing it, they will consult not merely their experts—we do not know those invisible experts—but popular representatives namely the representatives of the trade unions, representatives of the kisan organisations, regardless of party and political affiliations. Let all parties come and sit round a table and discuss the problem so that you can evolve a measure that arises from the live experience of suffering people and that does not arise from the brainwaves of this or that expert. After all, these top heavy experts have produced nothing in the country today. Let the Government have the courage to go to the people, talk to their representatives, take counsel with them. And I hope the time will come when they will begin to cultivate the language of the common people and not give in to the language and accent of the speculators and other social criminals that have led our country to utter ruin and degradation.



SHRI GOVINDA REDDY : Your language !

SHRI C. P. PARIKH (Bombay) : Mr. Chairman, I support this Bill, and I congratulate the Minister for Commerce and Industry on embodying certain provisions which will reduce speculation or unhealthy trading to the minimum.

But before I make any observations on this Bill, I would say that this Bill is of such importance that it took four days in the Lower House. In the last Parliament also this Bill was debated and a Joint Select Committee was appointed. Now, if this House is to exist and is to exercise any influence, I must say a Joint Select Committee, including Members of this House, also should have been appointed. The Committee should have included Members of this House also. This House is also composed of various political parties, and some members of the party in power are in the Cabinet, and some of them may have been elevated to the rank of Ministers. There are also members of other parties and also independent members. Some of the Members opposite are also persons of eminence and their opinions are held in high esteem by the party in power as well as by the country. This measure should have been referred to a joint committee of both the Houses. If that is not done on measures of such importance, I think this House will gradually lose interest and those persons who want to contribute to the discussions will be tired of attending this House for a greater number of days. These persons can contribute to the betterment of the nation in so many other ways. If measures of this description are brought before this House in this way, this House ultimately will have to be abolished. So, in order that proper opinion of both the Houses should be assessed, which the Constitution provides, it is necessary to have a Joint Select Committee in which Members of this House should also be included. This is not the first departure. The Estate Duty Bill is there. Even there the Members of this House are not included. If this process goes

on, then this House will be a tame affair. You Sir, being the Chairman and guardian of this House, will, I hope, take up this matter and press it on with all your influence.

SHRI B. C. GHOSE (West Bengal) : Bills also should originate in this House.

SHRI C. P. PARIKH : I am coming to that. The Constitution provides that Bills can be introduced in this House. But I see that no Bill of any importance is introduced in this House. If hon. Members of this House, who are selected by the various interests, are to contribute to the discussion, such Bills should be introduced in this House. The high level of debate that will be contributed by this House will, I think, be an eye-opener to the other House to show how things are conducted in this House. Therefore, some of the Bills may be introduced in this House. It is no use bringing all the Bills in the other House first and then bringing them before this House for our concurrence or our remarks after the matter has become stale. ~~When we make suggestions on such Bills, it is too late.~~

With these observations, I will now proceed to the debate on the Bill and to the observations which the hon. Member, Mr. Gupta, made. The whole of his speech consists of an attack on the speculator and on speculation in general. He suggests that speculation should be abolished in this country. He has used some abusive words. He has used the harshest language possible against speculators. I agree with him, and I will use more abusive language if it is necessary, because I detest speculation if it is carried on against the interests of the country. But that is not the remedy. In order to control speculation and bring it into healthy trade activity this Bill has been brought. If he had looked at it from this angle, then he would not have indulged in the remarks in which he has indulged. Till now trade was left free all over India to do what it liked in matters of contract. This is the first Bill of its kind brought forward by the Central Government which tries to bring under control all the illegitimate activities which run into unhealthy trading and

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unhealthy speculation. But healthy trading is not speculation. You have to differentiate between what is healthy trading and what is unhealthy trading. If the cultivator wants his full price, then healthy trading will be necessary, otherwise the cultivator will suffer and the consumer will also suffer.

Sir, I want to make this point clear, because our country is a producer of agricultural commodities to a large degree. And among the agricultural commodities, cotton, jute, oilseeds and other crops are the mainstay. Now, these are the crops which are marketed in a period of three months. While the consumer or the manufacturer is able to take delivery within a period of twelve months, within these nine months somebody has to take care of surplus. Who will take care of them? Would the consumer or the manufacturer take care of these commodities? The producer is incapable of doing so, because he has no means. ~~The agriculturist is not in a position to do so, because he~~ has no resources. The consumer is unable to buy because he is buying from hand to mouth. The manufacturer also cannot take care of the commodities, because he has to store the raw materials as well as the finished goods and cannot also take the chances of fluctuation in prices. Moreover, funds will not be available with him. There may be wide changes in the international demand because the factors are beyond our control and also owing to the fact that our crops are dependent on weather. Weather plays a great part in our country. Many of our areas are not irrigated. When our crops are not irrigated, they are subject to the vagaries of the weather. We see that in some cases the anticipated yield of the crops varies from 4 annas to 20 annas. These are dependent upon the monsoon. Therefore, there is a great change in the price on account of the weather. Then, we have the international market changes. The influences that work in the international markets or the changes that occur in the international markets are beyond the control of the State or the manufacturer. Therefore, we have to try and see how these commodities

could be brought under proper marketing. We have also to reconcile with the agency of the middle-man. I shall, in this connection, refer to the special instance of cotton. It produces forty lakhs of bales and it is worth more than 160 crores. Here, the middle-man has to employ funds for a period of nine months and we have to find a number of middle-men to do so, because our savings are only limited to the extent of fifty crores available in the channel of distribution. We cannot therefore easily find the means to market this 160 crores worth of cotton. When a number of people put in their resources and make efforts to market it, then only the purpose will be served.

I have to point out to Mr. Gupta that an agency should be created to handle these goods and if this is not done, only the cultivator will suffer and nobody else; because, the producer, when he has to sell his goods, has to do so within a period of three months. If he has to sell within the three months sometimes he sells a long time earlier in the market. The middle-man has an intelligent anticipation. He knows what the cost of production is. And he will not buy and the producer will be put to difficulty if the prices offered are below the cost of production. Now, the prices rise mostly after the marketing period, unless there are other causes or international factors. At that time, whatever happens between the merchants and the middle-men, the producer does not come in. And there is the legitimate cry in our country that the maximum prices which are ruling are not available to the producer. That is so because the prices remain low within the first three months. The producers know that they are not getting the right price for their commodities. They are getting only the minimum price in spite of the market fluctuations. What I would say is that the wide fluctuations which are happening in the market should be controlled. If my hon. friend Mr. Gupta says that the Government are not taking steps to control speculation, I do not agree with it. This measure, though it seeks to provide for preventing speculation in the sense of un-<sup>healthy</sup>

trading as the hon. Minister said, what he meant by speculation was unhealthy trading and not anything else. He did not want to include healthy trade in speculation.

MR. CHAIRMAN : Well, you can resume your speech at 2-30. The House stands adjourned.

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

The Council re-assembled after lunch at half past two of the clock, MR. DEPUTY CHAIRMAN in the Chair.

SHRI C. P. PARIKH : Mr. Deputy Chairman, before lunch I was saying that in order that the crop and the agricultural commodities may be marketed in an orderly manner, there is the need of an association where a number of persons meet together and utilise their resources in order that the prices may not generally fall below the cost of production, because everybody will be tempted to buy when prices reach the cost of production. Now, Sir, the whole mischief is done by the rising prices of which the cultivators do not get the benefit. To that I will refer later.

Now, Sir, these associations have to be controlled by Chapters III and IV as given in the Bill. According to Chapter III, every association, if it wants to conduct transferable contracts, has to be recognised and recognised under certain rules. Then, Sir, clause (2) (a) says :

"that there shall be no limitation on the number of members of the association or that there shall be such limitation on the number of members as may be specified;"

This means, Sir, that the present associations, having closed memberships, will no longer have that privilege. At present, Sir, what happens is that associations refuse admission to new members. And this clause provides for the admission of member-

ship. If an association rejects a man, Sir, a valid ground will have to be given for that and for that the Forward Contracts Commission will be operating. So a great thing is done here and those who want to deal in this commodity are allowed to come into the picture. That is the way to eliminate or reduce speculation and monopoly also. Then, Sir, clause (b) says that Government shall have representation of not more than three persons who are not members. I say, Sir, that this clause requires consideration of the hon. Minister. If there are fifteen or twenty directors in an association, then, three outsiders will not be able to exercise their voice and control and regulate their transactions in a manner which is desirable and which is in the interests of the country. Their views will not prevail. Then I say, Sir, that in such a case the number of outsiders should be 25 per cent. of the total strength of the Committee or the Board, whichever may be there.

Then, Sir, another important provision is that this Commission will have the right to inspect the accounts of the association or of any of its members and further any outsider who is dealing with a member of the association. All these powers are taken to restrain speculation and convert it into *bona fide* trading or healthy trading.

Now, Sir, with regard to clause 11, the bye-laws have to be approved by Government. Now, what are the bye-laws ? Now this is a technical term. Transferable contracts are for a future date and the outstanding contracts may be terminated by the association. That clause is there. Here also the Government will step in and can issue a previous directive—"Without our consent you will not do this." Therefore, speculation which is carried on by bull plays and bear plays, which is happening in many exchanges will no longer be carried on and speculation will be brought into healthy trading.

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Then, Sir, clause (h) is there which says :

"the admission and prohibition of specified classes or type of goods or of dealings in goods by a member of the recognised association;"

It may be laid down, Sir, that no member of the association shall deal in such and such commodities which are prescribed by the association. Therefore a man who wants to make a great turnover cannot be a member of any other exchange. That is also a healthy measure.

Then, Sir, clause (n) says :

"the regulation of fluctuations in rates and prices;"

Government can put down and regulate that the prices will not fluctuate during the day more than one or two per cent. or during the year to the extent of 10 per cent. or 20 per cent. which Government considers desirable, or Government can put such limits to fluctuations as they think are in the larger interests of the country, so that the profits are not pocketed by these members to the detriment of the producers or of the consumers who are buying these goods. I may tell you, Sir, here, that maximum and minimum prices are also governed under clause (o). The Government can prescribe the maximum and minimum prices which will be permissible for trading and they can as well prescribe under clause (n) the daily fluctuations also.

Now, Sir, another great feature of this Bill is clause (q), "the limitations on the volume of trade by any individual member;". The Bombay Act regulating this contract is applauded by many, and I may say that the Bombay Act did not contain this healthy provision, which is necessary. Government, I think, have given their full attention to eliminating as many loopholes as possible and this is one of them that no member shall indulge in a volume of trading which is

beyond his capacity and which is done at present. That, Sir, will be a great restraint on foreign trading or speculation. I say, Sir, that the Commission should be vigilant and if the Commission is vigilant, these things will not happen.

Then, Sir, one omission is there to which I would like to draw the attention of the hon. Minister. The thing is that tenders are made, qualities are approved and when those qualities which are approved are re-tendered after three months, they are rejected. That should not happen, because once the goods which have been approved by survey and arbitration are up to the standard laid down by the association, and when after three months those goods are tendered, they should be accepted by the seller and the buyer. At present the abuse is made in this way that survey and arbitration systems are in the hands of members of the association and there is a bull play and a bear play. This provision I think, Sir, should be inserted in the bye-laws that the association will see that they make proper facilities for re-tender of a quality which is previously passed with some allowances in the case of crops which deteriorate. In generality it does not deteriorate, but, wherever that is possible, some allowance should be made and I think, Sir, if this is done, then lot of capital will be flowing in the trade and speculation which is carried on by certain parties in this trade by strength of their capital will be reduced to a minimum. At present adequate capital is not diverted in this channel. I would, therefore, request my friend to consider that. Such regulation will be in the interests of those who want to deal in this commodity.

3 P.M.

This is with regard to the recognized associations which are dealing with transferable contracts or where contracts can be bought and sold in any number by the members of the association. As regards ready delivery contracts, there can be no risk

because delivery has to be ready. The forward contracts differ in this matter that they are transferable as well as non-transferable and Government has thought fit to regulate them under Chapters III and IV. They have classified forward contracts into transferable and non-transferable and by Chapters III and IV they want to control only transferable contracts and as regards the non-transferable contracts, they have made provision under clause 18, to which I shall come later.

As regards the transferable contracts, what is happening at present ? These associations are operating in a certain area and they have a right to do it and Government naturally will give a monopoly to that association to conduct their operations in that area. I will request Government that wherever in another area which is compact and which is not disturbing this area, if any association is forthcoming to deal in this transaction, permission should be given to it in order that speculation will be to the minimum in both the areas and that is the intention of Government also and it is a healthy feature.

Now, we come to non-transferable contracts. They are those which the borrower and the seller are obliged to take delivery and the seller cannot transfer it to anybody else or the buyer cannot ask that delivery may be given to some other person. Naturally the buyer and seller are bound by rules of this contract that they are not to be transferred. Many associations which are recognised and deal with forward contracts have two sets of contracts—one transferable and one non-transferable. These recognized associations, even though they are dealing in transferable contracts, they are well regulating non-transferable contracts as well. The East India Cotton Association is doing it. They are controlling the non-transferable contracts with satisfaction to all concerned. But here the lacuna is this that no further person can deal with that commodity in non-transferable contracts

in that area which is given to the association and Government have thought fit to exempt such persons or such associations as want legitimately to deal in these contracts by clause 18, proviso. According to that, any association can exist even within the area of the recognized association, provided they can legitimately carry on their non-transferable contracts, but I must point out here that it is difficult for any association or a group of members joining together to conduct non-transferable contracts, so that abuse is not made and non-transferable contracts do not exist. The proviso is good so far as areas which are not notified are concerned. For there it is necessary that non-transferable contracts should be allowed to grow and foster in order that they may act as a check to the speculating element and if these non-transferable associations are existing in those areas, they will act as a great check on the recognized association which is dealing with transferable contracts and the healthy growth of this should be encouraged to a great degree in this country.

**SHRI D. P. KARMARKAR :** Is it the suggestion that in the same area one association may be recognized for transferable contract and may be in a suitable case, another association may be recognized for that ?

**SHRI C. P. PARIKH :** Clause 18, proviso 1 allows it. Even when an association is recognised for transferable as well as non-transferable contracts, another association can exist in that area provided it is abiding by the rules or has its contracts non-transferable. That is the proviso. I am saying that this will be abused and not carried out. You have given liberty and in my opinion you have given it on an account which I would like to bring before Members of this House. This right is necessary not only for the association but this right of entering into non-transferable contract is of every individual man who wants to enter into contract with another individual without the help of association. The Minute of Dissent which is appended to by Shri Tulsidas Kila-

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chand and Shri Somani will mean that even an individual will not be allowed to enter into such contracts in the notified area and there Government has seen wisely to incorporate this and if this freedom is taken away, we are going against the fundamental rights of individual to enter into non-transferable forward contracts where legitimate delivery is to be given and taken. Even where the organised association operates the State should encourage such non-transferable contracts. If any association wants to oust the other associations which deal in these, it should not be allowed. I will say a lot of business is done on non-transferable contracts only and because sufficient inducement is not given and the circumstances are allowed to disturb the trade and therefore the *bona fide* associations do not grow. A lot of commodities are dealt with in non-transferable contracts by various associations but the element of supervision is not there. I will say what contracts should only be made transferable. I will come to that later on. Certain commodities should not be made transferable and this Bill does not provide it very clearly or in as strong a term as it should be. Clause 18, sub-clause 3, says that if any abuse is made by any association which is unrecognized and which has promised to deal in non-transferable contracts, if that association is found to indulge in contracts of non-transferable nature by converting them into transferable, then Government will apply all the provisions of Chapters III and IV. Therefore, it is clear that Government is quite alive to the situation but while they have made this provision, it is difficult to check speculation in a short time for another period of one year or two. The Bombay Government have passed this Act but have so far applied the provisions of their Act only to three commodities—cotton, oilseeds and bullion. As regards cotton, the position of the Bombay market has been fair for so many years but as regards oilseeds and the bullion, the history of those associations is not happy and at various times these

exchanges have had to be closed because speculative elements have entered into it and they are having bad days. These things should not happen and because these contracts operate in this way, I think, even though the Bombay Act is applied at so many places, the Bombay Government have not been able to control these commodities in the way in which they desire to and adequate powers were not there. This Government have taken the appointment of Forward Contracts Commission through which agency I think they will be able to accomplish the object which Bombay Government has failed to achieve so far.

As regards the bullion the bullion speculation was carried on to such an extent that people who bought silver at Rs. 160 by carrying it from month to month were able to have their purchase price reduced to Rs. 80, even allowing for the various charges paid and even then that exchange was functioning under the recognition of Government. I think that is not a happy history. The Central Government, because they have taken this power in this Bill, to appoint a Commission by which they will be able to deal with this problem, they will be able to control these associations. It is no use being subjected to ridicule that you are not able to control them. It is much better to control what you desire to control properly and well and where abuses are made, only then you step in and that stand is taken by the Government and I very much commend that attitude. With regard to clause 18 (2),—that is the one that applies to the jute trade—the “phatka trade” referred to by the hon. Member, Shri B. Gupta—and I say, Government have wisely found by their experience that speculative transactions carried on in this community cannot be controlled satisfactorily. Therefore, in the initial stage, they have tried to exempt it. When they gain experience, they will withdraw these exemptions and will do what is proper. They want to be quite satisfied that whatever they can control, they should control properly and what they cannot control, they do

not want to put their fingers on and gain discredit to the Administration. That is the main purpose of this provision.

Now, I come to the Commission which is a supervisory body. Unless you establish a forward market commission, this Act will remain on paper only because many complaints will come from various groups, and rival groups dealing in the bear side or the bull side and the Government will be puzzled to know what is the exact position. But if a commission is operating and supervising these functions, then these things will not happen. So Government have taken a good step in setting up this Commission with powers on the basis that they have done. Although according to the Bill the powers of the Commission are only advisory, I think one of the members on the Commission will be a limb of the Commerce and Industry Ministry and I think that his advice will not be rejected. I find that the composition of the Commission is restricted to three. I do not know whether so many exchanges in this country will be adequately controlled by just three members. I feel the number should have been at least five. As we know for instance the Tariff Commission with its present strength of members is not able to cope with the activities that are thrust on them and I feel that in the same manner, this Forward Trade Commission, composed of just three members, will not be able to undertake all the functions that will be thrust upon them, because we have to fight against the collective intelligence of a number of commercial people of the country. So, if the number is limited to just three, it will be difficult to manage with the work. Government will not lose anything if the number is raised to five or seven according to the Government's discretion. When you have this Commission, you can divide the members into sub-committees to control separate areas, like Bombay, Calcutta and other places, much more efficiently. When we want to exercise control, we shall do so in a way that will

not fail to achieve the purpose and I think that when the hon. Minister has taken this in his mind and when he has put in these clauses in the Bill, I think he will give due consideration to this suggestion also.

What is the function of this Commission? The function is to keep the forward markets under observation and draw the attention of Government. Now the words "under observation" are very important ones. Therefore, these markets will be controlled and supervised and given directions, if necessary, from time to time. That is the meaning of these words. Then, according to clause 4 (c), the Commission will publish information as regards the supply and demand and the prices and so this Commission can give guidance to the country as to what is happening in the matter of production, distribution, supplies, exports and prices and what is considered reasonable in their view. This they can do. That will be restraining the unrestrained speculation at present being carried on.

Under clause 4 (d) they have to make "recommendations generally with a view to improving the organisation and working of forward markets." And then we have "wider powers are given to them under 4 (f)—'To perform such other duties and exercise such other powers as may be assigned to the Commission by or under this Act, or as may be prescribed'." Therefore if further powers are found necessary in order that the interests of the producers, the consumers and the manufacturers may be safeguarded, these powers will also be given.

Then we have the Advisory Committees. This comes in clause 25. This Advisory Committee is necessary because the members of the Forward Markets Commission may not be as much aware of the situations existing in particular mofussil centres or regions or zones. A Committee supervising the activities in these separate zones will be a healthy feature. I would, therefore, request the hon. Minister to look into the matter fur-

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ther and see if it will not be better to have separate committees for each zone, for the Committee in, say, Bombay may not be able to gauge well as to what is happening in Calcutta or Indore or Madras. In order that you may have proper power for controlling these speculative activities, I think it is necessary to have Advisory Committees region-wise. If we have such region-wise Advisory Committees, I think the Forward Markets Commission will be able to operate better.

I am sorry I am taking up more time, but this being a technical and very intricate subject, I thought I should make some suggestions. I will not be irrelevant, I may assure, you, Sir.

With regard to the Minute of Dissent of Mr. Shah, it is a good thing that no association should be recognised which is dealing in non-transferable contracts because he thinks that non-transferable contracts will be manipulated and become transferable. I say he is right. If permission is given to persons to organise associations and trade in non-transferable contracts, they will ultimately convert them into transferable contracts. Owing to this he has made the suggestion. But I have an opinion to give on this. Let us give trial to any associations which want to deal in non-transferable contracts. Let us see how the commercial intelligence of India would behave. In not accepting the suggestion and putting the clause in the manner that it has been, the last chance is being given to commercial organisations to behave in the proper way and not work the contracts to the detriment of the grower or the manufacturer or the consumer. Nobody will now say we are not allowed to organise an deal in non-transferable contracts. The East India Cotton Association is also operating in such non-transferable contracts and they are doing it in a manner that everybody is satisfied with their work. They are dealing in transferable contracts also and the same satisfaction

is not there. But the operation as regards non-transferable contracts cannot be denied and no trade can think that in Bombay or Calcutta or any other place certain association enjoys a monopoly. I think the chance is to be given to everyone in the country to organise in a healthy way and take part in legitimate trade. That is the main object of opposing or not incorporating this Mr. Shah's Minute of Dissent.

