

[Mr. Deputy-Speaker]

the Business Advisory Committee to find time so that a discussion might be had here as early as possible.

Shrimati Kena Chakravarty: I may submit that the job of the Business Advisory Committee is only to allocate time. But this House is supreme for deciding which particular matter is of urgent importance for the country. Therefore, I would urge that this House may give its opinion that we must have a discussion of this subject, so that the Business Advisory Committee could allocate the time for it. It is only a question of allocation of time so far as the Business Advisory Committee is concerned.

Mr Deputy-Speaker: It is not customary or usual that the House gives its opinion first. Secondly, the hon lady Member is also one of the Members of the Business Advisory Committee. She attends it every time and she could show her reaction and her feelings there. I think the Members there also represent the whole House. We will consider there all that is said here and see what can be done.

If I were to allow all the questions and the answers that have been given here now, it would become a regular discussion here and before we take any decision perhaps we may have spent three or four hours today in just putting the questions and getting answers.

Shri Sadhan Gupta (Calcutta—East): Perhaps, if we meet on Saturday and if there is time, we might have this discussion then.

Mr. Deputy-Speaker: That aspect also will be taken into consideration by the Business Advisory Committee.

12.37 hrs.

COMMITTEE OF PRIVILEGES

TENTH REPORT

Shri Rane (Buldana): I beg to move:

"That this House agrees with the Tenth Report of the Committee of Privileges laid on the Table on the 4th September, 1959".

Mr. Deputy-Speaker: The question is—

"That this House agrees with the Tenth Report of the Committee of Privileges laid on the Table on the 4th September, 1959".

The motion was adopted.

12.38 hrs

MOTION RE VIVIAN BOSE BOARD OF INQUIRY'S REPORT OF LIFE INSURANCE CORPORATION INQUIRY

Shri Harsh Chandra Mathur (Pali): I beg to move:

"That this House takes note of the Vivian Bose Board of Inquiry's Report of the Life Insurance Corporation Inquiry, the advice of the Union Public Service Commission thereon and Government of India Resolution dated the 27th May, 1959".

Sir, this is an important matter arising out of a parliamentary question and criticism on the floor of the House and has resulted in public inquiries at the highest level. It has resulted in the resignation of one of our important and senior Cabinet ministers and it has resulted in disciplinary action against certain highest officials. It is to close this chapter that we have got to "take note" in retrospect. I think it is the duty of this House and that it is in the public interest to examine the facts and the findings as they have emerged as a result of these enquiries, more particularly, the inquiry by the Vivian Bose Board and the Union Public Service Commission's observations and recommendations thereon.

Sir, we must have a final and full look at the whole picture and draw

certain lessons and try to assess the decisions which have been taken on the findings of these commissions and inquiries. It is the right of this House to have the last word and to give guidance to the Government. I shall first deal particularly with these three officers, the charges against them and the adequacy or otherwise of the punishment given to them. Then I will deal with certain observations which have been made by this Board and also by the UPSC. Then I will deal with certain major issues of public interest and public importance which emerge out of the whole thing. Lastly I will deal with the Government's decisions in the matter and the impact of all these decisions on public mind.

Before I deal with the first point, viz. the charges against the three officers, I should like to make it clear that we must first see what has been the general approach and attitude of this Board in the matter. I feel that this Board headed by Shri Vivian Bose has brought about a very broad outlook and has viewed the whole case with great administrative ability; they have brought about a human approach to the whole matter. I would just refer to what the Board itself has said which will indicate what their approach to the matter was. While discussing about a particular transaction and the failure of the officers to consult the investment committee, they said:

"Then, as regards the other objection about not consulting the investment committee ahead of time, we think that the strict letter of the law does not indicate that that should be done. But at the same time, we do not think it desirable to make a fetish of red-tape. We do not mean to imply that rules are there only to be broken, nor do we suggest that that can be done habitually."

What follows is important:

"But we do feel that there should be a sense of proportion in administrative matters and that those who are called upon to make large decisions should be left a measure of discretion and should be free to feel that a willingness to shoulder responsibility and, in an exceptional case, even to disregard an otherwise salutary rule in order to achieve a beneficial end will not land them in trouble.....".