With regard to the Minute of Dissent of Shri Tulsidas Kilachand and Shri Somani, I think that abuse of monopoly will go on. If commercial people ask for the right to deal in monopolies, they will not be trusted. I think the less commercial people ask for, the better. In this Bill, all are given some opportunities and let each one utilise them properly. Let it be done in the interests of the industry and commerce of the land. Let us see that there is less abuse and criticism from the general public. The less we have, the better. We are living in a planned economy where democracy has allowed the private sector a part to play. I think if the private sector operates in the proper way and discharges the duties assigned to it in the right manner, then it will grow under democracy. If, on the other hand, it does not behave, then even the present democracy will not save them.

Lastly, I come to the question as to how speculation can be controlled and in this connection I would like to offer a few suggestions. First of all, I submit that in certain commodities, the Government should guarantee a minimum price to the agriculturists so that this may work in the larger interest of the country and encourage the producers to produce those commodities. Then there are certain other commodities essential for the country without which the country's economy will be ruined. For these commodities, they should give a guarantee of price, for example, in the case of cotton, jute or groundnut and other commodities which are necessary. When there is such a guarantee, lot of investments will come in. The investors will never



suffer because there is the minimum price guaranteed.

But, when things are regulated as above, Sir, the speculator *will not* come into the picture because he knows that he cannot have any scope below the minimum price. With regard to the maximum prices which are manipulated by those people, I will come to later on. In regard to this, Sir, the great misfortune of our country is that there is no co-operative organisation. There are no licensed warehouses in this country. How can the people find the finances or store their commodities? If finances are forthcoming on their commodities, commodities essential for this country, then, Sir, naturally the higher prices will not be taken away by the middlemen. The middlemen will get their legitimate interest and storage charges and reasonable profit legitimate risks. At present, the middlemen boost or reduce the prices. By this method viz. establishment of licensed warehouses, quality can be assured and the co-operative organisations, wherever they are established in this country, would be encouraged to market in orderly manner and the object of reducing speculation and giving the producer maximum prices will be achieved. When many people come in this, with the object of having the prices guaranteed to them, what will happen is, Sir, there will be, no undue rise in prices because there will be other persons to take care of. There will be no squeeze. We want to prevent squeeze or the accumulation of contract by certain persons. This can be done in so many ways and this is one of the ways by which co-operative organisations will be able to prevent it.

Then, Sir, another suggestion is that industrial concerns are buying, sometimes, more than they require or indulge in speculation. Mr. Bhupesh Gupta has brought that point but he has not suggested the remedy. What should be the remedy? As regards mills, if the mill consumption is 5,000 bales a year, I say, Sir, a limit should be placed that the mill shall not deal in forward contracts of cotton for more

than 25,000 bales a year. That will be a legitimate check. At present one can deal in one lakh of bales although the mill is consuming 5,000 bales. That provision cannot come under this Bill, but I think that when the Company Law is amended, this provision should be brought in order that industrial concerns should not speculate or over-trade in the commodities.

Another thing, Sir, is the Managing Agency Houses. Managing Agency firms are only operating to manage the concerns, supervise, supply the finances, carrying on the buying and selling for the concerns. These Managing Agency firms should not be allowed to trade in commodities of consumption of the concerns of which they are Managing Agents. That should be a provision in the Company Act. I say, Sir, this is necessary in order that the position of honest industrialists is bettered. We should allow such things by which certain people in the industry will take advantage and the whole will be criticised for the faults of a few.

Now, Sir, I would make one more suggestion about art-silk. The trade was carried on in non-transferable contract in art-silk which was imported under licence and Government watched that these commodities were manipulated on a speculative level and the fluctuations were, in one year, from Rs. 800 to Rs. 2,400. Government were issuing licences in a restricted manner for the import of art-silk and even then this commodity was by speculation fluctuating like this. Daily quotations of art-silk appeared and if the Government were to exercise proper control, the object of controlling speculation can be achieved, that is, in certain commodities you cannot have transferable contracts and for certain commodities you cannot organise an association to deal even in non-transferable contracts.

I will say, Sir, that individuals alone should be allowed to indulge in non-transferable contracts in bullion. No association should be allowed to deal

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in non-transferable contracts in bullion. It is not a commodity that is produced every year. The same thing should apply to artificial silk. It is not a commodity which is produced adequately in the country. We have to depend on imports and we have to lose our exchange for getting adequate imports. Therefore, Sir, in such cases, I will request the hon. Minister to see that such commodities are not allowed to be operated by any association. That will be the argument which is embodied in Mr. C. C. Shah's Minute of Dissent because essential articles which are short in the country should not be allowed to be manipulated through an association.

Then, Sir, another way of restraining these activities or eliminating speculation is the Reserve Bank authority in giving no advances to scheduled banks. I mean to say, Sir, that during the last 2 years the Reserve Bank have curtailed giving advances on commodities in which speculation is carried on, in which people accumulate contracts. That is a healthy feature and the Reserve Bank is setting limits for advance to each individual that he can buy only so much. In that way, Sir, many of the activities of those who want to accumulate contracts have been curtailed and this, especially, has gone a long way in bringing speculation into healthy trading or eliminating speculation and establishing healthy trading.

Now, Sir, before I sit down, I have two more suggestions to make. This Bill does not provide for securities. The Bombay Act included them. If this has been done with the object of introducing legislation to control dealings in securities which are carried on in the various exchanges on the stock market, I will understand the point.

THE MINISTER FOR COMMERCE AND INDUSTRY (SHRI T. T. KRISHNAMACHARI) : That is the idea.

SHRI C. P. PARIKH: Thank you, Sir, because I thought when this was omitted in this Bill, a clarification was called for.

Now, Sir, in order that the Contracts Commission may properly supervise that transferable contracts are not converted into non-transferable contracts, I will have one suggestion to offer. Regulation is not necessary but, I think, registration of such associations is necessary. We must know how many associations are operating in the country and in what commodities. That knowledge is useful in order that we can control these exchanges whenever required and we can also enunciate that in such commodities speculation or even non-transferable contracts will not be carried on. That is a suggestion, I have to make, Sir. If that is not done, manipulating non-transferable contracts will go on. We have to meet these eventualities and the steps that Government have taken so far are very good and I am sure that it will restrain speculation. With these words I again support the Bill.

SHRI M. MANJURAN (Travancore-Cochin) : Mr. Deputy Chairman. I was trying to get myself convinced and accommodate myself to a certain amount to the extollation of the speculators by the Minister as well as by the hon. friend who was speaking before me. It is rather strange to reconcile a planned economy with a system of speculation that is going to be recognised in this Bill. I feel that speculation is repugnant to planning and in no planned society there exists the system of speculation. It is because of the insecurity that is felt by the agriculturists as was made out and because of the social insecurity that speculation has been going on. It has been the effort of planned economy to obviate this insecurity and instal in its place social security. So, any recognition and legal sanction given to speculation could only be in conflict with the security of the nation, economically. Another point I would like to know is this : As the hon. Minister explained the position, he said there were salient features emanating out of speculation. It is only when a Government is incompetent to look after the interests of the producers, when a Government cannot guarantee to the

producers what they should obtain that the speculators' role comes in. If this Government which has got a laudable 5-Year Plan is going to say that the producers are going to be left in an insecure State, what is their Plan? That is what I want to know. I am not interested whether non-transferable or transferable deliveries are manipulated, and this speculation or that speculation will ultimately cause disturbance. We know all those laws and regulation that were in existence. All the controls and decontrols have been manipulated by capitalists to the detriment of this country. We know that black-marketing, corruption, everything that was unnecessary, has come into the social structure of this country. Now all these wrongs have crept into our life in the course of so many years. We say we are going to have a planned society. We say we have earmarked so much acreage for the cultivation of cotton, so much for the cultivation of jute, so much for the cultivation of coconut, so much for this and so much for that. We are not going to be protected by hedge contracts in these things, we are not going to be protected by the speculators. Speculators are really fighting the Government's plan to protect the growers of the produce. What is the role of the Government when the Minister himself says that there is sufficient protection? The protection given by the speculator will be speculative protection. I feel that speculation is a wish expressed to conform the future to our present desires, and planning is our will to make the future conform to our present desires. Are we to give ourselves up to wishful thinking or are we to give ourselves up to wilful planning is the question, in this Bill, before this House, before the Government, and before the country. By giving the speculators' associations, legal rights and perpetuating them where they are, I believe, Sir, certain political intentions of the Government are going to be carried out. There will be associations, as today there are trade unions, which will be formed by the capitalists, which, in course of time, will strengthen themselves, and entrench capitalism and finally suffocate the Government and force the

Government their way. This Bill is the desire, the intention of the capitalists, to perpetuate this Government in their hands. That is my fundamental objection to this Bill as it is. It is not that I do not recognise that there are salient features in the Bill, which by controlling unnecessary speculation or illegal speculation that is going on today, wants to make the society better than it is today. But it will only be wishful, because, ultimately, these intentions are negated by this Bill. That is my contention. We are for planning; we are not for speculation. We are not going to express the wish that the future price should be this or that. We are going to control our production. We are going to control our distribution. We are going to control everything. That is planned economy. That is the meaning of planning. In countries like Soviet Russia and China, where speculation has been eliminated, nobody needs this kind of protection. But where the speculators are given a free role, production will necessarily suffocate and there is not much that they lose by speculation. So what happens? Capitalism continues its triumphant march in our country in collaboration with Anglo-American Imperialism. That is definite. I am quite open-eyed enough to detect that fact. If that were the case, if our planned economy is only speculative economy, then our planning will be a failure at a future date. If the national aspirations were embodied in the Plan on which we have worked so much, we have spent so much, on which we have spent so much of our energy, on which we have spent crores and crores of rupees and efforts that Plan will be nothing, will be a zero, when speculators are given a free role to operate. But this Bill says we are going to restrict operations in speculation, but that restriction is not likely to be carried out because the Bill asks associations to be formed in rings for the conduct of speculative activities. In my place, i.e., Kerala, I think speculation was unknown there in its history until recently when merchants from outside came and began speculation. We are living in a kind of complete isolation and social security.

[Shri M. Manjuran.]

We had a certain kind of co-operative collective existence, in which we used to pool our resources together so that we all lived well, very well. But today, speculation has come, with the result that there is social insecurity and the social strata has been reformed. What has happened? A new scheme of things has come. A few very rich men have sprung up and very poor people have increased. This is going to be further accentuated by the speculative associations to be formed with legal rights, and with Government support. When these associations are formed, they are going to be given certain rights, and they will go on gaining strength. Are we not going to reduce these rights? Are we not going to stop them? If they are not stopped, the country will be controlled by them. The prices will be controlled by them. The banks will be controlled by them. The entire stock exchange will be controlled by them. Every commodity will be controlled by them. The markets will be controlled by them. And what happens when capitalism controls the markets? These associations will control the economy of the country. Therefore, if this Bill is not stopped now, enlarged rights of speculators are likely to come up before the Parliament. Then there are the States. There might come laws in the States, not absolutely repugnant but with intentions of defeating the purpose, of this controlling Bill. We are not sure what is going to come hereafter. Sir, this Bill has got a good intention expressed in it; that grave dangers are going to be eliminated. It is not going to eliminate any danger, however. It is going simply to entrench capitalism with greater strength in this country. Are we for that? What is the meaning of our social planning? What is the meaning of the present Government promising Gandhi ji, Ram Raj etc.? What is the meaning of the things Government is going on proclaiming every day, by way of a Welfare State. None of these things is going to be of any use if this Bill is passed as it is and is going to work as

it is. It has to be considerably changed and a preamble should be written to it for the study of the people of the country, that it is with the object of annihilating this unnecessary system of speculation this Government is, for the first time, bringing under control the speculative activities. That should be the spirit in which you can get the people to co-operate, understand and work. If that is not done, you will be perpetuating capitalism. Is that the intention of the Bill? It might cause dislocation in the country, disturbance and trouble, which are not anticipated by the promoters of this Bill. The intention of the Government should be made clear; that they are going to introduce and enforce this Bill in the interests of society at large. They will not leave society to the present insecurity, to the operations of speculators. It will be for this House, to remind you again that no system of diarchy can go on. We have been against the British system of diarchy because the Britishers could not agree to work the social plans to the benefit of the people of the country. The correct thing for a progressive society is to plan and not to speculate. So it should be the intention of the Government to eliminate speculation, banish it from society. This should be made clear in a preamble to the Bill, that Government are going to do so within a certain period of time, and thus see that confidence is instilled in the minds of the people. Till that time this Bill will be a failure. Passed it is going to be, because in the House as it is the Government has a brute majority and it will with that majority get the Bill through. But that will not solve the nation's problem. This Government has not solved a single problem of the nation since the time it was installed. It is going to add another illustrious defeat of its good intentions. We should rely more on planning and less on speculation. However, much speculation is extolled, centuries have proved that no society can progress under uncertainty and speculation. We want planning. I would urge this Government to abandon its haphazard intentions on planning,

and be very specific in the purpose of their planning, rather than leaving it to haphazard intentions and to speculators. Save the nation from speculators. But save it now, not in course of time. Government's argument is that nothing can be done in a day. We can understand that. But the hon. Minister's speech was such as to endow speculation with sanctity. The Congress champion was also championing the cause of speculation. Is the Congress meant for speculation? I do not think so. It has never been written in the history of the Congress that it is going to uphold the system of speculation. So, I would desire this Government very much to have its eyes open and see how planning is going to be affected by this Bill, and if we are going to give free scope to the association that is contemplated in this Bill, what will be the consequences emanating therefrom? There are so many small things—this kind of maladjustment and that kind of maladjustment—but the question is, thrown against the entire society, what reactions this Bill is going to create; and that is more important than these variations of expression or a little repugnancy here or there. I can understand that no Bill can be perfect as it comes, because to err is human. So, this is an error as it is brought by the Government, and these errors have to be rectified by a very definite preamble as to the intentions of a plan given to processing and, therefore, to the time when speculators will no more be in this country to perpetuate conditions of corruption and social evils, against which the Government is to fight. Instead of fighting those people who create anarchic conditions in economic sphere, Government are going to collaborate with them. That is my objection, and I hope Government will take note of it seriously.

SHRI R. C. GUPTA (Uttar Pradesh) : Sir, while I agree entirely with the object of the Bill, I feel that it is a half-hearted and halting measure. The evil of speculation is rife and rampant, and it required a drastic remedy, because the disease was so serious. A major operation was necessary and

not a minor operation, which seems to be the object of this Bill.

The provisions of the Bill rightly assume that speculation is an evil recognised by the Government, but the remedies suggested by the Bill do not go far enough. The evil is such that everyone of us knows fully well that thousands and thousands of families are ruined every year because of speculation or speculative business. Who does not know of instances where a *halwai*, a confectioner deals in silver or bullion exchange transactions, or a cloth dealer deals in oilseeds, and so on and so forth? These transactions are called "satta" or, as in U. P. "badni", and by various names in different States. It is a painful fact that speculative transactions have ruined rich families. The number is so large that it is impossible to assess exactly the extent of damage done.

Now, why do I call this measure a halting and half-hearted measure? It is because it has excluded from its operation the non-transferable specific delivery contracts. It is admitted by the hon. Minister in his speech that these transactions are liable to be abused and that they have really been abused. This is a correct statement of fact that he has made. Now, if that is the information of the Government, and which we fully endorse, why should not the provisions of this Bill be applied to non-transferable specific delivery transactions. My information is that there are a very large number of such transactions which are abused and which will be abused. There will be greater abuse hereafter, because those are the only transactions which would be free from the shackles of the provisions of this Bill. Therefore, I feel that the Government should reconsider its decision and that the provisions of this Bill should be applied also to non-transferable specific delivery contracts. It has no doubt been provided in sub-clause (3) of clause 18 of the Bill that whenever any such evil is brought to the notice of Government, whenever such non-transferable specific delivery contracts are abused, Government would take action under that sub-clause. But my

[Shri R. C. Gupta.]

question is : Is not the experience of the past enough to lead to the definite conclusion that these transactions are certain to be abused and that there is no justification for excluding these transactions from the purview of Chapters III and IV ? The effect of the exclusion of these contracts under clause 18, which falls under Chapter IV, is that the clause relating to the Commission could not apply to these transactions. Clause 4 relating to the functions of the Commission is a very important clause, and my submission is that it is a very healthy provision in the Bill which would keep the trade straight. I think that in the case of non-transferable specific delivery contracts also the Commission should have drastic powers of looking into the matters carefully and putting unhealthy trading in order. Even if the Government does not accept my suggestion at the present moment, it may come forward with a notification under sub-clause (3) and include non-transferable specific delivery transactions also in the purview of Chapters III and IV.

SHRI C. P. PARIKH : Does it not come under sub-clause (b) of clause 4 ?

SHRI R. C. GUPTA : Sub-clause (1) of clause 18 says :—

“Nothing contained in Chapter III or Chapter IV shall apply to non-transferable specific delivery contracts for the sale or purchase of any goods... ”

SHRI C. P. PARIKH : The Commission is provided for by clause 4 in Chapter II.

SHRI R. C. GUPTA : My point is that on account of sub-clause (1) of clause 18, this is excluded. Of course from the language of the clause referred to by my hon. friend just now, it might be inferred that the Commission may exercise those functions. But it might be contended, on the other hand, that under sub-clause (1) of clause 18 the Commission cannot have such powers.

SHRI C. P. PARIKH : What is the trouble that the hon. Member faces in this matter ?

SHRI R. C. GUPTA : My suggestion is that there must be a specific sub-clause added to this clause which might clearly provide that the Commission shall have powers to look into and take action as provided for under clause 4 with respect to non-transferable specific delivery contracts.

THE MINISTER FOR PARLIAMENTARY AFFAIRS (SHRI SATYA NARAYAN SINHA) : It is there. The Commission needs no special powers. It is stated in sub-clause (3) of clause 18 that notwithstanding anything contained in sub-section (1) Government may declare that all or any of the provisions of Chapters III and IV shall apply to such class or classes of non-transferable specific delivery contracts, etc. Then, sub-clause (3) will obtain.

SHRI R. C. GUPTA : I admit, there is such a clause. But it is not enough. In fact, past experience has shown that the non-transferable specific delivery contract or transaction has been abused. Now, if the explanation of the Government is that, then, why should there be sub-clause (3) ?

SHRI SATYA NARAYAN SINHA : That is the experience of the Government. Government feel that there is scope for non-transferable specific delivery contracts in the ordinary course of business in a place where there is an association, that is recognised under clause 18 ; and there the provision in sub-clause (3) could be invoked.

SHRI R. C. GUPTA : The other points that I would like to suggest are that under clause 23 of the Bill, certain offences have been made cognizable. This gives additional power to the Police. This seems to be a hard provision and it is liable to be abused. There must be some sanctioning authority before the prosecution is launched. That is one suggestion which I have to offer with respect to

that clause where certain offences are sought to be made cognizable.

There is another suggestion which I should like to make. That is, under clause (27) Government have been given power to exempt any contract or class of contracts from the operation of all or any of the provisions of this Act. Would it not be much better if the Government had defined certain trades and stated that in regard to those trades, there should be no forward transactions, and the powers could have been kept as under clause 7.

**SHRI C. P. PARIKH :** Does not clause (17) make provision for that ?

**SHRI R. C. GUPTA :** Yes, that clause makes provision for some cases. That is my grievance. It does not make provision for general exemption.

There is only individual exemption provided for in that. I shall read out that clause.

"The Central Government may, by notification in the official Gazette, declare that no person shall, save with the permission of the Central Government, etc."

Now, "No person shall save with the permission of the Central Government"—that is, if an individual requires that a certain permission should be given then he can approach the Central Government and the Central Government could exempt him. That is for individuals and not for the trades. I do not know whether it is proper that particular individuals should be encouraged to approach Government and obtain exemption. This might be abused by individual firms having interest in the commodities. In fact, clause 17 lays down a very unhealthy provision. That is my reading of the Bill and I say that non-transferable specific delivery goods should be included and that they should not be exempted because, otherwise a great abuse is likely to arise under this exemption and, I am sure, the Government will be called upon to take action under sub-clause (3) of clause 18 of the Bill. I think that if the experience

in the past is sufficient guide, there should be a provision as I suggest.

**SHRI KISHEN CHAND (Hyderabad):** Mr. Chairman, I entirely endorse the hon. Member's statement that in a planned economy, there should not be any place for speculation. We have definitely decided that in our country there will be planned economy and have prepared a Five Year Plan. We must raise agricultural production in this country so that it just meets our needs. Our land area is small and unless we can apportion land between cash crops and food crops, our economy will be upset. Naturally, in a planned economy until the agricultural production is sufficient for the needs of the country, we should not permit any speculation in it. Let us look at the example of the capitalist countries, and take the case of America. Even there, though the agriculturist has a large farm at his disposal and his production is very high, the agriculturist's interests are safeguarded by guaranteeing a minimum price for his produce. The hon. Minister has pointed out that agricultural production takes place in three months time and that it is consumed in twelve months time. There must be an agency to bridge over this gap of nine months. He has suggested that the speculator comes in at this point. The speculator purchases the produce at the time when the harvest is on. He takes a risk but in most cases, it is at the cost of the agriculturist. He can study the market very well and pays the minimum possible price to the agriculturist. He stocks the goods and when the market rises, he sells it to the consumer or exports it outside. In America, there is a minimum price guaranteed to the agriculturist and on the basis of that guarantee all banks and middle-men advance money to him, so that every farmer there gets the money and convenience to tide over this period of nine months. Here, in our country no Bank will advance money to the agriculturist and, therefore, he is at the mercy of the middle-men. What I would like to suggest to the hon. Minister is that he should see that no forward contracts are entered into

[Shri Kishen Chand.]

agricultural produce. If he eliminates all agricultural products from the operation of this Bill, then I will be satisfied.

The question will arise, what agency will come in to spread this production over 12 months. As suggested by some Members, we should have co-operative societies helped and sponsored by the State Governments, financed by the Central Government or by the Reserve Bank of India thus ensuring that the agriculturist gets a fair minimum price. Any profit which arises from any increase in price should go to him. If in this way we can transfer the benefits of speculation to the poor agriculturist who is very hard pressed in our country, I will have no objection to the enactment of this Bill. For the distribution of agricultural production, some agency has to be started and that agency, in a planned economy, must be a Government sponsored association and not private speculator.

JANAB M. MUHAMMAD ISMAIL SAHEB (Madras): Mr. Deputy Chairman, I do not know whether the Bill covers a contract—a forward contract—that is entered into by an Indian national with a foreign national. If it covers, Sir, then there are certain provisions, the meaning of which I do not understand. Take for instance, Sir, clause 8(3). That clause speaks of certain measures the Government will take for the purposes of enquiring into the affairs of a recognised association. In that connection, it says that :

“Every other person or body of persons who has had dealings in the course of business with any of the persons mentioned in clauses (a), (b) and (c), shall be bound to produce before the authority making the inquiry, all such books, accounts, correspondence etc., etc.”

Sir, this seems to indicate that the Bill envisages only that type of contracts which are being entered into between an Indian and another Indian. However, Sir, if I am not wrong, I think that the idea of the framers and

sponsors of this Bill is to bring all such contracts as have been mentioned by me also under the purview of the Bill. I proceed on that assumption, Sir. Sir, much has been said about transferable and non-transferable specific delivery contracts. Certain gentlemen have even doubted, Sir, whether there is anything like a non-transferable specific delivery contract at all. But I may say, Sir, that in certain parts of the country, particularly in Madras, almost all the contracts are of the category of non-transferable specific delivery contracts. Take for example the leather trade. It is entering into contracts and it is entering into contracts for specific delivery at a specific price for a specific mark which is manufactured by a particular individual and that contract cannot be transferred to anybody else. And another point is that in Madras we do not find such associations as are envisaged and contemplated in the Bill under discussion. There are associations of course but they are like Chambers of Commerce. They are there for protecting the general interests of the trade. These trade associations and Chambers of Commerce do not fit in the definition given in the Bill, Sir, for such associations as are meant to regulate these contracts.

Then, an attack has been made upon the very system of forward contract itself. They say that it is speculation. The planned economy is a good thing and we have got a Five Year Plan, of course.

SHRI C. G. K. REDDY : Not yet.

JANAB M. MUHAMMAD ISMAIL SAHEB : We are going to have it and even while this Bill is being promoted and is being passed by the Parliament that Plan is holding the field and, on the assumption of the Five Year Plan being accepted by the country, these several measures are being taken into consideration. That Five Year Plan gives room to such methods as these. There are very large fields that are not covered by the Plan. That is the first Plan and it



cannot cover everything under the sun so far as our country is concerned. For one thing there is trade and something has to be done to put it on sounder basis than it is on at present. So now there is room for trade and speculation and there is room for regulating that. Leave alone speculation in trade—even take ordinary agricultural operations. There is speculation even in agriculture. But when it transcends a certain limit, the speculation becomes mad. Speculation in its ordinary sense only means—as has been pointed out—a calculation of the future. Anybody who does a trade cannot expect to have the results of what he does at the very instant in which he does a thing. He has to calculate upon the consequences of his action and then proceed upon his calculations. So also here for carrying on agriculture or any industry, there must be some calculation and the speculation in the right sense is only that calculation, and that calculation might be done on the right lines and action may be taken under such calculations on proper and sound basis. Some regulation is being brought in and that does not mean that it creates and sanctions any illegal thing. It only wants to improve the thing which is existing in the country and which is essential and which is necessary. There are certain friends who would tolerate trade but who would not tolerate the forward contract system. I think they do not know the real state of affairs which is obtaining in the trade world. Again I shall cite the example of the leather industry. For several decades now people are carrying on tanning operations producing leather. Then there was a surplus in that commodity in the past and there is a surplus today. India produces the largest amount of leather in the whole world, much more leather than any other country in the world and its exportable surplus is much larger than that of any other country. Our country is not able to consume all that it produces and so it has to export, find a sale for the surplus. The surplus of leather as distinct from

raw skins and hides will be even much larger than what it is today if only the Government helps in the matter. If only Government had displayed a greater solicitude to this trade and given it some protection as they have given to so many other industries, protection in this case of a peculiar nature—in the shape of an export duty on raw hides and skins—then I say the exportable surplus of the manufactured article, leather, would have been still more than what it is today. No other country is able to compete with our country in the matter of export of leather. Now, how are we to deal with this exportable quantity? How are we to convert this source of national wealth into money? In the past what the people did was, they exported the leather to London. There the leather was allowed to accumulate for weeks and months. Then once in six or eight weeks an auction was held and the goods were liquidated and sold at the prices that were obtainable at the time of the auction. This means that the output of our three or four months' labour was being sold on the basis of conditions that happened to crop up at the time of the auction. In the meantime, people here were producing these things with their eyes closed. That is what really happened when there was no forward contract at all. This you may call gambling. You had simply to take what came to you at the time of the auction. So I say to industrialists the workers did their work with their eyes closed. It was a mere gamble. Even at that time, the then Government which was not a national Government saw the position and saw that it was bad and they have been encouraging the people engaged in this industry to take to forward contracts, and forward trading came into this particular industry gradually. And even now the auctions are there. But a good portion of the output is being sold on forward contract system. If this forward contract system had not been there, the people would not know what to do. Again they will have to grope in the dark. Therefore this system is stabilising the industry by making the people

[Janab M. Muhammad Ismaïl Saheb.] engaged in it know what their position is. As I said, this particular trade has no associations now and they have nothing but non-transferable contracts, because most of the contracts are being made for a specific mark which only one person who enters into the contract can supply. Therefore, it will not be transferred. Therefore in the very nature of things we have this kind of category or contract here in this trade.

I would like to say a few words about the option in goods. It is good; of course, to enact that no person should appropriate or misappropriate to himself the right to sell another's goods.

But, in operating this portion of the Bill, Sir, care should be taken not to confuse the ordinary common *mandis* or commission agencies which are in operation in the country. There are certain clients, certain customers who send their goods, by their own choice to a particular *mandi* or commission agent, over a long period. Such a client thinks that it is advantageous to him, that his business is being handled satisfactory to himself and, therefore, he, as well as many others, should send their goods to be sold to that particular *mandi*. It should not be confused with option in goods and assumed that this has created an option for the other man, the *mandi* man, in the goods which he is selling.

Sir, then again, with regard to ready delivery contract, it is defined as a contract which provides for the delivery of goods and the payment of a price therefor, either immediately or within such period not exceeding 11 days after the date of the contract. I do not know, Sir, whether this period of 11 days refers to the delivery of the goods and also to the delivery of payment. If it refers to the delivery of payment also, Sir, I may say that there are several....

SHRI D. P. KARMARKAR : Delivery of goods.

JANAB M. MUHAMMAD ISMAIL SAHEB : .....cases, industries where the period is not 11 days. There are industries which have got 14 days and 20 days even as the Deputy Minister.....

SOME HON. MEMBERS : Minister.

JANAB M. MUHAMMAD ISMAIL SAHEB : .....had explained at the outset. I think, a note has to be taken of this matter.

Sir, as I say, speculation or forward contract system is a good thing so far as certain trades and industries are concerned. So far as such industries are concerned, it is essential. They cannot go on without this and it will become bad only if it is so managed as to corner the goods and to create a monopoly for certain people. Then it would really be a bad thing.

Sir, as I said, such things are obtaining not only in trade, but also in other things of life. Therefore, we should not fight shy of this criticism about forward contract and speculation but should see that this forward contract system is fostered in our country. Particularly with regard to the trades where it is being felt essentially, it is necessary that that system is encouraged and, of course, regulated also in the proper manner without, in any way, discouraging trade.

4 P.M.

SHRI D. D. ITALIA (Hyderabad) : Sir, I rise to support the Bill as recommended by the Select Committee appointed by the House of the People. I am sorry to say that the hon. Minister, while introducing this Bill, did not think it advisable, as mentioned by my friend Shri Parikh, to take some Members of this House into the Select Committee. I think it is high time now, when the Minister introduces important Bills and when they are referred to the Select Committee, it is advisable that he should consider taking some of the Members of this House on it, so that we can give our opinions on important matters.

As regards the Bill, I am myself a business man and I know very well that forward contracts were in existence for centuries or over. In Hyderabad, from where I am coming, forward contracts on a large scale were going on without any Forward Contracts Act. In normal times when the prices are not fluctuating, the business goes on smoothly ; but when the prices go up or come down heavily, then in that case dispute arises and in the absence of the Forward Contracts Act, sometimes dishonest people refuse to carry out contracts, and even courts of law refuse to give justice, saying forward contracts is 'satta' or speculative trade. So I think, our thanks are due to the hon. Minister for bringing this Bill which will help forward contracts very much. Many speakers said that speculation is evil. I know unhealthy speculation is very much of an evil, and it must be stopped, but it must also be said that forward contract plays a useful part in tempering prices when there is fluctuation. In other words speculation, which is an inherent element of forward contract has its economic uses. Some of my friends here said that in America, speculation has ruined the country. I have read an American paper on this subject, and I am going to read it because it is very interesting, and relates to forward contracts. It is interesting to know that the United States Industrial Commission, in its extensive survey of economic conditions of United States, sums up the distributive functions of speculation as follows :

"Economic service of speculative agencies engaged in distributing farm products are three-fold. First, they localise the industrial risk among the commercial classes, whose special functions are to distribute surplus supplies over difficult times and different places in such a way as to eliminate the uncertainties to the producer and the consumer. Secondly they further relieve the producers and consumers from carrying a whole year's stock, and to the farmer, enabling to convert his crops promptly into cash capital, and the latter to supply himself as his periodic needs as may be required, without enhancing prices beyond the ordinary rates of risk, and a good return of the capital invested. Thirdly, the competition of the speculative dealers tends more than any other force,

to reduce profits of these agencies to a minimum per unit of the commodity handled."

Released from other economic functions it is to their interest to seek to reduce the risks of distribution to a minimum. So, I think forward business is very essential. In fact the whole world today is centred round the future markets. So I think it is very essential. I support the Bill wholeheartedly.

MAJ.-GENERAL S. S. SOKHEY (Nominated) : Sir, the main problem here is a fair deal to the producer of primary products. He is ill-organised and is the worst sufferer under the present economic order. The prices of the primary products all over the world change rapidly and fall without any notice. The manufacturers, on the other hand, are well-organised. They sell their goods on their cost of production. But the primary producer has to dispose of his goods at prices over which he has no control. That is the situation. To give you an example, take the price of wheat. In 1920 wheat was 11s. 8d. per bushel, during 1925 8s. 2d. per bushel, and in 1931 it was 3s. 4d. per bushel. Then during the month of January 1938, the price was 7s. 5d. During 1939, it touched the lowest level of 3s. Similar figures can be quoted for almost all primary products. Now, if we want to deal with the problem seriously, something much more than this Bill envisages requires to be done, and I think the only way to give the primary producer some security and at least some interest in his work is to fix prices on a parity basis. The peasant has to produce the raw material. He has to exchange his product for manufactured goods, and if the prices of manufactured goods go up, so should the price of his primary produce. And for that purpose, the minimum that requires to be done is that the Government should fix the prices of primary products on a basis in parity with the prices of manufactured goods. And having done that, if any of the primary products remain unsold, the State should buy them up and store them.

[Maj. General S. S. Sokhey.]

I think we should pose the problem to be dealt with clearly and precisely and then find the best possible solution. The present Bill does not meet the problem. Further now that we are going to have a planned economy, I think the least that the Government could do is to fix prices on parity basis of primary products, and buying those products, if unsold, and storing them. I request the Government to treat this seriously and not to play with it.

DR. D. H. VARIAVA (Saurashtra) : Mr. Deputy Chairman, I heartily support this Bill. But the main thing that interests me in this Bill is the stoppage of what is called the small speculators. I have seen in Bombay that in the stock exchange there are many men who actually live on gambling. They have nothing to do with trade or with any commodity. They just go to the stock exchange and sit on the benches which are supplied there from 10 o'clock to 5 o'clock or 6 o'clock, and they waste their time. If they make a little money, they squander it on some other form of gambling, and so on. So, in reply to my hon. friend Mr. Gupta, who said that this Bill did no good to the common man, I must say that this Bill has done a great deal for the common man, because if you see the miseries of the speculators and their families, you will be surprised.

Again, it is said that you do not go the whole hog, and that this is a half-hearted measure. But you know the example of Amanullah who asked his people to give up their old ways and put on tophats, and he was kicked out in no time. Government must be a little careful in what they do about this matter. But I am sure the hon. Member is not correct in saying that the common man has not been benefited. The common man is very greatly benefited by the prohibition of speculation by small people, and for this reason I support the Bill very heartily

SHRI D. P. KARMARKAR: Sir, I very much appreciate the trend that the debate has taken, because, if I understand aright, among all the speakers, including my hon. friend Mr. Gupta, there is unanimity about the point that unbridled speculation requires to be very vigorously checked, and that is precisely the reason why we have brought this Bill before this House.

There seems to have been a little misconception arising out of what I said in my earlier speech, when I said that within limits speculation can exercise a wholesome influence on the economy of the country. When I referred to speculation there, I referred to the rather correct meaning of the word "speculation". In its correct sense, speculation is anticipation, a sort of directed anticipation. And when I said that, I just implied that a forward contract, if it is properly regulated, will exercise among other things, a wholesome influence, on the basis that it will give the buyer of the primary product a certain security. Now, take the instance of a farmer. If a ready delivery contract takes place, he has to carry his things and go to the market.

He might face any situation. There might be a depression and he might lose heavily. When he is dealing with forward contracts, he has an option. He can choose any dealer who gives the best terms possible and then, for the next year's cultivation, there is a certain guarantee so far as his income is concerned. He can plan. At the particular moment, things may not be in his favour. He can always wait for the better time between the time in which he enters into the contract and the time of the actual delivery. Actually, when the crops come to the farmer, then only he will be able to enter into a contract. Then, they may give a far more easier opportunity to the buyer to fleece him out. Many a time it has happened that prices rise and fall and the producer is approached when the prices fall to his disadvantage. A co-operative organisation dealing with the agriculturists' produce would

be an effective organisation to give the farmers protection. Government have been encouraging such co-operative ventures.

Another point has been suggested and I welcome that suggestion. It relates to speculation. In my speech at the commencement, I said that we take the view at the moment that though in some cases non-transferable specific delivery contracts also could be abused, at the present moment, we feel that we must begin with the transferable contract. On the view that any mischief may be indulged in by means of unhealthy dealing in non-transferable specific delivery contracts, we have not clearly formed the opinion that such contracts should be definitely restrained. It is with that view that we have taken powers under clause 18.

These are the two points that have emerged broadly from this debate. My hon. friend Mr. Parikh has made some useful suggestions. He says that the personnel of the Commission should be five. He suggested regional advisory committees. He had also a number of suggestions to make of a constructive character. I may assure the hon. Members that when the debate comes to the Ministry, it will cull all the points of a constructive character and shall consider carefully all the points that are urged.

Now, a comment has also been given that this measure is not adequate to meet with the situation. As I suggested earlier, this is a new problem.

AN HON. MEMBER : It is an old, old problem.

SHRI D. P. KARMARKAR : But we have been handling it anew and we have got the recommendations of the Expert Committee. Twice it came before Parliament and we had the advantage of the discussion in two Parliaments, not one discussion. We have put forward before the House a measure which in our opinion tries to grapple with the situation. As one of my hon. friends suggested, it is

no use going too fast. Very likely, some may believe in going too fast. Some may like us to go fast and some others may say "we are not in a mood to go fast". Before we have a full consideration of all aspects, we cannot proceed. If you want to survey a forest, you have to go inch by inch. You have to go slowly and measure every inch of the forest. As I said earlier, we think there are certain types of contracts which must definitely be prohibited and there are certain others which need not be so prohibited. There is a third type of contract, the non-transferable specific delivery contract which we believe is most necessary to regulate also in certain areas and under certain contingencies. So, I think, Sir, Government feel that the measure that has been before the House should be given a very good trial and that it will in any case give us the experience that we need and the country needs. We feel that the proper way to deal with this is to take the question as a whole and come to grips with it. I do believe that human ingenuity many a time baffles the best efforts of man's endeavour in social welfare.

So, Sir, I think that the experience that we shall gain, that the country will gain, will be a precious experience. Now, Sir, I understood my hon. friend Mr. Bhupesh Gupta has been almost opposing forward contracts as such. At the end of his fairly long speech I got a little light. He said he entirely supports the Government so far as options are concerned and if I interpret it rightly, I think that he wishes to go whole hog to check unhealthy speculation as a whole. I was rather interested in the observation made by my friend Mr. Manjuran. I think when he said 'speculation' he implied unhealthy speculation. How can this be consistent with a planned economy? As he was speaking, I almost felt that I agreed with every sentence that he said because ultimately this is an attempt in the field of planned economy also. Now we have taken to regulate certain types of contracts. Now that is proceeding according to plan, our

[Shri D. P. Karmarkar.]  
ultimate objective being that our trade should be so planned in the end that unhealthy speculation should become absolutely impossible. So I will not quarrel on that point at all. I think he will entirely find himself in agreement with me, in the sense that there is absolutely no difference between the points of view he expressed and the Government point of view. Our ultimate aim is to achieve a state of things in which harmful speculation would be absolutely impossible.

Sir, I content myself with those remarks because there are no other points which should require a detailed reply. We shall carefully consider the various suggestions made during the course of the debate. Sir, I move.

SHRI C. G. K. REDDY : Just a clarification. I should like to know from the hon. Minister what is 'healthy speculation' because I cannot understand that term.

SHRI D. P. KARMARKAR : Healthy speculation is a speculation which is in the best interests of the country. Suppose I want to have cotton to run my mills. In doing that I may find that the price factor may be favourable to me. Supposing I am pinned down to my contract and at that particular time the prices fall, I may lose and my concern will have to lose in production. Now, Sir, that word 'speculation' has such odour. I will better transform that word 'speculation' into 'anticipation'. I make a correct anticipation of things for running a national concern. Supposing the rates do not fall or the prices do not rise during that period, I think my hon. friend entirely agrees with me that there are certain kinds of anticipations—not speculations—which could be beneficial to the country.

JANAB M. MUHAMMAD ISMAIL SAHEB : May I have an answer to my question whether this Bill covers the contract which is entered into between an Indian and a non-Indian ?

SHRI D. P. KARMARKAR : It does to that extent to which there is control over nationals. It does.

MAJ.-GENERAL S. S. SOKHEY : How does it protect the producer ?

SHRI D. P. KARMARKAR : Inasmuch as it saves him from the speculators' activities and fluctuations in prices. To that extent it profits the consumer, it profits the producer and it profits everybody. The whole attempt is at levelling up and creating a uniform level in respect of trade and avoiding fluctuations and uncertainties. To that extent it profits everyone.

MAJ.-GENERAL S. S. SOKHEY : Would not the prices of primary products, fixed by Government on parity basis, be more sensible ?

SHRI D. P. KARMARKAR : That is another point which will require another occasion to reply.

PROF. G. RANGA (Madras) : There are two points in regard to which I would like enlightenment. There is a minute of dissent by Mr. C. C. Shah in which he has suggested a specific amendment to the Bill. He wanted it to be incorporated but, unfortunately, it has not been done. Here is Chapter III regarding recognised associations. According to this, it means that an organization may seek recognition from Government and from this Commission but it does not mean that every organization has got to seek this recognition and must be recognized. Mr. Shah suggested that it should be recognised and that every organisation should come to be recognised and seek recognition as otherwise so many abuses creep in the wake of the private organisations and their mischiefs. I would like to know how soon Government would like to take action in this direction, because it appears to be a very healthy one.

Secondly, my hon. friend said that they would certainly welcome the development of agricultural co-operatives

and also the organisation and establishment of these co-operative ware-houses and I know some of the State Governments are trying to do something. I would like to know whether the Government of India would try to revive the earlier scheme that they had during the war or soon after the war of placing some funds at the disposal of the State Governments by way of giving subventions of whatever it is, upto a particular percentage of the expenditure to be incurred on the construction of these ware-houses and whether they would like to consider it at the earliest possible moment.

SHRI D. P. KARMARKAR : Sir, with due respect I thought that the first suggestion was relevant on this discussion and perhaps in a broad way I gave the Government's attitude with regard to co-operatives but how much money they would be able to place or not, I think, at present it does not arise out of this.

PROF. G. RANGA : The point is whether they are going to consider it.

SHRI D. P. KARMARKAR : I want notice of that.

With regard to the first point that was made, I thought my friend Prof. Ranga did not listen when I spoke first. Perhaps because it was a prepared speech, he thought it was not worthwhile. I dealt elaborately with this point. I anticipated an objection of this nature because Mr. Shah had made that point and we thought that a regulation like that would be far too sweeping at present. Binding the operations by any association, unless it be a recognised association under this law, would create far greater difficulties than the small solution that would arise out of it. I thought since my friend Prof. Ranga did not table any amendment on this point, that he entirely agreed with our point of view, but apart from that, that is our position and we don't consider it at the present moment feasible to give effect to that suggestion. Maybe ultimately, logically, every association will have to be registered but that is an end to be achieved. At the present moment,

suppose we begin bringing in organisations or any associations irrespective of its consequences, it might lead us into difficulties which we may not be in a position to foresee at present. It is much better to begin in a small way and later make regulations of forward trading specifically effective in certain areas and commodities.