Not only that. They have gone a bit further while discussing the case of Shri Kamat and they have very rightly indicated a line of approach which must be appreciated by this House. They have said:

"It is easy to be wise after the event and to expect super-human qualities in one's fellow-men, but there are times and cases when even the sternest of judges must feel: "there, but for the Grace of God, go I!"

So, it is not that this Board has gone with a set mind. This Board has proceeded with a great understanding and a sympathetic approach for the officers into whose conduct it was enquiring. It is really gratifying to note all this. This Board was also fully aware of the limited scope of this inquiry. They were concerned only with these three officers and if they have made certain very damaging and disparaging observations against the former Finance Minister, it must be appreciated that they had to be made, because the whole matter was completely interlinked and interwoven and they could not come to a definite finding against these particular officers. It is because of that they had to make those observations. At the very outset in their report, they have said that they know their scope; they were fully conscious of it. They have repeated more than once in the body of the report that "We would not like to go out of our way to make any

[Shri Harish Chandra Mathur] observations". So, it is in this context that we have to examine the whole matter. It is really gratifying to note the approach the Board had taken.

About the stature of this Board, I think the Union Government deserves to be congratulated for having appointed such a high-powered Board. They could not have appointed a better board of inquiry. We had on this Board an eminent Judge of the Supreme Court, a seniormost ICS officer, with great reputation for his integrity and independence and another officer with considerable experience in administrative matter. When I say all this, it is not my purpose to stress that we should surrender our judgment to the recommendations or findings of this Board. But I do maintain that their findings certainly are entitled to all weight and respect and if for any reason we have to depart from them, we must be prepared to give such reasons and arguments which would satisfy the public at large.

Having said all this, I will go to the matter proper—what was before this Board of Inquiry and what their findings are. Another thing I propose to do during the discussion is to rely only on such matters which are almost undisputed. Nobody can deal with this whole matter and come to a clear appreciation of the entire situation within this short time of three hours. So, I will not get myself involved in arguments and facts which are disputed by any party, because I think there is more than enough material on record, undisputed facts, which will lead us to the same conclusion at which this Board has arrived.

Let us see what was all this about. I will have no hesitation in saying that the whole thing has emerged because there was a scandalously dirty deal which was entered into by the Corporation to purchase certain shares in the concerns of a particular

individual. In six concerns of Mr. Mundhra shares were purchased. Let us see how these shares were purchased and with what result. It is not disputed that as a result of this purchase, there has been a wrongful loss of Rs. 10 lakhs to the Corporation and there has been a wrongful gain of Rs. 10 lakhs to Mr. Mundhra. That is an established fact, which nobody disputes.

We find another important fact. Rs. 50 lakhs have been locked in concerns which are not likely to pay any dividends. The deal was done in post-haste; within three days, everything was put through. Another important fact is, at least in three cases, we have paid more than what Mr. Mundhra had asked for; rates higher than what he had asked for were paid. What is the basis of arriving at these rates? The prevailing rate in the morning of 24th June. How do we get our data? Mr. Mundhra and Mr. Sodhani go to the *Times of India* office and they obtain certain information from the PTL. An unsigned typed page is passed on to the officer concerned and he relies absolutely on it and accepts it. He even gives rates higher than what Mr. Mundhra had asked for in his letter. Even when it was brought to the notice of the Chairman, when the statement was tabulated and put before him, he said: look here, in this particular matter—that was the fourth one—instead of Rs. 80 which Shri Mundhra asked for you have mentioned Rs. 82. He cuts it down. Still, the Managing Director, knowing then that it should be cut down, or brought at least to the level mentioned in the letter which Shri Mundhra has written,—at that time there were still other three cases—permits the higher rates to continue. He does not bring this to the notice of the Chairman. Neither the Chairman cares to ask what has happened, even after once having known how the Managing Director has behaved. He just does not care to know. All this has happened.