MR. DEPUTY CHAIRMAN : The question is :

That the Bill to provide for the regulation of certain matters relating to forward contracts, the prohibition of options in goods and for matters connected therewith, as passed by the House of the People, be taken into consideration.

The motion was adopted.

MR. DEPUTY CHAIRMAN : We will take clause by clause consideration of the Bill. There are no amendments to this Bill.

Clauses 2 to 28 were added to the Bill.

Clause I, the Title and the Enacting Formula were added to the Bill.

SHRI D. P. KARMARKAR : Sir, I beg to move :

That the Bill be passed.

MR. DEPUTY CHAIRMAN : Motion moved :

That the Bill be passed.

SHRI C. G. K. REDDY : Ordinarily I think after the hon. Minister's reply this debate should have ended and the question should have been decided. But, unfortunately, to my great surprise and disappointment, the hon. Minister who usually gives a very satisfactory reply to the House, in this case, has not even attempted to give satisfaction. I especially thought that he would be able to tell us quite definitely what indeed he thinks good about forward contracts. The intention of my speaking now at the end of his reply is to elicit from him some information as to how the country is going to benefit from this legalised

[Shri C. G. K. Reddy.]

and healthy gambling or this healthy speculation or anticipation, as he put it.

I am not indeed, in a position to understand how, if there is an element of gambling—and there is an element of gambling—I suppose he agrees there—he is going to remove that element of gambling by this Bill. Now we are to have, according to him, a very healthy agency through the forward contracts, not only to help the economy of the country but to assure the industries a proper supply of their raw materials. Somehow this agency is expected to do good even to the grower. I take it that the grower's interest is also his concern. But I am not able to see and I am not able to agree that this would indeed be so, even with this so-called regulation of forward contracts. That is at least my view and the opinion of most of us on this side of the House.

This agency is perhaps the greatest evil of the capitalistic system. There are many others, but by far the stock exchanges and other exchanges are the greatest evils that the capitalistic system has produced, and it is time that we, who are determined to have a planned economy, a Welfare State, started to put an end to it. But if the hon. Minister had told us that this is only the beginning and that we would be able to take the next step thereafter, we probably would have given him, shall I say, a reserved consent to the Bill. But he has categorically stated, as I can see it, that he is not going to take any further step because he thinks that it is a very healthy anticipation and that it is a necessary thing which we should have in our economy. I for one am not able to see how this is necessary. These and other things recognised as absolute gambles, which the hon. Minister is trying to bridle through this Bill, are only the product of the main thing, namely, forward contracts.

He gave us an example of a textile mill entering into forward contracts so that it may be assured of its raw

material for its next year's production, and indirectly assuring that the masses of the country—the poor masses of our country—are served through its brilliant and glorious effort. I am glad that the textile industrialists through these forward contracts, really have the intention of clothing the many millions who have no cloth at all to wear. What would happen, asks the hon. Minister, if you had no forward contracts? Two years hence there would be no cotton at all, somebody else may take it all away. If the industry does not get its raw material, it will not be able to produce and the country will not have the cloth necessary to clothe itself. Therefore, it is a necessary thing. But, I do feel that it is not necessary. One of the hon. Members on this side of the House suggested that this agency could easily be replaced, could easily be substituted by a very healthy system. After all, Sir, the only argument for the existence of these parasites, if I may call those who enter into forward contracts, is that they take the risk to supply the materials that are necessary for industry or for the consumers during the off-season and against any eventuality that nature or something else may bring about.

But, will the hon. Minister agree with me when I say that even if you confine the activity in forward contracts to a textile mill, only to the actual manufacturer, or to the actual user and eliminate even all the middlemen, even then I would say that a forward contract will give rise to evil and I can assure him that in spite of this Bill, the same amount of gambling, possibly with a legal protection and with a respectability that the hon. Minister has tried to throw on its shoulders, will be able to carry on and still manipulate the markets in such a manner that our economy would go on being ruined by these people. Sir, I would give an example. A mill makes a forward contract for 2 years hence, or one year hence or some years hence in order, according to the hon. Minister and according to our great patriot, the textile magnate, that we may be sure of producing and keeping to the target of our



textile production. Supposing, Sir, the prices rise. In what manner do these people protect themselves? Let us say that they are very honourable people who will honour this contract. Next year they are bound to manipulate the markets in such a manner as to bring down the prices and enter into a contract so that the grower is forced to sell it at a much lower price, thereby keeping a respectable average for themselves, or, let us say, a workable average of the prices.

After all, S.r, what I feel is, barring these little middlemen, who make a little money here and there, and some of them make crores also, the biggest people in the country are the real motive force behind the entire forward contract system. They are the same people who own the biggest industries; they are the people who control the entire banking system in the country, they are the people who have a lion's share of the insurance business. Now, by eliminating the middlemen, what is it that you are protecting the growers against? You may be eliminating the middlemen and making it a little inconvenient for the bigger men to operate in the market; but, as the hon. Minister rightly pointed out, human ingenuity, as he said, the evil genius of a human being—if a magnate and a financier is a human being—is such that none of these Bills would be able to protect us.

We should be able to take a measure, not a half-measure. The hon. Minister says that he cannot go fast enough; but, that is exactly what these people think. They know that he cannot go fast enough; they know that he is not competent enough to stop their evil designs which they have been perpetrating on the country. I feel definitely that there is no use of this Bill at all. In fact, this is not going to curb the evil. The evil is going to be there just as much as it ever had been.

If you wanted to do anything about this Forward Contract—my assumption is that you have found that the forward contract system has been an evil in the country—and if you thought

it desirable to curb it, it is necessary that you need to curb it through an effective Bill, but, my contention is that you are not doing it. Because, by merely eliminating the small man, you are not eliminating the big people who are really the motive force behind this system. After all, S.r, you go to the East India Cotton Association and see who are the Members of the Managing Committee, find out of how many textile mills they are Directors, of how many banks they are Directors, of how many insurance companies they are Directors. They have the entire financial backing in the country to operate to their own benefit and to the detriment of the grower and even the little middleman, who is the agency between the grower and themselves.

How are you going to stop them from operating the market in such a manner that the grower, whether it be of cotton or oil-seeds or anything else or even, as my hon. friend Mr. Ishtail said, hides and skins is protected from the exploitation of these big people? How are you going to prevent them from making use of this legalised gambling, legalised speculation, legalised anticipation? How do you intend to do it? I for one, Sir, am unable to understand. I am also unable to understand how you will be able to protect your Plan—if you produce a Plan at all in the sense of the term as I understand it, a few days hence—with this only check, with this only bridle on the evil people who exist in the country today? How are we going to prevent those plans from being sabotaged? I am not able to understand.

My friend Shri Gupta rightly pointed out—I would say that I am almost entirely in agreement with him, in what he said today—he might have sounded a little irrelevant to those who do not understand the economic system in which we are living, but I almost entirely agree with him when he pointed out that planning cannot go hand in hand with this. This means you do not understand the plan. You cannot plan on this basis. The plan can never cover the operations of these people. How do you intend to carry out the

[Shri C. G. K. Reddy.]

targets that you have laid down in the Plan? This sort of wishy-washy measure, on those people who have been wrecking the country, can only send the entire country in one direction to ruin.

PROF. G. RANGA : Sir, If the Government had not brought forward this Bill, I would have been very much in agreement with the sentiments expressed by my friend Reddy, in regard to the evils of speculation and the troubles our producers are having from these speculators. But now I am face to face with this Bill. My hon. friend, the Minister for Commerce, in summing up the debate, has already evinced the general approval of the House, although some of the Members would like it to go much further and much more quickly, and so on. It is not possible now to say, along with my hon. friend Shri Reddy that it is useless. It is not useless. The next thing he said was that it would be ineffective. I do not think it need become ineffective. The third thing he said was that it was going to keep out some people and give monopoly to top people only. That is exactly what I think this Bill is intended to prevent. If you look into clause 6, sub-clause (2), paras. (a) and (b) you will find that sufficient care is taken in regard to the membership of these organisations.

SHRI C. G. K. REDDY : Those who are not members are not allowed.

PROF. G. RANGA : That is quite right. It ought to be so. Then alone unhealthy speculation can be checked and prevented.

SHRI C. G. K. REDDY : You are using his phraseology.

PROF. G. RANGA : Yes. A person, who is not a member of these organisations is not allowed to operate on these forward contracts. I agree with my hon. friend, Mr. Reddy, on the more fundamental things that there should be no

scope at all for forward markets, or for speculation in any other things. Therefore, our society should be so organised, our agriculturist should be helped in such a way, that his products will go straight to the ultimate consumer if need be through the processing factories, and then later on, through the manufacturing concern and so on, without the mediation of these people. If only this could be done! A solution was suggested and I am in agreement with that solution; and that is co-operativisation of the whole agricultural marketing. With the co-operativization of the whole of the agricultural economy it can be done. It is done in so many other countries. Certainly it is done with almost 90 per cent. of the needs of the people in Denmark and in some other countries. They are very small countries. I do not mean to say that we will not be able to achieve what they have achieved but it will take some time. We have progressed towards that goal. This Bill, I think, is a very small step, and a first step, in that direction. All this time all these people, these speculators, have been playing mischief with us. For a long time we have been asking for a Bill like this. It came up for discussion in the Indian Oilseeds Committee also, where the majority of members happen to be the representatives of the growers. We thought that the Government was delaying the bringing forward of this Bill. We had to send several reminders to the Government. And, now, in the end, it has come before us. Therefore, let us welcome this Bill, not in a half-hearted manner, but wholeheartedly.

My complaint is not that this Bill is not good in itself, but that, as our friends have put it, it does not go far enough. I wanted to make one very small suggestion, but my hon. friend fights shy of it. You force these people to organise themselves in certain specified areas. That is how the Bill seeks to move. I suggest that there should not be any place at all where there might be a private organisation of these speculators to play mischief on society. All over the country,

every group of people who wish to deal in forward contracts should be brought within the purview of the Act.

My hon. friend the Minister would like to go a little slowly. I do not wish to quarrel with him on that score at present. But I would like him to keep this suggestion in mind, and then try and take the earliest possible step to carry it out, say, after one year of observation as to how this legislation affects industry and trade in the country. I can quite understand my hon. friend's hesitation to go ahead in a full-fledged manner, because, as we all know, we do not have sufficient trained personnel today. What was the complaint that so many people made over textile controls when they were introduced? The complaint was that the officials who were appointed by the Government to deal with these controls were not specially trained people, and that they did not understand the technicalities of the textile industry. They needed more time. They took too much time. By the time they learnt something, there was a change in the personnel of the Ministry here, or there was some change in the attitude of the Minister towards the Textile Commissioner and his subordinates, and people came to be transferred elsewhere. It was accepted by the previous Minister, I think by Dr. Syama Prasad Mookerjee, that there should be special personnel to administer these controls, and therefore there should be special training given to the officials. The Government of India promised to give this training. They promised to take special steps in this direction. But till now they have not taken any steps at all. They did not have what is known as the Economic Civil Service, a brains trust. I would like the Government of India to think about it again, now that we have a new Chief Minister in charge and his Minister of State also to deal with these matters, so that it would be possible for Government to have at an early date a sufficient number of trained personnel, with whose assistance and co-operation it might be possible for them to go

much further than they propose to do in this Bill. Everyone of these societies will have to be provided by Government with at least one, and sometimes, I suppose, even more than one of their representatives to watch the activities of the societies. That would need a number of people with proper qualifications. It is doubtful whether the Government of India has got those people just at present. They may have to take some of the I. C. S. people or some other people and give them training. If, on the other hand, I were to insist that these societies should be allowed to organise themselves in every trade centre, then I am afraid this Government anyhow might not be able to tackle the situation. That is why I am quite prepared to understand the hesitation of my hon. friend in accepting the suggestion that I had made earlier. Sir, I wish to make one other suggestion. My hon. friend wants notice. I would like to give him some information. Some years ago, there was what was known as the Groundnut Fund. More than a crore of rupees came to be accumulated under that Fund. So far as the amount collected for the Fund was concerned—I speak subject to correction—it was specially earmarked for the promotion of the construction of co-operative warehouses. A portion of it was handed over to the Oilseeds Committee. We allocated it among the different States and we asked the Governments to build these co-operative warehouses. But the State Governments came back to us with the reply that there were not sufficient funds with them. We asked them to contribute fifty per cent. They said that they would not be able to contribute anything. They wanted the whole cost to be paid out of the Fund. That is the situation in almost all the States. They are today face to face with budgetary deficits and they are not in a position to help their own co-operative growers and build the warehouses. Therefore, I would like the hon. Minister here of the Government of India to consider the suitability of taking as early a step as possible to raise adequate funds

[Prof. G. Ranga.]

and place it at the disposal of the State Governments in order to enable them to construct the co-operative ware-houses and through the ware-houses enable the farmers to work for their betterment in spite of the activities of the speculators.

I think the hon. Minister will try his best to go almost out of the way to the rescue of the growers through the development of these co-operative ware-houses.

SHRI O. SOBHANI (Hyderabad) : Mr. Deputy Chairman, I had no intention to participate in this debate. But certain remarks made by Mr. Reddy and one or two other speakers have led me to the conclusion that the very object of this Bill is entirely misunderstood. My friend Mr. Reddy raised the question as to how it could benefit the textile manufacturers and growers? He also said something about the East India Cotton Association and oilseeds growers. In the first place, I would ask him to realise that a forward contract is not necessarily a speculative contract. The word 'speculation' stinks in my nostrils, because many years ago, my entire family was ruined as a result of speculation. So, I have no sympathy with any speculator. What I want to explain to my friend is that a forward contract is necessary for the benefit and protection of a *bona fide* manufacturer and even a *bona fide* grower—a textile manufacturer or any other manufacturer may find at a certain time of the year that he can buy cotton or any other raw material at a reasonable price, and he may have an offer for forward contract for the sale of his product. Well, he sells cloth at a particular price, calculates his cost and covers himself against future fluctuations by buying the required quantity of cotton, so that as a matter of fact, by entering into a forward contract he actually avoids speculation. He avoids the risk of the market being against him when the cotton arrives. As far as a grower is concerned—grower of groundnut seed or any other

commodity for the matter of that—he may also find that it would help him to sell his future crop at a particular time when he thinks that the market is high.

SHRI C. G. K. REDDY : He never knows it. He never has a contract with the manufacturer.

SHRI O. SOBHANI : Well, what all of us have to do is to educate our grower to start co-operatives and to help him to come out of the hands of the *mahajans* who are sucking his blood at the present moment. The point is that a forward contract gives him an opportunity, through his broker or agent to cover himself against any decline in prices in the future when the crop is harvested and the commodity is actually in the *mandi*.

SHRI B. B. SHARMA : (Uttar Pradesh) : On a point of information, Sir. Is it not a fact that these forward contractors very often, when they want to bring down the price of a particular raw material, they begin to give a wrong quotation as they did in the last summer in respect of *gur*? Now they brought down the prices abruptly.

SHRI O. SOBHANI : Sir, then Mr. Reddy mentioned that the East India Cotton Association is in the hands of the capitalists. Unfortunately, Sir, that is so. But if our growers and small traders were properly educated to realise their own position—this state of affairs would not last long. (Interruption.) I may say, Sir, that it is necessary to confine the business to members—because in case of fluctuations they have to pay the losses, if any occur! The ordinary trader or grower is not debarred from entering into a forward contract because he is not a member of the association. He goes to the broker or his *aratya* or agent or whatever he may be called and does the business through him. Therefore it is not absolutely necessary that the membership of any forward trading association be confined to mere capitalists.

SHRI C. G. K. REDDY : The broker has come here.

SHRI O. SOBHANI : Even now you have the *mahajan* from whom he is borrowing money to finance the purchase of seed. Therefore I say, establish co-operatives—that will save the grower from the clutches of the *mahajan*. I am sorry, Sir, that much against my will I have been drawn into this debate, I hope that we shall soon gain experience and appreciate that the object of the Bill is perfectly sound. It is not to help speculation but to check speculation ; I congratulate the Commerce Minister for introducing this Bill. But I would warn him to be alert and to see that this Bill is not abused and whenever he finds that some person or a clique is taking advantage of the provisions of this Bill, he should immediately come forward with the necessary amendments.

JANAB M. MUHAMMAD ISMAIL SAHEB : I want to say one or two things, Sir. What would happen to the cases which I referred to in my previous speech ? Take for example, Sir, the leather trade. There is a surplus which the country cannot consume. It is to be sent outside our country. Then, if we have to send them outside the country, are we to follow the system of auctions and send out goods closing our eyes, keep them in London for two or three months and then sell them for whatever prices they are able to fetch at that time ? Or is it better in the interest of trade and industry to have forward contracts, so that the people who are producing these commodities may know what they would get from time to time ? This forward contract system in such cases is essential. Because they are required for stabilising the prices and this system really stabilises the prices in such cases.

Again, I purported to say in my previous speech that clause 18, sub-clause (1) rightly exempts such categories as non-transferable contracts from the operation of this Bill. Because the system of forward contracts, as carried on by the trades concerned—the trades which I mentioned—is in the course of being built up and it is not yet sufficiently established. If this

Bill comes into operation with regard to these trades, what will happen ? They will have to form associations. To form an association is not an easy matter. To expand the membership of an existing association is one thing but to form a new association is quite a different thing. Small people, deserving people, who are rightly engaged in such trades as leather production, don't know really the intricacies of law.

MR. DEPUTY CHAIRMAN : Are you making a case to oppose the Bill ?

JANAB M. MUHAMMAD ISMAIL SAHEB : No. I am supporting the exemption that has been granted to certain contracts by clause 18 and I suppose I will not be wrong if I am even to oppose the Bill.

MR. DEPUTY CHAIRMAN : We are in the third reading stage. If you want to make out a case to oppose, you may do so. Otherwise please wind up.

JANAB M. MUHAMMAD ISMAIL SAHEB : I say this in elucidation of what I said previously. The small people will be eliminated and therefore I say that the exemption granted is right until at least we are established in this system of forward contract. When they are properly established, then there will be time enough for the provisions of the Bill to be brought into operation with regard to them as well.

Then another point which I raised with regard to this Bill was whether the provisions of this Bill will apply to contracts entered into between Indians and non-Indians. The House is told by the hon. Minister that it does apply to such contracts also. If it were so, then clause 8 sub-clause (3) says :

"Every other person or body of persons who has had dealings in the course of business with any of the persons mentioned in clauses (a), (b) and (c), shall be bound to produce before the authority making the inquiry, all such books, accounts, correspondence etc. etc."

[Janab M. Muhammad Ismail Saheb.]

This means all those people, Indian or foreign, who have had anything to do with the business concerned, are bound by the provisions of the Bill. My doubt is whether we can legislate for the people who are foreigners.

SHRI K. C. GEORGE (Travancore-Cochin) : Sir, I have been trying to get a chance to speak.

MR. DEPUTY CHAIRMAN : Are you likely to take much time ?

SHRI K. C. GEORGE : Just fifteen minutes, Sir.

MR. DEPUTY CHAIRMAN : Then you may speak tomorrow.

The Council now stands adjourned to quarter to eleven, tomorrow.

The Council then adjourned till a quarter to eleven of the clock on Wednesday, the 3rd December 1952.

and experts may go, but what will they do? They will keep the forward markets under observation and draw the attention of the Central Government or any other prescribed authority to any development taking place in India. He will collect, and whenever the Commission thinks it necessary, publish information regarding the trading conditions in respect of goods etc., etc. These will be roughly the functions of the august Commission that is going to be appointed. Now, Sir, we have had a plethora of Commissions in this country. They have come and gone, but the conditions of the people have become worse. I do not know how much this Commission is going to cost the public exchequer, but I know, Sir, this will not stop—will not even touch—speculation at all. This Commission which is going to be appointed may be a good show, to make it known to the world that you are doing something to stop the abuse, but in effect it will be a useless body, maintained at the cost of the public exchequer, because, on that body not even the genuine interests of the producers and other people—people who may not have intimate knowledge of the wiles of the market, but who may have sound common sense but have that measure of public spirit which will ensure good and hard work—will find any place.

Then there is the question of recognised associations. The association will be composed of the very gentlemen who are carrying on what they call trading on intelligent anticipations. These gentlemen will comprise the Committee and the Government will naturally extend its recognition to that particular Committee and make them acceptable in the order of precedence in the Durbar of Delhi. That we can understand. But how does it help the growers? How does it help the countrymen, the common man? How does it help the consumer? There is no indication whatever that these interests will be represented. The associations will be more or less renamed. Those who form an association will apply for a sort of certificate from the hon. the Minister, and the

Minister, obliging as he always is, will no doubt issue the certificate at the earliest possible reference. Now Sir, these associations have been given plenary powers. If the Government is of opinion that any recognition granted to an association under the provisions of this Act should, in the interest of trade or in the public interest, be withdrawn, the Central Government has even the right of taking away the recognition. I know all that. But it is these speculators who will formulate the rules, Sir, the principles, the code of behaviour for the trade. It is these gentlemen having their knowledge and experience—knowledge which has brought about so much ruin to our country—who shall formulate the laws and the bye-laws and I do not think they are any less clever persons than many of our Ministers and Deputy Ministers. They are past-masters in evading laws; they are past-masters in formulating rules and regulations, whereby they can escape certain legal restrictions and control orders, and they will naturally arrange their house in a manner that will suit them. Probably the Minister will say: We will try to check, we will find it out when it goes against the interests of the country. From whatever experience we have of our hon. Ministers, we would not feel very optimistic about such a statement. Because we find that it is the Ministers' laws that change when any coalescence between the Ministers and the gentlemen in the trade takes place. When there is this unholy coalescence between the two, the laws that change are the Ministers' own laws and not the laws of the big business associations. Therefore it gives me no hope whatsoever.