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Now, who is responsible for this? That is the next question. We know that this has happened, such a dirty deal has been put through, there is a wrongful loss of Rs 10 lakhs and there is Rs 50 lakhs blocked somewhere. Now it appears on all hands—and it is not disputed—that Shri Vaidyanathan, the Managing Director, has a hand and part in the crime. And what punishment have we thought of giving him? Even the Vivian Bose Board have held him guilty. That gentleman has been retired or, to put it more accurately, his services have been terminated. What does it mean? This gentleman who was already on extension, who even otherwise would have retired in the normal course immediately after the Mundhra deal, has been given the punishment of termination of services. Does it mean any punishment to terminate his services to this gentleman?

Then comes Shri Kamat. Shri Kamat is another senior ICS officer, who is the Chairman of this Corporation. Well, definitely he cannot deny his responsibility, constitutional as well as personal, because he was the man in charge of the whole affair and he was supposed to look after the whole thing. He also discovered that the statement which had been placed before him contains rates which were objectionable. But he does not make any claim about his innocence. He says it was done and I am responsible for it. There is a certain softness for this officer in all quarters, right in the Chagla Commission and so also in the Vivian Bose Board, and that is for two reasons. One of the reasons is that he was absolutely new to the job and he had hardly taken over three weeks before. That is one of the arguments that have been advanced—he was not conversant with the stock exchange business. Still another argument is that he was under the hypnotic influence of Shri Patel, a powerful Principal Finance Secretary, a permanent Secretary. I

do not grudge the softness for Shri Kamat. But let us understand that it was his primary responsibility. According to the Act of Parliament it was the Corporation which was supposed to make investments. The Investment Committee was to be consulted invariably. I will just mention later on what a wangling has been done from the beginning to grab and have the whole powers in the hands of the Managing Director and the Chairman. Now, this gentleman knows that since the executive committee, which should make these investments, had delegated the entire power to the Chairman, so he should work on behalf of the executive committee. So, he should have aroused himself to that sense of responsibility and he should have at least looked into the whole thing. But it appears that he has done absolutely nothing. It is also not very correct to say that he was there only for three weeks. He was there at least for four months as the Vice-Chairman of this Corporation. As it was expected that he was put there only for this purpose, during those four months he should have got himself acquainted with the whole thing and he should have become conversant with all the rules, his responsibilities etc. Being a senior ICS officer, we should expect at least this much from him.

Then, about stock exchange also, we expect some extra-ordinary intelligence from our senior ICS officers. But, apart from that, any man with ordinary intelligence, if he had been there and had seen the papers, would have discovered the whole thing. But those things were not at all examined and the whole thing was permitted to be rushed through in a most scandalous manner. We know what has happened and what is going to be its impact. But what is the punishment which is proposed? The punishment proposed is censure. For such lack of responsibility, for such criminal negligence of duty, if you reward such

[Shri Harish Chandra Mathur]
 punishment, do you know what is going to be its impact on the public mind?

Now comes the seniormost partner, Shri Patel. It really reels me down and it is absolutely beyond my comprehension how the Union Public Service Commission has ventured to exonerate that gentleman. The evidence is no overwhelming from the beginning to end, and on all points, and it has been dealt with so comprehensively by the Vivian Bose Inquiry, where they have treated the whole matter so lucidly, that if one reads the report he cannot but be left with the impression that here is a gentleman who was primarily responsible for the whole dirty deal, and it is he who gets exonerated. I at least appreciate the attitude of the Union Government. Even though they are always wanting to respect the Union Public Service Commission, let us appreciate the fact that they have not exonerated him. They have only said that "in view of his past record, let us drop the charges". But let us know how this gentleman could be exonerated or how the charges against him could be dropped. He is the prime mover of the whole thing. He was not the Chairman at that time. He takes the application, he takes the initiative, he influences the other officers, he puts the whole thing through. And how does he do it? He knows from the very beginning that there was a written directive by the former Finance Minister, Shri C. D. Deshmukh,—at least he knew it—that there should be no investments in the concerns of Shri Mundhra. Shri Patel knew it, Shri Vaidyanathan knew it and Shri Kamat also knew it. But it was he, Shri Patel, who knew it definitely, and he never placed the whole matter before the former Finance Minister and he never got a clearance. He should have sent a directive in writing, so far as this matter was concerned. He does not do it. He