Then again we find something has been said about the non-transferable specific delivery contracts. Sir, everybody knows and certainly the businessmen—some of the hon. Members have got very good experience of business—know that the non-transferable specific delivery contracts can, in many cases, be turned into specific delivery contracts. The word "non-transferable" can be eliminated. Take for instance, a contract between A and B, which is

[Shri B. Gupta.]  
not transferable. You can easily make it transferable by endorsing, just as you do in the case of a bill of lading or a railway receipt, or by authorising somebody to receive the goods on behalf of A or B. These things are frequently done in the country.

SHRI C. G. K. REDDY (Mysore) :  
Just import licences.

SHRI B. GUPTA : Yes. That is a case in point. These things are usually done. I do not want to go into the legalistic details of the matter. But let us be clear on one thing. When you leave this kind of thing out you at the same time create a situation in which these contracts will also be used for frustrating whatever little intentions you may have in this law. They will be abused for speculation, as they have always been in the past. Therefore, there are some people who feel very strongly about this matter. I am not going into it.

When the crux of the matter has not been satisfactorily handled, when the business of speculation has been left in its place, it is pointless to argue with the Government, with regard to the details. Therefore, I am not going into it. We know that these non-transferable specific delivery contracts will very easily become speculative, whenever speculators desire them to be so. Speculation on them will go on merrily, as it is going on today.

There are certain penal provisions in the Bill. The offence has been made cognizable. We know that when the real problem has not been handled, this kind of provision will no more frighten the speculators than did the various other control measures, that exist in the country, frighten the profiteer and the black-marketeer. In fact, when such measures are passed, when these regulations are passed, when these penal provisions are declared from the housetops to the business community, it becomes a kind of joke among them, because they know well how they can

evade this kind of measure and frustrate the processes of law. Therefore, if the hon. Minister thinks that he is going to frighten the business community and the speculators by this kind of penal measure, he will not succeed, for the simple reason that the traders and the speculators know that their basic position remains unaltered and that they can carry on as before. I wish we were in a position today to give our unconditional support to a measure which would go all out to crush speculation in the country. There is no such measure before us. This measure is good in so far as it bans options. At best it is a measure which only proposes to control and regulate speculation. I can tell you from what experience the people have, from what experience I have and others have in this House, and I hope my contentions will be borne out if my hon. friends in the business, multi-millionaire friends, will make a little confessional statement here, that these measures will not serve any purpose whatever. They will become a joke and will go down in history as yet another law which the Congress made to save its face and not for the abolition of social injustice. Therefore, I hope the next Bill, if they are at all contemplating it, would come very soon before the House, and that before preparing it, they will consult not merely their experts—we do not know those invisible experts—but popular representatives namely the representatives of the trade unions, representatives of the kisan organisations, regardless of party and political affiliations. Let all parties come and sit round a table and discuss the problem so that you can evolve a measure that arises from the live experience of suffering people and that does not arise from the brainwaves of this or that expert. After all, these top heavy experts have produced nothing in the country today. Let the Government have the courage to go to the people, talk to their representatives, take counsel with them. And I hope the time will come when they will begin to cultivate the language of the common people and not give in to the language and accent of the speculators and other social criminals that have led our country to utter ruin and degradation.



SHRI GOVINDA REDDY : Your language !

SHRI C. P. PARIKH (Bombay) : Mr. Chairman, I support this Bill, and I congratulate the Minister for Commerce and Industry on embodying certain provisions which will reduce speculation or unhealthy trading to the minimum.

But before I make any observations on this Bill, I would say that this Bill is of such importance that it took four days in the Lower House. In the last Parliament also this Bill was debated and a Joint Select Committee was appointed. Now, if this House is to exist and is to exercise any influence, I must say a Joint Select Committee, including Members of this House, also should have been appointed. The Committee should have included Members of this House also. This House is also composed of various political parties, and some members of the party in power are in the Cabinet, and some of them may have been elevated to the rank of Ministers. There are also members of other parties and also independent members. Some of the Members opposite are also persons of eminence and their opinions are held in high esteem by the party in power as well as by the country. This measure should have been referred to a joint committee of both the Houses. If that is not done on measures of such importance, I think this House will gradually lose interest and those persons who want to contribute to the discussions will be tired of attending this House for a greater number of days. These persons can contribute to the betterment of the nation in so many other ways. If measures of this description are brought before this House in this way, this House ultimately will have to be abolished. So, in order that proper opinion of both the Houses should be assessed, which the Constitution provides, it is necessary to have a Joint Select Committee in which Members of this House should also be included. This is not the first departure. The Estate Duty Bill is there. Even there the Members of this House are not included. If this process goes

on, then this House will be a tame affair. You Sir, being the Chairman and guardian of this House, will, I hope, take up this matter and press it on with all your influence.

SHRI B. C. GHOSE (West Bengal) : Bills also should originate in this House.

SHRI C. P. PARIKH : I am coming to that. The Constitution provides that Bills can be introduced in this House. But I see that no Bill of any importance is introduced in this House. If hon. Members of this House, who are selected by the various interests, are to contribute to the discussion, such Bills should be introduced in this House. The high level of debate that will be contributed by this House will, I think, be an eye-opener to the other House to show how things are conducted in this House. Therefore, some of the Bills may be introduced in this House. It is no use bringing all the Bills in the other House first and then bringing them before this House for our concurrence or our remarks after the matter has become stale. ~~When we make suggestions on such Bills, it is too late.~~

With these observations, I will now proceed to the debate on the Bill and to the observations which the hon. Member, Mr. Gupta, made. The whole of his speech consists of an attack on the speculator and on speculation in general. He suggests that speculation should be abolished in this country. He has used some abusive words. He has used the harshest language possible against speculators. I agree with him, and I will use more abusive language if it is necessary, because I detest speculation if it is carried on against the interests of the country. But that is not the remedy. In order to control speculation and bring it into healthy trade activity this Bill has been brought. If he had looked at it from this angle, then he would not have indulged in the remarks in which he has indulged. Till now trade was left free all over India to do what it liked in matters of contract. This is the first Bill of its kind brought forward by the Central Government which tries to bring under control all the illegitimate activities which run into unhealthy trading and

[Shri C. P. Parikh.] unhealthy speculation. But healthy trading is not speculation. You have to differentiate between what is healthy trading and what is unhealthy trading. If the cultivator wants his full price, then healthy trading will be necessary, otherwise the cultivator will suffer and the consumer will also suffer.

Sir, I want to make this point clear, because our country is a producer of agricultural commodities to a large degree. And among the agricultural commodities, cotton, jute, oilseeds and other crops are the mainstay. Now, these are the crops which are marketed in a period of three months. While the consumer or the manufacturer is able to take delivery within a period of twelve months, within these nine months somebody has to take care of surplus. Who will take care of them? Would the consumer or the manufacturer take care of these commodities? The producer is incapable of doing so, because he has no means. ~~The agriculturist is not in a position to do so, because he~~ has no resources. The consumer is unable to buy because he is buying from hand to mouth. The manufacturer also cannot take care of the commodities, because he has to store the raw materials as well as the finished goods and cannot also take the chances of fluctuation in prices. Moreover, funds will not be available with him. There may be wide changes in the international demand because the factors are beyond our control and also owing to the fact that our crops are dependent on weather. Weather plays a great part in our country. Many of our areas are not irrigated. When our crops are not irrigated, they are subject to the vagaries of the weather. We see that in some cases the anticipated yield of the crops varies from 4 annas to 20 annas. These are dependent upon the monsoon. Therefore, there is a great change in the price on account of the weather. Then, we have the international market changes. The influences that work in the international markets or the changes that occur in the international markets are beyond the control of the State or the manufacturer. Therefore, we have to try and see how these commodities

could be brought under proper marketing. We have also to reconcile with the agency of the middle-man. I shall, in this connection, refer to the special instance of cotton. It produces forty lakhs of bales and it is worth more than 160 crores. Here, the middle-man has to employ funds for a period of nine months and we have to find a number of middle-men to do so, because our savings are only limited to the extent of fifty crores available in the channel of distribution. We cannot therefore easily find the means to market this 160 crores worth of cotton. When a number of people put in their resources and make efforts to market it, then only the purpose will be served.

I have to point out to Mr. Gupta that an agency should be created to handle these goods and if this is not done, only the cultivator will suffer and nobody else; because, the producer, when he has to sell his goods, has to do so within a period of three months. If he has to sell within the three months sometimes he sells a long time earlier in the market. The middle-man has an intelligent anticipation. He knows what the cost of production is. And he will not buy and the producer will be put to difficulty if the prices offered are below the cost of production. Now, the prices rise mostly after the marketing period, unless there are other causes or international factors. At that time, whatever happens between the merchants and the middle-men, the producer does not come in. And there is the legitimate cry in our country that the maximum prices which are ruling are not available to the producer. That is so because the prices remain low within the first three months. The producers know that they are not getting the right price for their commodities. They are getting only the minimum price in spite of the market fluctuations. What I would say is that the wide fluctuations which are happening in the market should be controlled. If my hon. friend Mr. Gupta says that the Government are not taking steps to control speculation, I do not agree with it. This measure, though it seeks to provide for preventing speculation in the sense of un-<sup>healthy</sup> itchy

trading as the hon. Minister said, what he meant by speculation was unhealthy trading and not anything else. He did not want to include healthy trade in speculation.

MR. CHAIRMAN : Well, you can resume your speech at 2-30. The House stands adjourned.

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

The Council re-assembled after lunch at half past two of the clock, MR. DEPUTY CHAIRMAN in the Chair.

SHRI C. P. PARIKH : Mr. Deputy Chairman, before lunch I was saying that in order that the crop and the agricultural commodities may be marketed in an orderly manner, there is the need of an association where a number of persons meet together and utilise their resources in order that the prices may not generally fall below the cost of production, because everybody will be tempted to buy when prices reach the cost of production. Now, Sir, the whole mischief is done by the rising prices of which the cultivators do not get the benefit. To that I will refer later.

Now, Sir, these associations have to be controlled by Chapters III and IV as given in the Bill. According to Chapter III, every association, if it wants to conduct transferable contracts, has to be recognised and recognised under certain rules. Then, Sir, clause (2) (a) says :

"that there shall be no limitation on the number of members of the association or that there shall be such limitation on the number of members as may be specified;"

This means, Sir, that the present associations, having closed memberships, will no longer have that privilege. At present, Sir, what happens is that associations refuse admission to new members. And this clause provides for the admission of member-

ship. If an association rejects a man, Sir, a valid ground will have to be given for that and for that the Forward Contracts Commission will be operating. So a great thing is done here and those who want to deal in this commodity are allowed to come into the picture. That is the way to eliminate or reduce speculation and monopoly also. Then, Sir, clause (b) says that Government shall have representation of not more than three persons who are not members. I say, Sir, that this clause requires consideration of the hon. Minister. If there are fifteen or twenty directors in an association, then, three outsiders will not be able to exercise their voice and control and regulate their transactions in a manner which is desirable and which is in the interests of the country. Their views will not prevail. Then I say, Sir, that in such a case the number of outsiders should be 25 per cent. of the total strength of the Committee or the Board, whichever may be there.

Then, Sir, another important provision is that this Commission will have the right to inspect the accounts of the association or of any of its members and further any outsider who is dealing with a member of the association. All these powers are taken to restrain speculation and convert it into *bona fide* trading or healthy trading.

Now, Sir, with regard to clause 11, the bye-laws have to be approved by Government. Now, what are the bye-laws? Now this is a technical term. Transferable contracts are for a future date and the outstanding contracts may be terminated by the association. That clause is there. Here also the Government will step in and can issue a previous directive—"Without our consent you will not do this." Therefore, speculation which is carried on by bull plays and bear plays, which is happening in many exchanges will no longer be carried on and speculation will be brought into healthy trading.

[Shri C. P. Parikh.]

Then, Sir, clause (h) is there which says :

"the admission and prohibition of specified classes or type of goods or of dealings in goods by a member of the recognised association;"

It may be laid down, Sir, that no member of the association shall deal in such and such commodities which are prescribed by the association. Therefore a man who wants to make a great turnover cannot be a member of any other exchange. That is also a healthy measure.

Then, Sir, clause (n) says :

"the regulation of fluctuations in rates and prices;"

Government can put down and regulate that the prices will not fluctuate during the day more than one or two per cent. or during the year to the extent of 10 per cent. or 20 per cent. which Government considers desirable, or Government can put such limits to fluctuations as they think are in the larger interests of the country, so that the profits are not pocketed by these members to the detriment of the producers or of the consumers who are buying these goods. I may tell you, Sir, here, that maximum and minimum prices are also governed under clause (o). The Government can prescribe the maximum and minimum prices which will be permissible for trading and they can as well prescribe under clause (n) the daily fluctuations also.

Now, Sir, another great feature of this Bill is clause (q), "the limitations on the volume of trade by any individual member;". The Bombay Act regulating this contract is applauded by many, and I may say that the Bombay Act did not contain this healthy provision, which is necessary. Government, I think, have given their full attention to eliminating as many loopholes as possible and this is one of them that no member shall indulge in a volume of trading which is

beyond his capacity and which is done at present. That, Sir, will be a great restraint on foreign trading or speculation. I say, Sir, that the Commission should be vigilant and if the Commission is vigilant, these things will not happen.

Then, Sir, one omission is there to which I would like to draw the attention of the hon. Minister. The thing is that tenders are made, qualities are approved and when those qualities which are approved are re-tendered after three months, they are rejected. That should not happen, because once the goods which have been approved by survey and arbitration are up to the standard laid down by the association, and when after three months those goods are tendered, they should be accepted by the seller and the buyer. At present the abuse is made in this way that survey and arbitration systems are in the hands of members of the association and there is a bull play and a bear play. This provision I think, Sir, should be inserted in the bye-laws that the association will see that they make proper facilities for re-tender of a quality which is previously passed with some allowances in the case of crops which deteriorate. In generality it does not deteriorate, but, wherever that is possible, some allowance should be made and I think, Sir, if this is done, then lot of capital will be flowing in the trade and speculation which is carried on by certain parties in this trade by strength of their capital will be reduced to a minimum. At present adequate capital is not diverted in this channel. I would, therefore, request my friend to consider that. Such regulation will be in the interests of those who want to deal in this commodity.

3 P.M.

This is with regard to the recognized associations which are dealing with transferable contracts or where contracts can be bought and sold in any number by the members of the association. As regards ready delivery contracts, there can be no risk

because delivery has to be ready. The forward contracts differ in this matter that they are transferable as well as non-transferable and Government has thought fit to regulate them under Chapters III and IV. They have classified forward contracts into transferable and non-transferable and by Chapters III and IV they want to control only transferable contracts and as regards the non-transferable contracts, they have made provision under clause 18, to which I shall come later.

As regards the transferable contracts, what is happening at present ? These associations are operating in a certain area and they have a right to do it and Government naturally will give a monopoly to that association to conduct their operations in that area. I will request Government that wherever in another area which is compact and which is not disturbing this area, if any association is forthcoming to deal in this transaction, permission should be given to it in order that speculation will be to the minimum in both the areas and that is the intention of Government also and it is a healthy feature.

Now, we come to non-transferable contracts. They are those which the borrower and the seller are obliged to take delivery and the seller cannot transfer it to anybody else or the buyer cannot ask that delivery may be given to some other person. Naturally the buyer and seller are bound by rules of this contract that they are not to be transferred. Many associations which are recognised and deal with forward contracts have two sets of contracts—one transferable and one non-transferable. These recognized associations, even though they are dealing in transferable contracts, they are well regulating non-transferable contracts as well. The East India Cotton Association is doing it. They are controlling the non-transferable contracts with satisfaction to all concerned. But here the lacuna is this that no further person can deal with that commodity in non-transferable contracts

in that area which is given to the association and Government have thought fit to exempt such persons or such associations as want legitimately to deal in these contracts by clause 18, proviso. According to that, any association can exist even within the area of the recognized association, provided they can legitimately carry on their non-transferable contracts, but I must point out here that it is difficult for any association or a group of members joining together to conduct non-transferable contracts, so that abuse is not made and non-transferable contracts do not exist. The proviso is good so far as areas which are not notified are concerned. For there it is necessary that non-transferable contracts should be allowed to grow and foster in order that they may act as a check to the speculating element and if these non-transferable associations are existing in those areas, they will act as a great check on the recognized association which is dealing with transferable contracts and the healthy growth of this should be encouraged to a great degree in this country.

**SHRI D. P. KARMARKAR :** Is it the suggestion that in the same area one association may be recognized for transferable contract and may be in a suitable case, another association may be recognized for that ?

**SHRI C. P. PARIKH :** Clause 18, proviso 1 allows it. Even when an association is recognised for transferable as well as non-transferable contracts, another association can exist in that area provided it is abiding by the rules or has its contracts non-transferable. That is the proviso. I am saying that this will be abused and not carried out. You have given liberty and in my opinion you have given it on an account which I would like to bring before Members of this House. This right is necessary not only for the association but this right of entering into non-transferable contract is of every individual man who wants to enter into contract with another individual without the help of association. The Minute of Dissent which is appended to by Shri Tulsidas Kila-

[ Shri C. P. Parikh. ]

chand and Shri Somani will mean that even an individual will not be allowed to enter into such contracts in the notified area and there Government has seen wisely to incorporate this and if this freedom is taken away, we are going against the fundamental rights of individual to enter into non-transferable forward contracts where legitimate delivery is to be given and taken. Even where the organised association operates the State should encourage such non-transferable contracts. If any association wants to oust the other associations which deal in these, it should not be allowed. I will say a lot of business is done on non-transferable contracts only and because sufficient inducement is not given and the circumstances are allowed to disturb the trade and therefore the *bona fide* associations do not grow. A lot of commodities are dealt with in non-transferable contracts by various associations but the element of supervision is not there. I will say what contracts should only be made transferable. I will come to that later on. Certain commodities should not be made transferable and this Bill does not provide it very clearly or in as strong a term as it should be. Clause 18, sub-clause 3, says that if any abuse is made by any association which is unrecognized and which has promised to deal in non-transferable contracts, if that association is found to indulge in contracts of non-transferable nature by converting them into transferable, then Government will apply all the provisions of Chapters III and IV. Therefore, it is clear that Government is quite alive to the situation but while they have made this provision, it is difficult to check speculation in a short time for another period of one year or two. The Bombay Government have passed this Act but have so far applied the provisions of their Act only to three commodities—cotton, oilseeds and bullion. As regards cotton, the position of the Bombay market has been fair for so many years but as regards oilseeds and the bullion, the history of those associations is not happy and at various times these

exchanges have had to be closed because speculative elements have entered into it and they are having bad days. These things should not happen and because these contracts operate in this way, I think, even though the Bombay Act is applied at so many places, the Bombay Government have not been able to control these commodities in the way in which they desire to and adequate powers were not there. This Government have taken the appointment of Forward Contracts Commission through which agency I think they will be able to accomplish the object which Bombay Government has failed to achieve so far.

As regards the bullion the bullion speculation was carried on to such an extent that people who bought silver at Rs. 160 by carrying it from month to month were able to have their purchase price reduced to Rs. 80, even allowing for the various charges paid and even then that exchange was functioning under the recognition of Government. I think that is not a happy history. The Central Government, because they have taken this power in this Bill, to appoint a Commission by which they will be able to deal with this problem, they will be able to control these associations. It is no use being subjected to ridicule that you are not able to control them. It is much better to control what you desire to control properly and well and where abuses are made, only then you step in and that stand is taken by the Government and I very much commend that attitude. With regard to clause 18 (2),—that is the one that applies to the jute trade—the “phatka trade” referred to by the hon. Member, Shri B. Gupta—and I say, Government have wisely found by their experience that speculative transactions carried on in this community cannot be controlled satisfactorily. Therefore, in the initial stage, they have tried to exempt it. When they gain experience, they will withdraw these exemptions and will do what is proper. They want to be quite satisfied that whatever they can control, they should control properly and what they cannot control, they do

not want to put their fingers on and gain discredit to the Administration. That is the main purpose of this provision.

Now, I come to the Commission which is a supervisory body. Unless you establish a forward market commission, this Act will remain on paper only because many complaints will come from various groups, and rival groups dealing in the bear side or the bull side and the Government will be puzzled to know what is the exact position. But if a commission is operating and supervising these functions, then these things will not happen. So Government have taken a good step in setting up this Commission with powers on the basis that they have done. Although according to the Bill the powers of the Commission are only advisory, I think one of the members on the Commission will be a limb of the Commerce and Industry Ministry and I think that his advice will not be rejected. I find that the composition of the Commission is restricted to three. I do not know whether so many exchanges in this country will be adequately controlled by just three members. I feel the number should have been at least five. As we know for instance the Tariff Commission with its present strength of members is not able to cope with the activities that are thrust on them and I feel that in the same manner, this Forward Trade Commission, composed of just three members, will not be able to undertake all the functions that will be thrust upon them, because we have to fight against the collective intelligence of a number of commercial people of the country. So, if the number is limited to just three, it will be difficult to manage with the work. Government will not lose anything if the number is raised to five or seven according to the Government's discretion. When you have this Commission, you can divide the members into sub-committees to control separate areas, like Bombay, Calcutta and other places, much more efficiently. When we want to exercise control, we shall do so in a way that will

not fail to achieve the purpose and I think that when the hon. Minister has taken this in his mind and when he has put in these clauses in the Bill, I think he will give due consideration to this suggestion also.

What is the function of this Commission? The function is to keep the forward markets under observation and draw the attention of Government. Now the words "under observation" are very important ones. Therefore, these markets will be controlled and supervised and given directions, if necessary, from time to time. That is the meaning of these words. Then, according to clause 4 (c), the Commission will publish information as regards the supply and demand and the prices and so this Commission can give guidance to the country as to what is happening in the matter of production, distribution, supplies, exports and prices and what is considered reasonable in their view. This they can do. That will be restraining the unrestrained speculation at present being carried on.

Under clause 4 (d) they have to make "recommendations generally with a view to improving the organisation and working of forward markets." And then we have "wider powers are given to them under 4 (f)—'To perform such other duties and exercise such other powers as may be assigned to the Commission by or under this Act, or as may be prescribed'." Therefore if further powers are found necessary in order that the interests of the producers, the consumers and the manufacturers may be safeguarded, these powers will also be given.

Then we have the Advisory Committees. This comes in clause 25. This Advisory Committee is necessary because the members of the Forward Markets Commission may not be as much aware of the situations existing in particular mofussil centres or regions or zones. A Committee supervising the activities in these separate zones will be a healthy feature. I would, therefore, request the hon. Minister to look into the matter fur-

[ Shri C. P. Parikh. ]

ther and see if it will not be better to have separate committees for each zone, for the Committee in, say, Bombay may not be able to gauge well as to what is happening in Calcutta or Indore or Madras. In order that you may have proper power for controlling these speculative activities, I think it is necessary to have Advisory Committees region-wise. If we have such region-wise Advisory Committees, I think the Forward Markets Commission will be able to operate better.

I am sorry I am taking up more time, but this being a technical and very intricate subject, I thought I should make some suggestions. I will not be irrelevant, I may assure, you, Sir.

With regard to the Minute of Dissent of Mr. Shah, it is a good thing that no association should be recognised which is dealing in non-transferable contracts because he thinks that non-transferable contracts will be manipulated and become transferable. I say he is right. If permission is given to persons to organise associations and trade in non-transferable contracts, they will ultimately convert them into transferable contracts. Owing to this he has made the suggestion. But I have an opinion to give on this. Let us give trial to any associations which want to deal in non-transferable contracts. Let us see how the commercial intelligence of India would behave. In not accepting the suggestion and putting the clause in the manner that it has been, the last chance is being given to commercial organisations to behave in the proper way and not work the contracts to the detriment of the grower or the manufacturer or the consumer. Nobody will now say we are not allowed to organise an deal in non-transferable contracts. The East India Cotton Association is also operating in such non-transferable contracts and they are doing it in a manner that everybody is satisfied with their work. They are dealing in transferable contracts also and the same satisfaction

is not there. But the operation as regards non-transferable contracts cannot be denied and no trade can think that in Bombay or Calcutta or any other place certain association enjoys a monopoly. I think the chance is to be given to everyone in the country to organise in a healthy way and take part in legitimate trade. That is the main object of opposing or not incorporating this Mr. Shah's Minute of Dissent.

With regard to the Minute of Dissent of Shri Tulsidas Kilachand and Shri Somani, I think that abuse of monopoly will go on. If commercial people ask for the right to deal in monopolies, they will not be trusted. I think the less commercial people ask for, the better. In this Bill, all are given some opportunities and let each one utilise them properly. Let it be done in the interests of the industry and commerce of the land. Let us see that there is less abuse and criticism from the general public. The less we have, the better. We are living in a planned economy where democracy has allowed the private sector a part to play. I think if the private sector operates in the proper way and discharges the duties assigned to it in the right manner, then it will grow under democracy. If, on the other hand, it does not behave, then even the present democracy will not save them.

Lastly, I come to the question as to how speculation can be controlled and in this connection I would like to offer a few suggestions. First of all, I submit that in certain commodities, the Government should guarantee a minimum price to the agriculturists so that this may work in the larger interest of the country and encourage the producers to produce those commodities. Then there are certain other commodities essential for the country without which the country's economy will be ruined. For these commodities, they should give a guarantee of price, for example, in the case of cotton, jute or groundnut and other commodities which are necessary. When there is such a guarantee, lot of investments will come in. The investors will never



suffer because there is the minimum price guaranteed.

But, when things are regulated as above, Sir, the speculator *will not come* into the picture because he knows that he cannot have any scope below the minimum price. With regard to the maximum prices which are manipulated by those people, I will come to later on. In regard to this, Sir, the great misfortune of our country is that there is no co-operative organisation. There are no licensed warehouses in this country. How can the people find the finances or store their commodities? If finances are forthcoming on their commodities, commodities essential for this country, then, Sir, naturally the higher prices will not be taken away by the middlemen. The middlemen will get their legitimate interest and storage charges and reasonable profit legitimate risks. At present, the middlemen boost or reduce the prices. By this method viz. establishment of licensed warehouses, quality can be assured and the co-operative organisations, wherever they are established in this country, would be encouraged to market in orderly manner and the object of reducing speculation and giving the producer maximum prices will be achieved. When many people come in this, with the object of having the prices guaranteed to them, what will happen is, Sir, there will be, no undue rise in prices because there will be other persons to take care of. There will be no squeeze. We want to prevent squeeze or the accumulation of contract by certain persons. This can be done in so many ways and this is one of the ways by which co-operative organisations will be able to prevent it.

Then, Sir, another suggestion is that industrial concerns are buying, sometimes, more than they require or indulge in speculation. Mr. Bhupesh Gupta has brought that point but he has not suggested the remedy. What should be the remedy? As regards mills, if the mill consumption is 5,000 bales a year, I say, Sir, a limit should be placed that the mill shall not deal in forward contracts of cotton for more

than 25,000 bales a year. That will be a legitimate check. At present one can deal in one lakh of bales although the mill is consuming 5,000 bales. That provision cannot come under this Bill, but I think that when the Company Law is amended, this provision should be brought in order that industrial concerns should not speculate or over-trade in the commodities.

Another thing, Sir, is the Managing Agency Houses. Managing Agency firms are only operating to manage the concerns, supervise, supply the finances, carrying on the buying and selling for the concerns. These Managing Agency firms should not be allowed to trade in commodities of consumption of the concerns of which they are Managing Agents. That should be a provision in the Company Act. I say, Sir, this is necessary in order that the position of honest industrialists is bettered. We should allow such things by which certain people in the industry will take advantage and the whole will be criticised for the faults of a few.

Now, Sir, I would make one more suggestion about art-silk. The trade was carried on in non-transferable contract in art-silk which was imported under licence and Government watched that these commodities were manipulated on a speculative level and the fluctuations were, in one year, from Rs. 800 to Rs. 2,400. Government were issuing licences in a restricted manner for the import of art-silk and even then this commodity was by speculation fluctuating like this. Daily quotations of art-silk appeared and if the Government were to exercise proper control, the object of controlling speculation can be achieved, that is, in certain commodities you cannot have transferable contracts and for certain commodities you cannot organise an association to deal even in non-transferable contracts.

I will say, Sir, that individuals alone should be allowed to indulge in non-transferable contracts in bullion. No association should be allowed to deal

[Shri C. P. Parikh.]

in non-transferable contracts in bullion. It is not a commodity that is produced every year. The same thing should apply to artificial silk. It is not a commodity which is produced adequately in the country. We have to depend on imports and we have to lose our exchange for getting adequate imports. Therefore, Sir, in such cases, I will request the hon. Minister to see that such commodities are not allowed to be operated by any association. That will be the argument which is embodied in Mr. C. C. Shah's Minute of Dissent because essential articles which are short in the country should not be allowed to be manipulated through an association.

Then, Sir, another way of restraining these activities or eliminating speculation is the Reserve Bank authority in giving no advances to scheduled banks. I mean to say, Sir, that during the last 2 years the Reserve Bank have curtailed giving advances on commodities in which speculation is carried on, in which people accumulate contracts. That is a healthy feature and the Reserve Bank is setting limits for advance to each individual that he can buy only so much. In that way, Sir, many of the activities of those who want to accumulate contracts have been curtailed and this, especially, has gone a long way in bringing speculation into healthy trading or eliminating speculation and establishing healthy trading.

Now, Sir, before I sit down, I have two more suggestions to make. This Bill does not provide for securities. The Bombay Act included them. If this has been done with the object of introducing legislation to control dealings in securities which are carried on in the various exchanges on the stock market, I will understand the point.

THE MINISTER FOR COMMERCE AND INDUSTRY (SHRI T. T. KRISHNAMACHARI) : That is the idea.

SHRI C. P. PARIKH: Thank you, Sir, because I thought when this was omitted in this Bill, a clarification was called for.

Now, Sir, in order that the Contracts Commission may properly supervise that transferable contracts are not converted into non-transferable contracts, I will have one suggestion to offer. Regulation is not necessary but, I think, registration of such associations is necessary. We must know how many associations are operating in the country and in what commodities. That knowledge is useful in order that we can control these exchanges whenever required and we can also enunciate that in such commodities speculation or even non-transferable contracts will not be carried on. That is a suggestion, I have to make, Sir. If that is not done, manipulating non-transferable contracts will go on. We have to meet these eventualities and the steps that Government have taken so far are very good and I am sure that it will restrain speculation. With these words I again support the Bill.

SHRI M. MANJURAN (Travancore-Cochin) : Mr. Deputy Chairman. I was trying to get myself convinced and accommodate myself to a certain amount to the extollation of the speculators by the Minister as well as by the hon. friend who was speaking before me. It is rather strange to reconcile a planned economy with a system of speculation that is going to be recognised in this Bill. I feel that speculation is repugnant to planning and in no planned society there exists the system of speculation. It is because of the insecurity that is felt by the agriculturists as was made out and because of the social insecurity that speculation has been going on. It has been the effort of planned economy to obviate this insecurity and instal in its place social security. So, any recognition and legal sanction given to speculation could only be in conflict with the security of the nation, economically. Another point I would like to know is this : As the hon. Minister explained the position, he said there were salient features emanating out of speculation. It is only when a Government is incompetent to look after the interests of the producers, when a Government cannot guarantee to the

producers what they should obtain that the speculators' role comes in. If this Government which has got a laudable 5-Year Plan is going to say that the producers are going to be left in an insecure State, what is their Plan? That is what I want to know. I am not interested whether non-transferable or transferable deliveries are manipulated, and this speculation or that speculation will ultimately cause disturbance. We know all those laws and regulation that were in existence. All the controls and decontrols have been manipulated by capitalists to the detriment of this country. We know that black-marketing, corruption, everything that was unnecessary, has come into the social structure of this country. Now all these wrongs have crept into our life in the course of so many years. We say we are going to have a planned society. We say we have earmarked so much acreage for the cultivation of cotton, so much for the cultivation of jute, so much for the cultivation of coconut, so much for this and so much for that. We are not going to be protected by hedge contracts in these things, we are not going to be protected by the speculators. Speculators are really fighting the Government's plan to protect the growers of the produce. What is the role of the Government when the Minister himself says that there is sufficient protection? The protection given by the speculator will be speculative protection. I feel that speculation is a wish expressed to conform the future to our present desires, and planning is our will to make the future conform to our present desires. Are we to give ourselves up to wishful thinking or are we to give ourselves up to wilful planning is the question, in this Bill, before this House, before the Government, and before the country. By giving the speculators' associations, legal rights and perpetuating them where they are, I believe, Sir, certain political intentions of the Government are going to be carried out. There will be associations, as today there are trade unions, which will be formed by the capitalists, which, in course of time, will strengthen themselves, and entrench capitalism and finally suffocate the Government and force the

Government their way. This Bill is the desire, the intention of the capitalists, to perpetuate this Government in their hands. That is my fundamental objection to this Bill as it is. It is not that I do not recognise that there are salient features in the Bill, which by controlling unnecessary speculation or illegal speculation that is going on today, wants to make the society better than it is today. But it will only be wishful, because, ultimately, these intentions are negated by this Bill. That is my contention. We are for planning; we are not for speculation. We are not going to express the wish that the future price should be this or that. We are going to control our production. We are going to control our distribution. We are going to control everything. That is planned economy. That is the meaning of planning. In countries like Soviet Russia and China, where speculation has been eliminated, nobody needs this kind of protection. But where the speculators are given a free role, production will necessarily suffocate and there is not much that they lose by speculation. So what happens? Capitalism continues its triumphant march in our country in collaboration with Anglo-American Imperialism. That is definite. I am quite open-eyed enough to detect that fact. If that were the case, if our planned economy is only speculative economy, then our planning will be a failure at a future date. If the national aspirations were embodied in the Plan on which we have worked so much, we have spent so much, on which we have spent so much of our energy, on which we have spent crores and crores of rupees and efforts that Plan will be nothing, will be a zero, when speculators are given a free role to operate. But this Bill says we are going to restrict operations in speculation, but that restriction is not likely to be carried out because the Bill asks associations to be formed in rings for the conduct of speculative activities. In my place, i.e., Kerala, I think speculation was unknown there in its history until recently when merchants from outside came and began speculation. We are living in a kind of complete isolation and social security.

[Shri M. Manjuran.]

We had a certain kind of co-operative collective existence, in which we used to pool our resources together so that we all lived well, very well. But today, speculation has come, with the result that there is social insecurity and the social strata has been reformed. What has happened? A new scheme of things has come. A few very rich men have sprung up and very poor people have increased. This is going to be further accentuated by the speculative associations to be formed with legal rights, and with Government support. When these associations are formed, they are going to be given certain rights, and they will go on gaining strength. Are we not going to reduce these rights? Are we not going to stop them? If they are not stopped, the country will be controlled by them. The prices will be controlled by them. The banks will be controlled by them. The entire stock exchange will be controlled by them. Every commodity will be controlled by them. The markets will be controlled by them. And what happens when capitalism controls the markets? These associations will control the economy of the country. Therefore, if this Bill is not stopped now, enlarged rights of speculators are likely to come up before the Parliament. Then there are the States. There might come laws in the States, not absolutely repugnant but with intentions of defeating the purpose, of this controlling Bill. We are not sure what is going to come hereafter. Sir, this Bill has got a good intention expressed in it; that grave dangers are going to be eliminated. It is not going to eliminate any danger, however. It is going simply to entrench capitalism with greater strength in this country. Are we for that? What is the meaning of our social planning? What is the meaning of the present Government promising Gandhi, Ram Raj etc.? What is the meaning of the things Government is going on proclaiming every day, by way of a Welfare State. None of these things is going to be of any use if this Bill is passed as it is and is going to work as

it is. It has to be considerably changed and a preamble should be written to it for the study of the people of the country, that it is with the object of annihilating this unnecessary system of speculation this Government is, for the first time, bringing under control the speculative activities. That should be the spirit in which you can get the people to co-operate, understand and work. If that is not done, you will be perpetuating capitalism. Is that the intention of the Bill? It might cause dislocation in the country, disturbance and trouble, which are not anticipated by the promoters of this Bill. The intention of the Government should be made clear; that they are going to introduce and enforce this Bill in the interests of society at large. They will not leave society to the present insecurity, to the operations of speculators. It will be for this House, to remind you again that no system of diarchy can go on. We have been against the British system of diarchy because the Britishers could not agree to work the social plans to the benefit of the people of the country. The correct thing for a progressive society is to plan and not to speculate. So it should be the intention of the Government to eliminate speculation, banish it from society. This should be made clear in a preamble to the Bill, that Government are going to do so within a certain period of time, and thus see that confidence is instilled in the minds of the people. Till that time this Bill will be a failure. Passed it is going to be, because in the House as it is the Government has a brute majority and it will with that majority get the Bill through. But that will not solve the nation's problem. This Government has not solved a single problem of the nation since the time it was installed. It is going to add another illustrious defeat of its good intentions. We should rely more on planning and less on speculation. However, much speculation is extolled, centuries have proved that no society can progress under uncertainty and speculation. We want planning. I would urge this Government to abandon its haphazard intentions on planning,

and be very specific in the purpose of their planning, rather than leaving it to haphazard intentions and to speculators. Save the nation from speculators. But save it now, not in course of time. Government's argument is that nothing can be done in a day. We can understand that. But the hon. Minister's speech was such as to endow speculation with sanctity. The Congress champion was also championing the cause of speculation. Is the Congress meant for speculation? I do not think so. It has never been written in the history of the Congress that it is going to uphold the system of speculation. So, I would desire this Government very much to have its eyes open and see how planning is going to be affected by this Bill, and if we are going to give free scope to the association that is contemplated in this Bill, what will be the consequences emanating therefrom? There are so many small things—this kind of maladjustment and that kind of maladjustment—but the question is, thrown against the entire society, what reactions this Bill is going to create; and that is more important than these variations of expression or a little repugnancy here or there. I can understand that no Bill can be perfect as it comes, because to err is human. So, this is an error as it is brought by the Government, and these errors have to be rectified by a very definite preamble as to the intentions of a plan given to processing and, therefore, to the time when speculators will no more be in this country to perpetuate conditions of corruption and social evils, against which the Government is to fight. Instead of fighting those people who create anarchic conditions in economic sphere, Government are going to collaborate with them. That is my objection, and I hope Government will take note of it seriously.

SHRI R. C. GUPTA (Uttar Pradesh) : Sir, while I agree entirely with the object of the Bill, I feel that it is a half-hearted and halting measure. The evil of speculation is rife and rampant, and it required a drastic remedy, because the disease was so serious. A major operation was necessary and

not a minor operation, which seems to be the object of this Bill.

The provisions of the Bill rightly assume that speculation is an evil recognised by the Government, but the remedies suggested by the Bill do not go far enough. The evil is such that everyone of us knows fully well that thousands and thousands of families are ruined every year because of speculation or speculative business. Who does not know of instances where a *halwai*, a confectioner deals in silver or bullion exchange transactions, or a cloth dealer deals in oilseeds, and so on and so forth? These transactions are called "satta" or, as in U. P. "badni", and by various names in different States. It is a painful fact that speculative transactions have ruined rich families. The number is so large that it is impossible to assess exactly the extent of damage done.

Now, why do I call this measure a halting and half-hearted measure? It is because it has excluded from its operation the non-transferable specific delivery contracts. It is admitted by the hon. Minister in his speech that these transactions are liable to be abused and that they have really been abused. This is a correct statement of fact that he has made. Now, if that is the information of the Government, and which we fully endorse, why should not the provisions of this Bill be applied to non-transferable specific delivery transactions. My information is that there are a very large number of such transactions which are abused and which will be abused. There will be greater abuse hereafter, because those are the only transactions which would be free from the shackles of the provisions of this Bill. Therefore, I feel that the Government should reconsider its decision and that the provisions of this Bill should be applied also to non-transferable specific delivery contracts. It has no doubt been provided in sub-clause (3) of clause 18 of the Bill that whenever any such evil is brought to the notice of Government, whenever such non-transferable specific delivery contracts are abused, Government would take action under that sub-clause. But my

[Shri R. C. Gupta.]

question is : Is not the experience of the past enough to lead to the definite conclusion that these transactions are certain to be abused and that there is no justification for excluding these transactions from the purview of Chapters III and IV ? The effect of the exclusion of these contracts under clause 18, which falls under Chapter IV, is that the clause relating to the Commission could not apply to these transactions. Clause 4 relating to the functions of the Commission is a very important clause, and my submission is that it is a very healthy provision in the Bill which would keep the trade straight. I think that in the case of non-transferable specific delivery contracts also the Commission should have drastic powers of looking into the matters carefully and putting unhealthy trading in order. Even if the Government does not accept my suggestion at the present moment, it may come forward with a notification under sub-clause (3) and include non-transferable specific delivery transactions also in the purview of Chapters III and IV.

SHRI C. P. PARIKH : Does it not come under sub-clause (b) of clause 4 ?

SHRI R. C. GUPTA : Sub-clause (1) of clause 18 says :—

“Nothing contained in Chapter III or Chapter IV shall apply to non-transferable specific delivery contracts for the sale or purchase of any goods... ”

SHRI C. P. PARIKH : The Commission is provided for by clause 4 in Chapter II.

SHRI R. C. GUPTA : My point is that on account of sub-clause (1) of clause 18, this is excluded. Of course from the language of the clause referred to by my hon. friend just now, it might be inferred that the Commission may exercise those functions. But it might be contended, on the other hand, that under sub-clause (1) of clause 18 the Commission cannot have such powers.

SHRI C. P. PARIKH : What is the trouble that the hon. Member faces in this matter ?

SHRI R. C. GUPTA : My suggestion is that there must be a specific sub-clause added to this clause which might clearly provide that the Commission shall have powers to look into and take action as provided for under clause 4 with respect to non-transferable specific delivery contracts.

THE MINISTER FOR PARLIAMENTARY AFFAIRS (SHRI SATYA NARAYAN SINHA) : It is there. The Commission needs no special powers. It is stated in sub-clause (3) of clause 18 that notwithstanding anything contained in sub-section (1) Government may declare that all or any of the provisions of Chapters III and IV shall apply to such class or classes of non-transferable specific delivery contracts, etc. Then, sub-clause (3) will obtain.

SHRI R. C. GUPTA : I admit, there is such a clause. But it is not enough. In fact, past experience has shown that the non-transferable specific delivery contract or transaction has been abused. Now, if the explanation of the Government is that, then, why should there be sub-clause (3) ?

SHRI SATYA NARAYAN SINHA : That is the experience of the Government. Government feel that there is scope for non-transferable specific delivery contracts in the ordinary course of business in a place where there is an association, that is recognised under clause 18 ; and there the provision in sub-clause (3) could be invoked.

SHRI R. C. GUPTA : The other points that I would like to suggest are that under clause 23 of the Bill, certain offences have been made cognizable. This gives additional power to the Police. This seems to be a hard provision and it is liable to be abused. There must be some sanctioning authority before the prosecution is launched. That is one suggestion which I have to offer with respect to

that clause where certain offences are sought to be made cognizable.

There is another suggestion which I should like to make. That is, under clause (27) Government have been given power to exempt any contract or class of contracts from the operation of all or any of the provisions of this Act. Would it not be much better if the Government had defined certain trades and stated that in regard to those trades, there should be no forward transactions, and the powers could have been kept as under clause 7.