very cleverly tries to give appearance that he has obtained the approval from the Finance Minister and wants to get away with the whole business. He also got certain information from the various sources. You will be surprised to know that even Shri Vaidyanathan and Shri Kamat have said that if they knew all this about Shri Mundhra and his antecedents they would not have touched the whole thing with a pair of tongs. But at least Shri Krishnamachari, our former Finance Minister and Shri Patel, they knew all the antecedents of Shri Mundhra and still the deal was put through, more particularly by Shri Patel. Responsibility also attaches on the former Finance Minister because, knowing all that,—he himself, as Commerce and Industry Minister, had written about the antecedents of Shri Mundhra much earlier—he at least should have stopped this deal. But he does not do anything of that sort. Even when the Reserve Bank has brought this to the notice of the Finance Minister, even after this counsel, when it is brought to the notice of the Finance Ministry that something very shabby has been done, when in investment things are going wrong, no notice is taken of it. When this letter is put before the Finance Minister, he only says: "I am not happy about it; could we do anything about it?" and passes it on to his Principal Finance Secretary. The Finance Minister should have certainly called for all the facts and taken certain steps. But he does not do anything of that sort, and what is more, what does the Finance Secretary do? He says: purchase more shares, give it more support, give it greater support. A great effort has been made both on the part of the Principal Finance Secretary and the former Finance Minister to show that it was one thing to support Mundhra and it is another thing to purchase shares from concerns which were sound. Let us not forget that it is not only in sound concerns they have

purchased shares, but at least Rs 50 lakhs have been sunk in unsound concerns. Even these sound concerns were under the complete control of Mundhra
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The Finance Minister, when he was Minister of Commerce and Industry wanted that some steps should be taken against this man. He wrote to the then Finance Minister who controls Company Administration that something should be done to put a stop to this notorious adventurist. He himself wrote this. Now, when things worsened, he does not stop this. He should have told them to take over those concerns. He could have, if he wanted to help the concerns and not the particular gentleman, taken over those concerns. It is absolutely clear that in spite of the fullest knowledge about this gentleman, in spite of the fact that there was a previous decision against him, this thing was put through and the former Finance Minister and the Principal Finance Secretary cannot escape personal responsibility and they cannot escape constitutional responsibility. It is obviously clear from all this that is on record.

But, the story does not end here. So far as Mr Patel is concerned, there is a telegram which my hon friend Shri Feroze Gandhi very dramatically put up. It was not on the 24th of June. Shri Krishnamachari is consulted only on the 22nd. But, on the 12th and 13th of June, a telegram is sent from here by Mr Sodhani to Mr Mundhra saying that something can be done about it. He admits he had seen the Principal Secretary on the 12th and 13th. The Principal Finance Secretary admits it. This telegram goes. It is clear that even before he had talked to the Finance Minister, he had taken certain steps and had determined to put this thing through which he put through subsequently. There are at least 50 such other important facts very clearly stated in this report from which we can draw only one conclusion. The

irresistible conclusion is that Mr. Patel's was the arch part in the crime and that he put the whole thing through and that he did not even represent to his Finance Minister fully. When I say all this, let us not forget this.

I was really surprised when I read in the papers how the hon Prime Minister thought that because of the Board of Enquiry and the findings of this Board, things have changed so far as the responsibility of the former Finance Minister was concerned. I think this Bose report makes far more damaging observations against the former Finance Minister than the Chagla Commission. It is true that the Principal Finance Secretary played foul and he did not inform his chief all the things. But, they also say that the Chief also took absolutely no care, no caution and gave no proper guidance. Not only this. The report very correctly states how the whole thing had developed, how Mr Vaidyanathan and Mr Patel were in a sort of conspiracy to grab the whole power and to wash out the Investment Committee and the Executive Committee. If you read the whole report, you will get a clear impression like this. As a matter of fact, when Shri C D Deshmukh discussed this Bill here, he gave a definite assurance to this Parliament how the investments will be made. He said that investments will be made through an Investment Committee. He further said that we will issue a notification under section 27A which clearly lays down certain rules and regulations and principles for guidance of investments. But, these assurances given to the Parliament and these provisions were never invoked. As a matter of fact, they were ruthlessly given the 'go by', and everything was done in complete violation of these principles.