**SHRI C. P. PARIKH :** Does not clause (17) make provision for that ?

**SHRI R. C. GUPTA :** Yes, that clause makes provision for some cases. That is my grievance. It does not make provision for general exemption.

There is only individual exemption provided for in that. I shall read out that clause.

"The Central Government may, by notification in the official Gazette, declare that no person shall, save with the permission of the Central Government, etc."

Now, "No person shall save with the permission of the Central Government"—that is, if an individual requires that a certain permission should be given then he can approach the Central Government and the Central Government could exempt him. That is for individuals and not for the trades. I do not know whether it is proper that particular individuals should be encouraged to approach Government and obtain exemption. This might be abused by individual firms having interest in the commodities. In fact, clause 17 lays down a very unhealthy provision. That is my reading of the Bill and I say that non-transferable specific delivery goods should be included and that they should not be exempted because, otherwise a great abuse is likely to arise under this exemption and, I am sure, the Government will be called upon to take action under sub-clause (3) of clause 18 of the Bill. I think that if the experience

in the past is sufficient guide, there should be a provision as I suggest.

**SHRI KISHEN CHAND (Hyderabad):** Mr. Chairman, I entirely endorse the hon. Member's statement that in a planned economy, there should not be any place for speculation. We have definitely decided that in our country there will be planned economy and have prepared a Five Year Plan. We must raise agricultural production in this country so that it just meets our needs. Our land area is small and unless we can apportion land between cash crops and food crops, our economy will be upset. Naturally, in a planned economy until the agricultural production is sufficient for the needs of the country, we should not permit any speculation in it. Let us look at the example of the capitalist countries, and take the case of America. Even there, though the agriculturist has a large farm at his disposal and his production is very high, the agriculturist's interests are safeguarded by guaranteeing a minimum price for his produce. The hon. Minister has pointed out that agricultural production takes place in three months time and that it is consumed in twelve months time. There must be an agency to bridge over this gap of nine months. He has suggested that the speculator comes in at this point. The speculator purchases the produce at the time when the harvest is on. He takes a risk but in most cases, it is at the cost of the agriculturist. He can study the market very well and pays the minimum possible price to the agriculturist. He stocks the goods and when the market rises, he sells it to the consumer or exports it outside. In America, there is a minimum price guaranteed to the agriculturist and on the basis of that guarantee all banks and middle-men advance money to him, so that every farmer there gets the money and convenience to tide over this period of nine months. Here, in our country no Bank will advance money to the agriculturist and, therefore, he is at the mercy of the middle-men. What I would like to suggest to the hon. Minister is that he should see that no forward contracts are entered into

[Shri Kishen Chand.]

agricultural produce. If he eliminates all agricultural products from the operation of this Bill, then I will be satisfied.

The question will arise, what agency will come in to spread this production over 12 months. As suggested by some Members, we should have co-operative societies helped and sponsored by the State Governments, financed by the Central Government or by the Reserve Bank of India thus ensuring that the agriculturist gets a fair minimum price. Any profit which arises from any increase in price should go to him. If in this way we can transfer the benefits of speculation to the poor agriculturist who is very hard pressed in our country, I will have no objection to the enactment of this Bill. For the distribution of agricultural production, some agency has to be started and that agency, in a planned economy, must be a Government sponsored association and not private speculator.

JANAB M. MUHAMMAD ISMAIL SAHEB (Madras): Mr. Deputy Chairman, I do not know whether the Bill covers a contract—a forward contract—that is entered into by an Indian national with a foreign national. If it covers, Sir, then there are certain provisions, the meaning of which I do not understand. Take for instance, Sir, clause 8(3). That clause speaks of certain measures the Government will take for the purposes of enquiring into the affairs of a recognised association. In that connection, it says that :

“Every other person or body of persons who has had dealings in the course of business with any of the persons mentioned in clauses (a), (b) and (c), shall be bound to produce before the authority making the inquiry, all such books, accounts, correspondence etc., etc.”

Sir, this seems to indicate that the Bill envisages only that type of contracts which are being entered into between an Indian and another Indian. However, Sir, if I am not wrong, I think that the idea of the framers and

sponsors of this Bill is to bring all such contracts as have been mentioned by me also under the purview of the Bill. I proceed on that assumption, Sir. Sir, much has been said about transferable and non-transferable specific delivery contracts. Certain gentlemen have even doubted, Sir, whether there is anything like a non-transferable specific delivery contract at all. But I may say, Sir, that in certain parts of the country, particularly in Madras, almost all the contracts are of the category of non-transferable specific delivery contracts. Take for example the leather trade. It is entering into contracts and it is entering into contracts for specific delivery at a specific price for a specific mark which is manufactured by a particular individual and that contract cannot be transferred to anybody else. And another point is that in Madras we do not find such associations as are envisaged and contemplated in the Bill under discussion. There are associations of course but they are like Chambers of Commerce. They are there for protecting the general interests of the trade. These trade associations and Chambers of Commerce do not fit in the definition given in the Bill, Sir, for such associations as are meant to regulate these contracts.

Then, an attack has been made upon the very system of forward contract itself. They say that it is speculation. The planned economy is a good thing and we have got a Five Year Plan, of course.

SHRI C. G. K. REDDY : Not yet.

JANAB M. MUHAMMAD ISMAIL SAHEB : We are going to have it and even while this Bill is being promoted and is being passed by the Parliament that Plan is holding the field and, on the assumption of the Five Year Plan being accepted by the country, these several measures are being taken into consideration. That Five Year Plan gives room to such methods as these. There are very large fields that are not covered by the Plan. That is the first Plan and it



cannot cover everything under the sun so far as our country is concerned. For one thing there is trade and something has to be done to put it on sounder basis than it is on at present. So now there is room for trade and speculation and there is room for regulating that. Leave alone speculation in trade—even take ordinary agricultural operations. There is speculation even in agriculture. But when it transcends a certain limit, the speculation becomes mad. Speculation in its ordinary sense only means—as has been pointed out—a calculation of the future. Anybody who does a trade cannot expect to have the results of what he does at the very instant in which he does a thing. He has to calculate upon the consequences of his action and then proceed upon his calculations. So also here for carrying on agriculture or any industry, there must be some calculation and the speculation in the right sense is only that calculation, and that calculation might be done on the right lines and action may be taken under such calculations on proper and sound basis. Some regulation is being brought in and that does not mean that it creates and sanctions any illegal thing. It only wants to improve the thing which is existing in the country and which is essential and which is necessary. There are certain friends who would tolerate trade but who would not tolerate the forward contract system. I think they do not know the real state of affairs which is obtaining in the trade world. Again I shall cite the example of the leather industry. For several decades now people are carrying on tanning operations producing leather. Then there was a surplus in that commodity in the past and there is a surplus today. India produces the largest amount of leather in the whole world, much more leather than any other country in the world and its exportable surplus is much larger than that of any other country. Our country is not able to consume all that it produces and so it has to export, find a sale for the surplus. The surplus of leather as distinct from

raw skins and hides will be even much larger than what it is today if only the Government helps in the matter. If only Government had displayed a greater solicitude to this trade and given it some protection as they have given to so many other industries, protection in this case of a peculiar nature—in the shape of an export duty on raw hides and skins—then I say the exportable surplus of the manufactured article, leather, would have been still more than what it is today. No other country is able to compete with our country in the matter of export of leather. Now, how are we to deal with this exportable quantity? How are we to convert this source of national wealth into money? In the past what the people did was, they exported the leather to London. There the leather was allowed to accumulate for weeks and months. Then once in six or eight weeks an auction was held and the goods were liquidated and sold at the prices that were obtainable at the time of the auction. This means that the output of our three or four months' labour was being sold on the basis of conditions that happened to crop up at the time of the auction. In the meantime, people here were producing these things with their eyes closed. That is what really happened when there was no forward contract at all. This you may call gambling. You had simply to take what came to you at the time of the auction. So I say to industrialists the workers did their work with their eyes closed. It was a mere gamble. Even at that time, the then Government which was not a national Government saw the position and saw that it was bad and they have been encouraging the people engaged in this industry to take to forward contracts, and forward trading came into this particular industry gradually. And even now the auctions are there. But a good portion of the output is being sold on forward contract system. If this forward contract system had not been there, the people would not know what to do. Again they will have to grope in the dark. Therefore this system is stabilising the industry by making the people

[Janab M. Muhammad Ismaïl Saheb.] engaged in it know what their position is. As I said, this particular trade has no associations now and they have nothing but non-transferable contracts, because most of the contracts are being made for a specific mark which only one person who enters into the contract can supply. Therefore, it will not be transferred. Therefore in the very nature of things we have this kind of category or contract here in this trade.

I would like to say a few words about the option in goods. It is good; of course, to enact that no person should appropriate or misappropriate to himself the right to sell another's goods.

But, in operating this portion of the Bill, Sir, care should be taken not to confuse the ordinary common *mandis* or commission agencies which are in operation in the country. There are certain clients, certain customers who send their goods, by their own choice to a particular *mandi* or commission agent, over a long period. Such a client thinks that it is advantageous to him, that his business is being handled satisfactory to himself and, therefore, he, as well as many others, should send their goods to be sold to that particular *mandi*. It should not be confused with option in goods and assumed that this has created an option for the other man, the *mandi* man, in the goods which he is selling.

Sir, then again, with regard to ready delivery contract, it is defined as a contract which provides for the delivery of goods and the payment of a price therefor, either immediately or within such period not exceeding 11 days after the date of the contract. I do not know, Sir, whether this period of 11 days refers to the delivery of the goods and also to the delivery of payment. If it refers to the delivery of payment also, Sir, I may say that there are several....

SHRI D. P. KARMARKAR : Delivery of goods.

JANAB M. MUHAMMAD ISMAIL SAHEB : .....cases, industries where the period is not 11 days. There are industries which have got 14 days and 20 days even as the Deputy Minister.....

SOME HON. MEMBERS : Minister.

JANAB M. MUHAMMAD ISMAIL SAHEB : .....had explained at the outset. I think, a note has to be taken of this matter.

Sir, as I say, speculation or forward contract system is a good thing so far as certain trades and industries are concerned. So far as such industries are concerned, it is essential. They cannot go on without this and it will become bad only if it is so managed as to corner the goods and to create a monopoly for certain people. Then it would really be a bad thing.

Sir, as I said, such things are obtaining not only in trade, but also in other things of life. Therefore, we should not fight shy of this criticism about forward contract and speculation but should see that this forward contract system is fostered in our country. Particularly with regard to the trades where it is being felt essentially, it is necessary that that system is encouraged and, of course, regulated also in the proper manner without, in any way, discouraging trade.

4 P.M.

SHRI D. D. ITALIA (Hyderabad) : Sir, I rise to support the Bill as recommended by the Select Committee appointed by the House of the People. I am sorry to say that the hon. Minister, while introducing this Bill, did not think it advisable, as mentioned by my friend Shri Parikh, to take some Members of this House into the Select Committee. I think it is high time now, when the Minister introduces important Bills and when they are referred to the Select Committee, it is advisable that he should consider taking some of the Members of this House on it, so that we can give our opinions on important matters.

As regards the Bill, I am myself a business man and I know very well that forward contracts were in existence for centuries or over. In Hyderabad, from where I am coming, forward contracts on a large scale were going on without any Forward Contracts Act. In normal times when the prices are not fluctuating, the business goes on smoothly ; but when the prices go up or come down heavily, then in that case dispute arises and in the absence of the Forward Contracts Act, sometimes dishonest people refuse to carry out contracts, and even courts of law refuse to give justice, saying forward contracts is 'satta' or speculative trade. So I think, our thanks are due to the hon. Minister for bringing this Bill which will help forward contracts very much. Many speakers said that speculation is evil. I know unhealthy speculation is very much of an evil, and it must be stopped, but it must also be said that forward contract plays a useful part in tempering prices when there is fluctuation. In other words speculation, which is an inherent element of forward contract has its economic uses. Some of my friends here said that in America, speculation has ruined the country. I have read an American paper on this subject, and I am going to read it because it is very interesting, and relates to forward contracts. It is interesting to know that the United States Industrial Commission, in its extensive survey of economic conditions of United States, sums up the distributive functions of speculation as follows :

"Economic service of speculative agencies engaged in distributing farm products are three-fold. First, they localise the industrial risk among the commercial classes, whose special functions are to distribute surplus supplies over difficult times and different places in such a way as to eliminate the uncertainties to the producer and the consumer. Secondly they further relieve the producers and consumers from carrying a whole year's stock, and to the farmer, enabling to convert his crops promptly into cash capital, and the latter to supply himself as his periodic needs as may be required, without enhancing prices beyond the ordinary rates of risk, and a good return of the capital invested. Thirdly, the competition of the speculative dealers tends more than any other force,

to reduce profits of these agencies to a minimum per unit of the commodity handled."

Released from other economic functions it is to their interest to seek to reduce the risks of distribution to a minimum. So, I think forward business is very essential. In fact the whole world today is centred round the future markets. So I think it is very essential. I support the Bill wholeheartedly.

MAJ.-GENERAL S. S. SOKHEY (Nominated) : Sir, the main problem here is a fair deal to the producer of primary products. He is ill-organised and is the worst sufferer under the present economic order. The prices of the primary products all over the world change rapidly and fall without any notice. The manufacturers, on the other hand, are well-organised. They sell their goods on their cost of production. But the primary producer has to dispose of his goods at prices over which he has no control. That is the situation. To give you an example, take the price of wheat. In 1920 wheat was 11s. 8d. per bushel, during 1925 8s. 2d. per bushel, and in 1931 it was 3s. 4d. per bushel. Then during the month of January 1938, the price was 7s. 5d. During 1939, it touched the lowest level of 3s. Similar figures can be quoted for almost all primary products. Now, if we want to deal with the problem seriously, something much more than this Bill envisages requires to be done, and I think the only way to give the primary producer some security and at least some interest in his work is to fix prices on a parity basis. The peasant has to produce the raw material. He has to exchange his product for manufactured goods, and if the prices of manufactured goods go up, so should the price of his primary produce. And for that purpose, the minimum that requires to be done is that the Government should fix the prices of primary products on a basis in parity with the prices of manufactured goods. And having done that, if any of the primary products remain unsold, the State should buy them up and store them.

[Maj. General S. S. Sokhey.]

I think we should pose the problem to be dealt with clearly and precisely and then find the best possible solution. The present Bill does not meet the problem. Further now that we are going to have a planned economy, I think the least that the Government could do is to fix prices on parity basis of primary products, and buying those products, if unsold, and storing them. I request the Government to treat this seriously and not to play with it.

DR. D. H. VARIAVA (Saurashtra) : Mr. Deputy Chairman, I heartily support this Bill. But the main thing that interests me in this Bill is the stoppage of what is called the small speculators. I have seen in Bombay that in the stock exchange there are many men who actually live on gambling. They have nothing to do with trade or with any commodity. They just go to the stock exchange and sit on the benches which are supplied there from 10 o'clock to 5 o'clock or 6 o'clock, and they waste their time. If they make a little money, they squander it on some other form of gambling, and so on. So, in reply to my hon. friend Mr. Gupta, who said that this Bill did no good to the common man, I must say that this Bill has done a great deal for the common man, because if you see the miseries of the speculators and their families, you will be surprised.

Again, it is said that you do not go the whole hog, and that this is a half-hearted measure. But you know the example of Amanullah who asked his people to give up their old ways and put on tophats, and he was kicked out in no time. Government must be a little careful in what they do about this matter. But I am sure the hon. Member is not correct in saying that the common man has not been benefited. The common man is very greatly benefited by the prohibition of speculation by small people, and for this reason I support the Bill very heartily

SHRI D. P. KARMARKAR: Sir, I very much appreciate the trend that the debate has taken, because, if I understand aright, among all the speakers, including my hon. friend Mr. Gupta, there is unanimity about the point that unbridled speculation requires to be very vigorously checked, and that is precisely the reason why we have brought this Bill before this House.

There seems to have been a little misconception arising out of what I said in my earlier speech, when I said that within limits speculation can exercise a wholesome influence on the economy of the country. When I referred to speculation there, I referred to the rather correct meaning of the word "speculation". In its correct sense, speculation is anticipation, a sort of directed anticipation. And when I said that, I just implied that a forward contract, if it is properly regulated, will exercise among other things, a wholesome influence, on the basis that it will give the buyer of the primary product a certain security. Now, take the instance of a farmer. If a ready delivery contract takes place, he has to carry his things and go to the market.

He might face any situation. There might be a depression and he might lose heavily. When he is dealing with forward contracts, he has an option. He can choose any dealer who gives the best terms possible and then, for the next year's cultivation, there is a certain guarantee so far as his income is concerned. He can plan. At the particular moment, things may not be in his favour. He can always wait for the better time between the time in which he enters into the contract and the time of the actual delivery. Actually, when the crops come to the farmer, then only he will be able to enter into a contract. Then, they may give a far more easier opportunity to the buyer to fleece him out. Many a time it has happened that prices rise and fall and the producer is approached when the prices fall to his disadvantage. A co-operative organisation dealing with the agriculturists' produce would

be an effective organisation to give the farmers protection. Government have been encouraging such co-operative ventures.

Another point has been suggested and I welcome that suggestion. It relates to speculation. In my speech at the commencement, I said that we take the view at the moment that though in some cases non-transferable specific delivery contracts also could be abused, at the present moment, we feel that we must begin with the transferable contract. On the view that any mischief may be indulged in by means of unhealthy dealing in non-transferable specific delivery contracts, we have not clearly formed the opinion that such contracts should be definitely restrained. It is with that view that we have taken powers under clause 18.

These are the two points that have emerged broadly from this debate. My hon. friend Mr. Parikh has made some useful suggestions. He says that the personnel of the Commission should be five. He suggested regional advisory committees. He had also a number of suggestions to make of a constructive character. I may assure the hon. Members that when the debate comes to the Ministry, it will cull all the points of a constructive character and shall consider carefully all the points that are urged.

Now, a comment has also been given that this measure is not adequate to meet with the situation. As I suggested earlier, this is a new problem.

AN HON. MEMBER : It is an old, old problem.

SHRI D. P. KARMARKAR : But we have been handling it anew and we have got the recommendations of the Expert Committee. Twice it came before Parliament and we had the advantage of the discussion in two Parliaments, not one discussion. We have put forward before the House a measure which in our opinion tries to grapple with the situation. As one of my hon. friends suggested, it is

no use going too fast. Very likely, some may believe in going too fast. Some may like us to go fast and some others may say "we are not in a mood to go fast". Before we have a full consideration of all aspects, we cannot proceed. If you want to survey a forest, you have to go inch by inch. You have to go slowly and measure every inch of the forest. As I said earlier, we think there are certain types of contracts which must definitely be prohibited and there are certain others which need not be so prohibited. There is a third type of contract, the non-transferable specific delivery contract which we believe is most necessary to regulate also in certain areas and under certain contingencies. So, I think, Sir, Government feel that the measure that has been before the House should be given a very good trial and that it will in any case give us the experience that we need and the country needs. We feel that the proper way to deal with this is to take the question as a whole and come to grips with it. I do believe that human ingenuity many a time baffles the best efforts of man's endeavour in social welfare.

So, Sir, I think that the experience that we shall gain, that the country will gain, will be a precious experience. Now, Sir, I understood my hon. friend Mr. Bhupesh Gupta has been almost opposing forward contracts as such. At the end of his fairly long speech I got a little light. He said he entirely supports the Government so far as options are concerned and if I interpret it rightly, I think that he wishes to go whole hog to check unhealthy speculation as a whole. I was rather interested in the observation made by my friend Mr. Manjuran. I think when he said 'speculation' he implied unhealthy speculation. How can this be consistent with a planned economy? As he was speaking, I almost felt that I agreed with every sentence that he said because ultimately this is an attempt in the field of planned economy also. Now we have taken to regulate certain types of contracts. Now that is proceeding according to plan, our

[Shri D. P. Karmarkar.]  
ultimate objective being that our trade should be so planned in the end that unhealthy speculation should become absolutely impossible. So I will not quarrel on that point at all. I think he will entirely find himself in agreement with me, in the sense that there is absolutely no difference between the points of view he expressed and the Government point of view. Our ultimate aim is to achieve a state of things in which harmful speculation would be absolutely impossible.

Sir, I content myself with those remarks because there are no other points which should require a detailed reply. We shall carefully consider the various suggestions made during the course of the debate. Sir, I move.

SHRI C. G. K. REDDY : Just a clarification. I should like to know from the hon. Minister what is 'healthy speculation' because I cannot understand that term.

SHRI D. P. KARMARKAR : Healthy speculation is a speculation which is in the best interests of the country. Suppose I want to have cotton to run my mills. In doing that I may find that the price factor may be favourable to me. Supposing I am pinned down to my contract and at that particular time the prices fall, I may lose and my concern will have to lose in production. Now, Sir, that word 'speculation' has such odour. I will better transform that word 'speculation' into 'anticipation'. I make a correct anticipation of things for running a national concern. Supposing the rates do not fall or the prices do not rise during that period, I think my hon. friend entirely agrees with me that there are certain kinds of anticipations—not speculations—which could be beneficial to the country.

JANAB M. MUHAMMAD ISMAIL SAHEB : May I have an answer to my question whether this Bill covers the contract which is entered into between an Indian and a non-Indian ?

SHRI D. P. KARMARKAR : It does to that extent to which there is control over nationals. It does.

MAJ.-GENERAL S. S. SOKHEY : How does it protect the producer ?

SHRI D. P. KARMARKAR : Inasmuch as it saves him from the speculators' activities and fluctuations in prices. To that extent it profits the consumer, it profits the producer and it profits everybody. The whole attempt is at levelling up and creating a uniform level in respect of trade and avoiding fluctuations and uncertainties. To that extent it profits everyone.

MAJ.-GENERAL S. S. SOKHEY : Would not the prices of primary products, fixed by Government on parity basis, be more sensible ?

SHRI D. P. KARMARKAR : That is another point which will require another occasion to reply.

PROF. G. RANGA (Madras) : There are two points in regard to which I would like enlightenment. There is a minute of dissent by Mr. C. C. Shah in which he has suggested a specific amendment to the Bill. He wanted it to be incorporated but, unfortunately, it has not been done. Here is Chapter III regarding recognised associations. According to this, it means that an organization may seek recognition from Government and from this Commission but it does not mean that every organization has got to seek this recognition and must be recognized. Mr. Shah suggested that it should be recognised and that every organisation should come to be recognised and seek recognition as otherwise so many abuses creep in the wake of the private organisations and their mischiefs. I would like to know how soon Government would like to take action in this direction, because it appears to be a very healthy one.

Secondly, my hon. friend said that they would certainly welcome the development of agricultural co-operatives

and also the organisation and establishment of these co-operative ware-houses and I know some of the State Governments are trying to do something. I would like to know whether the Government of India would try to revive the earlier scheme that they had during the war or soon after the war of placing some funds at the disposal of the State Governments by way of giving subventions of whatever it is, upto a particular percentage of the expenditure to be incurred on the construction of these ware-houses and whether they would like to consider it at the earliest possible moment.

SHRI D. P. KARMARKAR : Sir, with due respect I thought that the first suggestion was relevant on this discussion and perhaps in a broad way I gave the Government's attitude with regard to co-operatives but how much money they would be able to place or not, I think, at present it does not arise out of this.

PROF. G. RANGA : The point is whether they are going to consider it.

SHRI D. P. KARMARKAR : I want notice of that.

With regard to the first point that was made, I thought my friend Prof. Ranga did not listen when I spoke first. Perhaps because it was a prepared speech, he thought it was not worthwhile. I dealt elaborately with this point. I anticipated an objection of this nature because Mr. Shah had made that point and we thought that a regulation like that would be far too sweeping at present. Binding the operations by any association, unless it be a recognised association under this law, would create far greater difficulties than the small solution that would arise out of it. I thought since my friend Prof. Ranga did not table any amendment on this point, that he entirely agreed with our point of view, but apart from that, that is our position and we don't consider it at the present moment feasible to give effect to that suggestion. Maybe ultimately, logically, every association will have to be registered but that is an end to be achieved. At the present moment,

suppose we begin bringing in organisations or any associations irrespective of its consequences, it might lead us into difficulties which we may not be in a position to foresee at present. It is much better to begin in a small way and later make regulations of forward trading specifically effective in certain areas and commodities.

MR. DEPUTY CHAIRMAN : The question is :

That the Bill to provide for the regulation of certain matters relating to forward contracts, the prohibition of options in goods and for matters connected therewith, as passed by the House of the People, be taken into consideration.

The motion was adopted.

MR. DEPUTY CHAIRMAN : We will take clause by clause consideration of the Bill. There are no amendments to this Bill.

Clauses 2 to 28 were added to the Bill.

Clause I, the Title and the Enacting Formula were added to the Bill.

SHRI D. P. KARMARKAR : Sir, I beg to move :

That the Bill be passed.

MR. DEPUTY CHAIRMAN : Motion moved :

That the Bill be passed.

SHRI C. G. K. REDDY : Ordinarily I think after the hon. Minister's reply this debate should have ended and the question should have been decided. But, unfortunately, to my great surprise and disappointment, the hon. Minister who usually gives a very satisfactory reply to the House, in this case, has not even attempted to give satisfaction. I especially thought that he would be able to tell us quite definitely what indeed he thinks good about forward contracts. The intention of my speaking now at the end of his reply is to elicit from him some information as to how the country is going to benefit from this legalised

[Shri C. G. K. Reddy.]

and healthy gambling or this healthy speculation or anticipation, as he put it.

I am not indeed, in a position to understand how, if there is an element of gambling—and there is an element of gambling—I suppose he agrees there—he is going to remove that element of gambling by this Bill. Now we are to have, according to him, a very healthy agency through the forward contracts, not only to help the economy of the country but to assure the industries a proper supply of their raw materials. Somehow this agency is expected to do good even to the grower. I take it that the grower's interest is also his concern. But I am not able to see and I am not able to agree that this would indeed be so, even with this so-called regulation of forward contracts. That is at least my view and the opinion of most of us on this side of the House.

This agency is perhaps the greatest evil of the capitalistic system. There are many others, but by far the stock exchanges and other exchanges are the greatest evils that the capitalistic system has produced, and it is time that we, who are determined to have a planned economy, a Welfare State, started to put an end to it. But if the hon. Minister had told us that this is only the beginning and that we would be able to take the next step thereafter, we probably would have given him, shall I say, a reserved consent to the Bill. But he has categorically stated, as I can see it, that he is not going to take any further step because he thinks that it is a very healthy anticipation and that it is a necessary thing which we should have in our economy. I for one am not able to see how this is necessary. These and other things recognised as absolute gambles, which the hon. Minister is trying to bridle through this Bill, are only the product of the main thing, namely, forward contracts.

He gave us an example of a textile mill entering into forward contracts so that it may be assured of its raw

material for its next year's production, and indirectly assuring that the masses of the country—the poor masses of our country—are served through its brilliant and glorious effort. I am glad that the textile industrialists through these forward contracts, really have the intention of clothing the many millions who have no cloth at all to wear. What would happen, asks the hon. Minister, if you had no forward contracts? Two years hence there would be no cotton at all, somebody else may take it all away. If the industry does not get its raw material, it will not be able to produce and the country will not have the cloth necessary to clothe itself. Therefore, it is a necessary thing. But, I do feel that it is not necessary. One of the hon. Members on this side of the House suggested that this agency could easily be replaced, could easily be substituted by a very healthy system. After all, Sir, the only argument for the existence of these parasites, if I may call those who enter into forward contracts, is that they take the risk to supply the materials that are necessary for industry or for the consumers during the off-season and against any eventuality that nature or something else may bring about.

But, will the hon. Minister agree with me when I say that even if you confine the activity in forward contracts to a textile mill, only to the actual manufacturer, or to the actual user and eliminate even all the middlemen, even then I would say that a forward contract will give rise to evil and I can assure him that in spite of this Bill, the same amount of gambling, possibly with a legal protection and with a respectability that the hon. Minister has tried to throw on its shoulders, will be able to carry on and still manipulate the markets in such a manner that our economy would go on being ruined by these people. Sir, I would give an example. A mill makes a forward contract for 2 years hence, or one year hence or some years hence in order, according to the hon. Minister and according to our great patriot, the textile magnate, that we may be sure of producing and keeping to the target of our



textile production. Supposing, Sir, the prices rise. In what manner do these people protect themselves? Let us say that they are very honourable people who will honour this contract. Next year they are bound to manipulate the markets in such a manner as to bring down the prices and enter into a contract so that the grower is forced to sell it at a much lower price, thereby keeping a respectable average for themselves, or, let us say, a workable average of the prices.

After all, S.r, what I feel is, barring these little middlemen, who make a little money here and there, and some of them make crores also, the biggest people in the country are the real motive force behind the entire forward contract system. They are the same people who own the biggest industries; they are the people who control the entire banking system in the country, they are the people who have a lion's share of the insurance business. Now, by eliminating the middlemen, what is it that you are protecting the growers against? You may be eliminating the middlemen and making it a little inconvenient for the bigger men to operate in the market; but, as the hon. Minister rightly pointed out, human ingenuity, as he said, the evil genius of a human being—if a magnate and a financier is a human being—is such that none of these Bills would be able to protect us.

We should be able to take a measure, not a half-measure. The hon. Minister says that he cannot go fast enough; but, that is exactly what these people think. They know that he cannot go fast enough; they know that he is not competent enough to stop their evil designs which they have been perpetrating on the country. I feel definitely that there is no use of this Bill at all. In fact, this is not going to curb the evil. The evil is going to be there just as much as it ever had been.

If you wanted to do anything about this Forward Contract—my assumption is that you have found that the forward contract system has been an evil in the country—and if you thought

it desirable to curb it, it is necessary that you need to curb it through an effective Bill, but, my contention is that you are not doing it. Because, by merely eliminating the small man, you are not eliminating the big people who are really the motive force behind this system. After all, S.r, you go to the East India Cotton Association and see who are the Members of the Managing Committee, find out of how many textile mills they are Directors, of how many banks they are Directors, of how many insurance companies they are Directors. They have the entire financial backing in the country to operate to their own benefit and to the detriment of the grower and even the little middleman, who is the agency between the grower and themselves.

How are you going to stop them from operating the market in such a manner that the grower, whether it be of cotton or oil-seeds or anything else or even, as my hon. friend Mr. Ishtail said, hides and skins is protected from the exploitation of these big people? How are you going to prevent them from making use of this legalised gambling, legalised speculation, legalised anticipation? How do you intend to do it? I for one, Sir, am unable to understand. I am also unable to understand how you will be able to protect your Plan—if you produce a Plan at all in the sense of the term as I understand it, a few days hence—with this only check, with this only bridle on the evil people who exist in the country today? How are we going to prevent those plans from being sabotaged? I am not able to understand.

My friend Shri Gupta rightly pointed out—I would say that I am almost entirely in agreement with him, in what he said today—he might have sounded a little irrelevant to those who do not understand the economic system in which we are living, but I almost entirely agree with him when he pointed out that planning cannot go hand in hand with this. This means you do not understand the plan. You cannot plan on this basis. The plan can never cover the operations of these people. How do you intend to carry out the

[Shri C. G. K. Reddy.]

targets that you have laid down in the Plan? This sort of wishy-washy measure, on those people who have been wrecking the country, can only send the entire country in one direction to ruin.

PROF. G. RANGA : Sir, If the Government had not brought forward this Bill, I would have been very much in agreement with the sentiments expressed by my friend Reddy, in regard to the evils of speculation and the troubles our producers are having from these speculators. But now I am face to face with this Bill. My hon. friend, the Minister for Commerce, in summing up the debate, has already evinced the general approval of the House, although some of the Members would like it to go much further and much more quickly, and so on. It is not possible now to say, along with my hon. friend Shri Reddy that it is useless. It is not useless. The next thing he said was that it would be ineffective. I do not think it need become ineffective. The third thing he said was that it was going to keep out some people and give monopoly to top people only. That is exactly what I think this Bill is intended to prevent. If you look into clause 6, sub-clause (2), paras. (a) and (b) you will find that sufficient care is taken in regard to the membership of these organisations.

SHRI C. G. K. REDDY : Those who are not members are not allowed.

PROF. G. RANGA : That is quite right. It ought to be so. Then alone unhealthy speculation can be checked and prevented.

SHRI C. G. K. REDDY : You are using his phraseology.

PROF. G. RANGA : Yes. A person, who is not a member of these organisations is not allowed to operate on these forward contracts. I agree with my hon. friend, Mr. Reddy, on the more fundamental things that there should be no

scope at all for forward markets, or for speculation in any other things. Therefore, our society should be so organised, our agriculturist should be helped in such a way, that his products will go straight to the ultimate consumer if need be through the processing factories, and then later on, through the manufacturing concern and so on, without the mediation of these people. If only this could be done! A solution was suggested and I am in agreement with that solution; and that is co-operativisation of the whole agricultural marketing. With the co-operativization of the whole of the agricultural economy it can be done. It is done in so many other countries. Certainly it is done with almost 90 per cent. of the needs of the people in Denmark and in some other countries. They are very small countries. I do not mean to say that we will not be able to achieve what they have achieved but it will take some time. We have progressed towards that goal. This Bill, I think, is a very small step, and a first step, in that direction. All this time all these people, these speculators, have been playing mischief with us. For a long time we have been asking for a Bill like this. It came up for discussion in the Indian Oilseeds Committee also, where the majority of members happen to be the representatives of the growers. We thought that the Government was delaying the bringing forward of this Bill. We had to send several reminders to the Government. And, now, in the end, it has come before us. Therefore, let us welcome this Bill, not in a half-hearted manner, but wholeheartedly.

My complaint is not that this Bill is not good in itself, but that, as our friends have put it, it does not go far enough. I wanted to make one very small suggestion, but my hon. friend fights shy of it. You force these people to organise themselves in certain specified areas. That is how the Bill seeks to move. I suggest that there should not be any place at all where there might be a private organisation of these speculators to play mischief on society. All over the country,

every group of people who wish to deal in forward contracts should be brought within the purview of the Act.

My hon. friend the Minister would like to go a little slowly. I do not wish to quarrel with him on that score at present. But I would like him to keep this suggestion in mind, and then try and take the earliest possible step to carry it out, say, after one year of observation as to how this legislation affects industry and trade in the country. I can quite understand my hon. friend's hesitation to go ahead in a full-fledged manner, because, as we all know, we do not have sufficient trained personnel today. What was the complaint that so many people made over textile controls when they were introduced? The complaint was that the officials who were appointed by the Government to deal with these controls were not specially trained people, and that they did not understand the technicalities of the textile industry. They needed more time. They took too much time. By the time they learnt something, there was a change in the personnel of the Ministry here, or there was some change in the attitude of the Minister towards the Textile Commissioner and his subordinates, and people came to be transferred elsewhere. It was accepted by the previous Minister, I think by Dr. Syama Prasad Mookerjee, that there should be special personnel to administer these controls, and therefore there should be special training given to the officials. The Government of India promised to give this training. They promised to take special steps in this direction. But till now they have not taken any steps at all. They did not have what is known as the Economic Civil Service, a brains trust. I would like the Government of India to think about it again, now that we have a new Chief Minister in charge and his Minister of State also to deal with these matters, so that it would be possible for Government to have at an early date a sufficient number of trained personnel, with whose assistance and co-operation it might be possible for them to go

much further than they propose to do in this Bill. Everyone of these societies will have to be provided by Government with at least one, and sometimes, I suppose, even more than one of their representatives to watch the activities of the societies. That would need a number of people with proper qualifications. It is doubtful whether the Government of India has got those people just at present. They may have to take some of the I. C. S. people or some other people and give them training. If, on the other hand, I were to insist that these societies should be allowed to organise themselves in every trade centre, then I am afraid this Government anyhow might not be able to tackle the situation. That is why I am quite prepared to understand the hesitation of my hon. friend in accepting the suggestion that I had made earlier. Sir, I wish to make one other suggestion. My hon. friend wants notice. I would like to give him some information. Some years ago, there was what was known as the Groundnut Fund. More than a crore of rupees came to be accumulated under that Fund. So far as the amount collected for the Fund was concerned—I speak subject to correction—it was specially earmarked for the promotion of the construction of co-operative warehouses. A portion of it was handed over to the Oilseeds Committee. We allocated it among the different States and we asked the Governments to build these co-operative warehouses. But the State Governments came back to us with the reply that there were not sufficient funds with them. We asked them to contribute fifty per cent. They said that they would not be able to contribute anything. They wanted the whole cost to be paid out of the Fund. That is the situation in almost all the States. They are today face to face with budgetary deficits and they are not in a position to help their own co-operative growers and build the warehouses. Therefore, I would like the hon. Minister here of the Government of India to consider the suitability of taking as early a step as possible to raise adequate funds

[Prof. G. Ranga.]

and place it at the disposal of the State Governments in order to enable them to construct the co-operative ware-houses and through the ware-houses enable the farmers to work for their betterment in spite of the activities of the speculators.

I think the hon. Minister will try his best to go almost out of the way to the rescue of the growers through the development of these co-operative ware-houses.

SHRI O. SOBHANI (Hyderabad) : Mr. Deputy Chairman, I had no intention to participate in this debate. But certain remarks made by Mr. Reddy and one or two other speakers have led me to the conclusion that the very object of this Bill is entirely misunderstood. My friend Mr. Reddy raised the question as to how it could benefit the textile manufacturers and growers? He also said something about the East India Cotton Association and oilseeds growers. In the first place, I would ask him to realise that a forward contract is not necessarily a speculative contract. The word 'speculation' stinks in my nostrils, because many years ago, my entire family was ruined as a result of speculation. So, I have no sympathy with any speculator. What I want to explain to my friend is that a forward contract is necessary for the benefit and protection of a *bona fide* manufacturer and even a *bona fide* grower—a textile manufacturer or any other manufacturer may find at a certain time of the year that he can buy cotton or any other raw material at a reasonable price, and he may have an offer for forward contract for the sale of his product. Well, he sells cloth at a particular price, calculates his cost and covers himself against future fluctuations by buying the required quantity of cotton, so that as a matter of fact, by entering into a forward contract he actually avoids speculation. He avoids the risk of the market being against him when the cotton arrives. As far as a grower is concerned—grower of groundnut seed or any other

commodity for the matter of that—he may also find that it would help him to sell his future crop at a particular time when he thinks that the market is high.

SHRI C. G. K. REDDY : He never knows it. He never has a contract with the manufacturer.

SHRI O. SOBHANI : Well, what all of us have to do is to educate our grower to start co-operatives and to help him to come out of the hands of the *mahajans* who are sucking his blood at the present moment. The point is that a forward contract gives him an opportunity, through his broker or agent to cover himself against any decline in prices in the future when the crop is harvested and the commodity is actually in the *mandi*.

SHRI B. B. SHARMA : (Uttar Pradesh) : On a point of information, Sir. Is it not a fact that these forward contractors very often, when they want to bring down the price of a particular raw material, they begin to give a wrong quotation as they did in the last summer in respect of *gur*? Now they brought down the prices abruptly.

SHRI O. SOBHANI : Sir, then Mr. Reddy mentioned that the East India Cotton Association is in the hands of the capitalists. Unfortunately, Sir, that is so. But if our growers and small traders were properly educated to realise their own position—this state of affairs would not last long. (Interruption.) I may say, Sir, that it is necessary to confine the business to members—because in case of fluctuations they have to pay the losses, if any occur! The ordinary trader or grower is not debarred from entering into a forward contract because he is not a member of the association. He goes to the broker or his *aratya* or agent or whatever he may be called and does the business through him. Therefore it is not absolutely necessary that the membership of any forward trading association be confined to mere capitalists.

SHRI C. G. K. REDDY : The broker has come here.

SHRI O. SOBHANI : Even now you have the *mahajan* from whom he is borrowing money to finance the purchase of seed. Therefore I say, establish co-operatives—that will save the grower from the clutches of the *mahajan*. I am sorry, Sir, that much against my will I have been drawn into this debate, I hope that we shall soon gain experience and appreciate that the object of the Bill is perfectly sound. It is not to help speculation but to check speculation ; I congratulate the Commerce Minister for introducing this Bill. But I would warn him to be alert and to see that this Bill is not abused and whenever he finds that some person or a clique is taking advantage of the provisions of this Bill, he should immediately come forward with the necessary amendments.

JANAB M. MUHAMMAD ISMAIL SAHEB : I want to say one or two things, Sir. What would happen to the cases which I referred to in my previous speech ? Take for example, Sir, the leather trade. There is a surplus which the country cannot consume. It is to be sent outside our country. Then, if we have to send them outside the country, are we to follow the system of auctions and send out goods closing our eyes, keep them in London for two or three months and then sell them for whatever prices they are able to fetch at that time ? Or is it better in the interest of trade and industry to have forward contracts, so that the people who are producing these commodities may know what they would get from time to time ? This forward contract system in such cases is essential. Because they are required for stabilising the prices and this system really stabilises the prices in such cases.

Again, I purported to say in my previous speech that clause 18, sub-clause (1) rightly exempts such categories as non-transferable contracts from the operation of this Bill. Because the system of forward contracts, as carried on by the trades concerned—the trades which I mentioned—is in the course of being built up and it is not yet sufficiently established. If this

Bill comes into operation with regard to these trades, what will happen ? They will have to form associations. To form an association is not an easy matter. To expand the membership of an existing association is one thing but to form a new association is quite a different thing. Small people, deserving people, who are rightly engaged in such trades as leather production, don't know really the intricacies of law.

MR. DEPUTY CHAIRMAN : Are you making a case to oppose the Bill ?

JANAB M. MUHAMMAD ISMAIL SAHEB : No. I am supporting the exemption that has been granted to certain contracts by clause 18 and I suppose I will not be wrong if I am even to oppose the Bill.

MR. DEPUTY CHAIRMAN : We are in the third reading stage. If you want to make out a case to oppose, you may do so. Otherwise please wind up.

JANAB M. MUHAMMAD ISMAIL SAHEB : I say this in elucidation of what I said previously. The small people will be eliminated and therefore I say that the exemption granted is right until at least we are established in this system of forward contract. When they are properly established, then there will be time enough for the provisions of the Bill to be brought into operation with regard to them as well.

Then another point which I raised with regard to this Bill was whether the provisions of this Bill will apply to contracts entered into between Indians and non-Indians. The House is told by the hon. Minister that it does apply to such contracts also. If it were so, then clause 8 sub-clause (3) says :

“Every other person or body of persons who has had dealings in the course of business with any of the persons mentioned in clauses (a), (b) and (c), shall be bound to produce before the authority making the inquiry, all such books, accounts, correspondence etc. etc.”

[Janab M. Muhammad Ismail Saheb.]

This means all those people, Indian or foreign, who have had anything to do with the business concerned, are bound by the provisions of the Bill. My doubt is whether we can legislate for the people who are foreigners.

SHRI K. C. GEORGE (Travancore-Cochin) : Sir, I have been trying to get a chance to speak.

MR. DEPUTY CHAIRMAN : Are you likely to take much time ?

SHRI K. C. GEORGE : Just fifteen minutes, Sir.

MR. DEPUTY CHAIRMAN : Then you may speak tomorrow.

The Council now stands adjourned to quarter to eleven, tomorrow.

The Council then adjourned till a quarter to eleven of the clock on Wednesday, the 3rd December 1952.