Something was said in the Ministry. Mr Vaidyanathan writes a letter. He is bold enough to write a letter to the Principal Secretary Mr Patel that

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the powers should rest between you and me—that is mentioned here. That the powers should rest between you and me was further carried through

Shri T T Krishnamachari the former Finance Minister and the Corporation came together in this country Shri T T Krishnamachari assumed charge of the Finance Ministry on the 1st of September That Act was also put into force on the 1st of September They were never good friends Shri T T Krishnamachari never wanted any of the assurances and the regulations given on the floor of the House Even Mr Patel has mentioned that if Shri C D Deshmukh had continued, that policy would have been followed. After quoting so many facts, what is the result that they have arrived at? On page 26, they say it will take a very long time if I were to read the whole thing here They say

"We think it is a fair inference from what we have set out above, and especially from what follows, that section 27A and the other restrictions on the power of Government to handle these funds as they pleased for purposes of investment were just so many thorns in the flesh to Mr Vaidyanathan, Mr Patel and Mr Krishnamachari We have seen what value Government attached to an exactly similar provision in the LIC Act The provision was ignored and the assurances given to Parliament were cynically disregarded not only by the Minister concerned but also by a Secretary to Government and by a non-Government servant, the Managing Director of the LIC Things had gone as far as that."

Further, it will be interesting to note that when a certain proposal was put up, when the Law Ministry stated that this step should be taken

and the Investment Board should be there and it was put up to the Minister—let these words be marked—this is what Shri T T Krishnamachari the former Finance Minister said about Mr Heernandani who is somebody in the Law Ministry who put up that proposal

"Mr Heernandani is a poor specimen of a lawyer I would prefer to leave things as they are and let Mr Vaidyanathan gamble away than accept Mr Heernandani's advice"

He has preferred Mr Vaidyanathan to gamble away Now, Mr Vaidyanathan has gambled away and the former Finance Minister has divorced himself from that personal responsibility He is personally responsible for this state of affairs, for putting things in this manner, for putting the investment policy in that manner and concentrating all the power in the hands of Mr Vaidyanathan He said, let him gamble away Now he has gambled away He has to take the consequences

I have dealt with all the three officials and certain observations made regarding the former Finance Minister as they appear here Having said all these damaging things, as far as the Union Government is concerned it will have to be admitted that they have behaved in an unexceptionable manner from the very beginning When the matter was brought up here, they appointed the Chagla Commission Nothing better could have been done, as was demanded by the circumstances When the Chagla Commission report came, the Minister resigned Nothing more could have been expected from his Government: Then, they accepted certain things, the principles were also accepted and they appointed the Bose Board, which is absolutely unexceptionable. This Board made certain recommendations; unexceptionable, perfectly democratic and dignified; nothing better could have been done. Then, it

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goes to the U.P.S.C. I quite understand their concern to respect the wishes of the U.P.S.C. But, I think that if there was ever a case to disagree with the U.P.S.C., it is this case. I shall give my reason for that. If you look at the reports of the U.P.S.C. which were placed on the Table of the House, you will find that Government had not accepted the recommendations of the U.P.S.C. in 1955-56 and 1956-57, so far as two officers were concerned; the U.P.S.C. said that these officers were not guilty and no punishment should be given to them. But we find that punishment was actually given to them. Government did not accept the recommendations of the U.P.S.C. in those cases.

In this case, there is a still greater difference, because the report of the U.P.S.C. has been preceded by an inquiry by such a high-powered body. I do not want to make any adverse references to anybody, but I would like to ask: Is there anybody in the U.P.S.C. who will measure up to these giants on this Board? We cannot ignore the recommendations of the persons who have made these recommendations.

Then again, in the report of the U.P.S.C., there was a dissenting note. I think this is one of the most important cases where Government would have received the encomium of this House and of the people at large if they had disagreed with the U.P.S.C. It is really unfortunate that we have to say so.

I have unfortunately been saying on the floor of this House earlier that the standards are deteriorating in the U.P.S.C. I think we should do everything in our command to create a greater respect for the U.P.S.C.; that will not be created by my not making these observations and not criticising. It would have to be created by their own conduct and by how they create a respect for themselves in the public mind.

Mr. Deputy-Speaker: The hon. Member has taken about half an hour already. He should try to conclude now.

Shri Harish Chandra Mathur: I shall take another ten minutes, if you would permit me. I shall cover two or three more important points quickly and then I shall finish.

Mr. Deputy-Speaker: He ought to be brief now.

Shri Harish Chandra Mathur: I shall definitely finish within ten minutes or even earlier.

Now, there is a lot of talk about the morale of public servants. I can venture to submit that. I have never missed any opportunity on the floor of the other House and also this House to speak for the public servants, for the Government servants, and to do all sorts of things to raise their moral standards. I definitely feel that we should do everything in our power to see that we do draw the best out of the public servants, that we definitely do everything to encourage the public servants to take responsibilities and discharge them on the spur of the moment. The Board was quite alive to this factor.

But, when a guilt is proved, then this question of morale does not arise. If we come to the conclusion that a particular gentleman is guilty, then the punishment must be deterrent; and the punishment must be deterrent particularly where public money, or rather, where money which is in trust, is squandered away like this.

I would like to say that I think it is much more important here to take some good care of the morale of the Ministers; I say this advisedly, because the Ministers are most ineffective, because of their relationship with the Secretaries. Even here, we see that a very powerful Minister, whom we considered to be very powerful indeed, has been completely ignored by his Secretary in certain

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matters; he never cared for the Minister. I know what happens in other cases too. A Minister wants something to be done; he gives a policy enunciation, and he wants something to be implemented, but the file goes circulating between here and there, and it is so managed that the Minister will never get the end of it. I know of particular cases where the Minister had passed a definite order in my presence that such and such a thing must be done, and yet, that has not been implemented for years; and it will not be implemented

Acharya Kripalani (Sitamarhi):
And he did not resign?

Shri Harish Chandra Mathur: I think it is not a question of the morale of the Government servants, but I think we should make our Ministers more effective; I think we should rather think about the morale of the Ministers

Shri Goray (Poona): How can we make them effective? They should make themselves effective.

Shri Harish Chandra Mathur: Then, a reference has been made to party funds, and there has been a lot of criticism about it. I have also collected from the Library information as to how party funds are collected in the various countries. I think the situation is no different than what it is here, if anything, it is far worse. But that is no argument to support what is being done here. There is also another difference. We here in India are conditioned in a very different manner. So, what would be accepted in UK or the USA will not be accepted by the people here. So, we have got to be very careful in this matter also. But there is no reason why we should denounce what the Board has said. As a matter of fact, the Board has never said that all this deal was put through simply because certain funds had been made available to the party; that is absolutely put-

ting a wrong meaning on their observation. The Board has not said that I maintain and I venture to submit that. Let us refer to page 160 of their report, where a reference has been made to this. As a matter of fact, they were just wanting to find the motive, they were in search of the motive. They wanted to know the motive for all this. They could not find any motive. So, they thought that this could be the motive. That is all that they have said. I shall read out what the motive is.

"As regards the motive for this, it is obscure." They themselves say that it is obscure. They do not know what the motive is.

An Hon. Member: How did they come to the conclusion?

Shri Harish Chandra Mathur: They further say

"We do not feel that we have been told the whole truth and we are not able to travel beyond the record. So far as the record goes, the only motive that suggests itself is the one we have referred to."

That is what they say. They have not come to any conclusion. And they could not have come to this conclusion. I shall not go into that matter now, but certainly we shall have to prescribe a certain code for ourselves.

I would respectfully submit that party funds should be collected only by the organisation, at least the Finance Minister and the Commerce and Industry Minister should have nothing to do with the collection for the party funds.

Shri Subbiah Ambalam (Ramanathapuram): Is there anything said in the report that either the Finance Minister or any other Minister had anything to do with these collections?

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Shri Harish Chandra Mathur: That is what exactly I am saying, that there is nothing said in the report, unnecessarily, much more is being read out of it.

Shri Jaganatha Rao (Koraput): So, my hon. friend's observation is not relevant.

Shri Harish Chandra Mathur: But this has received so much public attention. The Board did not have the record to come to this conclusion, and it is absolutely wrong to come to this conclusion. I would say further that in most other countries, the practice is the same, in fact, much worse. But we are conditioned in a different manner, and we must do something to set our own standards and traditions and conventions. It is in that connection that I am submitting this. In fact, they tried it in UK, as a matter of fact, in Canada, they had done away with the donations for some time, and had the enactment, but they had to take back the enactment and collect donations from all the industrial concerns there. Of course, we can make our elections cheaper by having this kind of procedure. But what I am submitting is that we have got to set our own standards; we cannot adopt the Western standards, but we want to set our own standards. It is from this point of view that I submit that we must adopt this healthy convention that not merely should the collections be done by the organisation, but at least these dignitaries should not involve themselves in the collection of the funds. Secondly, nobody should be permitted to collect even for his personal purposes, for his own elections: if he collects, it should be channelled through the party, otherwise, it should be considered as good or as bad as bribery. That is what I would submit on this matter.

There are some other important issues. One is about the standard regarding the administration of public funds. We have got to set certain

standards as to how public funds are going to be administered, certainly not in this way. We must set certain standards in this matter.

Something has to be said about the other matters, but I shall not touch them for want of time.

Mr. Deputy-Speaker: Motion moved:

"That this House takes note of the Vivian Bose Board of Inquiry's Report of the Life Insurance Corporation Inquiry, the Advice of the Union Public Service Commission thereon and Government of India Resolution—dated the 27th May, 1959"

There are two amendments to this motion

Now, we have the whole day for this discussion, that means that the discussion will go on up to five o'clock

Some Hon. Members: Five hours.

Mr. Deputy-Speaker: This was not made clear. I have got the record here before me, and the observations made by the Speaker. He only said that we shall have a full day's debate; that means, today.

Shri Ferose Gandhi (Rai Bareilly): May I suggest that the hon. Minister can reply tomorrow, because it is already past one o'clock now?

Mr. Deputy-Speaker: Would that be convenient to the Minister?

The Minister of Home Affairs (Shri G. B. Pant): As you please.

Mr. Deputy-Speaker: All right, we can go on with the discussion up to five o'clock, and then the Minister would reply; that means that we have still 3 hours and 40 minutes left before us. There is a large list of Members who want to participate in the debate. We shall have to place a time-limit on speeches. Will 15 minutes do?

Pandit K. C. Sharma (Hapur): Ten minutes

Mr. Deputy-Speaker: That would be too little. It is for the House to decide. If a longer time is given to each Member, then there will be fewer Members who would be accommodated. Then they should not complain against me that I have not given them time. We take a decision and I will follow that.

Shri Surendranath Dwivedy (Kendrapara): So far as our Group is concerned, we will have only one speaker.

Mr. Deputy-Speaker: If other Groups also have one speaker each, then perhaps we can have a time-limit of 20 minutes. If there is only one speaker on behalf of a Group, we might give him 20—25 minutes.

Shri Tangamani (Madurai): From our Group, there are two speakers. The first speaker may have 20 minutes.

Mr. Deputy-Speaker: And the second 5 minutes. They should adjust among themselves. I have no objection. But it should not go beyond 25 minutes.

Shri Tangamani: Our Group should have at least half an hour.

Mr. Deputy-Speaker: I will have that consideration, that others would not have as much time as the biggest group. But we shall have to have some limitation. That is the difficulty. Ordinarily, ordinary Members of Groups should try to conclude within 15 minutes. The Leaders of Groups will be given longer time. This will be the rule except in the case of a particular hon. Member who might have studied it extensively to justify his requiring more time.

Shri Jaganatha Rao: I beg to move.

That for the original motion, the following be substituted, namely:—

“That this House takes note of and approves the action taken by the Government of India as contained in the Ministry of Home

Affairs Resolution No. F. 15/56HS dated the 27th May, 1959, in the cases of Shri H. M. Patel, Shri G. R. Kamat and Shri L. S. Vaidyanathan on the advice given by the UPSC on the Report of the Vivian Bose Board of Enquiry”

Shri Bhanja Deo (Keonjhar): I beg to move.

That for the original motion, the following be substituted, namely:—

“That this House takes note of the Government of India's Resolution in the Ministry of Home Affairs No. 15/58 HS, dated the 27th May, 1959, but expresses its regret over the manner in which the whole affair has been dealt with”

Mr. Deputy-Speaker: Now both the original motion as well as the two amendments are before the House.

Shri Parulekar (Thana): Mr. Deputy-Speaker, the subject-matter of the discussion is vast and it will not be possible to cover the whole canvas. I will, therefore, confine myself to one of the crucial aspects of this problem, namely, the Resolution of the Home Ministry. I will attempt to examine it, analyse it and assess its value.

I have read the Resolution very carefully and many times and I find that only three conclusions are possible, of which one alone can be the correct one. Either the Government have not read carefully the Reports of the Chagla Commission and of the Vivian Bose Board, or if they have read them, they have not understood the findings of these two investigating bodies. Or if they have understood the findings, then this Resolution is a dishonest attempt to whitewash the culprits and whitewash themselves by taking shelter under the recommendations of the UPSC. I will endeavour to find out which one of these is the correct one.

For assessing the value of the Resolution, we will have to seek answers to three questions. They are: first, what are the salient, characteristic, features of this notorious deal, the Mundhra transaction; second, what is the object of this transaction, third, who are the culprits and what is their guilt? The task of seeking answers to these questions has become easy because the answers have been given in the Reports of the Chagla Commission and the Vivian Bose Board. I will briefly give the reasons why I accept their findings and their verdict.

Firstly, the Chagla Report contains the findings of one of the most eminent Chief Justices in the country known for the integrity and independence. The Vivian Bose Board Report contains the recommendations of an eminent ex-Judge of the Supreme Court assisted by the seniormost officials in the service. Also that Report is unanimous. That has to be remembered. Secondly, these Judges have had long experience. They are well accustomed to sift evidence and judge the demeanour of the witnesses who appear before them and arrive at the truth. Thirdly, they had the benefit of examining witnesses. For these reasons I rely on, and accept, the recommendations, findings and verdict of these two investigating bodies.

There is a third document, the recommendations of the UPSC. You have only to read it along with the other two documents, namely, the Reports of the Chagla Commission and the Vivian Bose Board, to realise how worthless this document is. It has the imprint of an anxiety to whitewash Shri Patel and to whitewash the Government. It rejects all the findings which have been based on facts which were admitted and which have been proved beyond doubt, without giving any reasons.

Before I pass on to seek answers to these questions, there is one preliminary

issue which is relevant and important, and to which I would like to draw attention. Neither the Chagla Commission nor the Vivian Bose Board has succeeded in unearthing the whole truth—and they have admitted it. If they had succeeded in unearthing the whole truth, I am quite sure in my mind that the truth would have been far more ugly and ghastly than what appears today and I feel that many more eminent persons would have been exposed and unmasked. The two bodies have given reasons as to why they could not unearth the truth. I will read a few extracts from the Report of the Vivian Bose Board. This is on page 36.

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

They conclude the paragraph by saying

“We have not been told the whole truth and some at least of what we have heard must be false”

Again on page 158, they say

“No one concerned with the deal has told the whole truth”

There was another reason why they could not get at the whole truth. They say that they “could not travel beyond the records and their terms of reference did not permit them to turn themselves into a roving commission in search of the truth.” Therefore,

[Shri Parulekar]

the Board stated the procedure which they have adopted for arriving at the truth and I would like to read—a small paragraph on page 37:

"Now, when witnesses give conflicting versions about a simple issue of fact, some of which must be false, there is no surer way of reaching a right conclusion than first setting out the facts that are either admitted or proved beyond reasonable doubt and then seeing which of the stories best fits those facts. That is a time-honoured rule of practice. We will tread the same path"

What is surprising and astounding is that the Resolution rejects all the findings of the Vivian Bose Report and the Chagla Commission Report which have been based on facts which have been admitted or facts which have been proved beyond the pale of doubt, without any reason. It makes a show of accepting some of their findings, but when it does so, it distorts the finding of the Board.

Now, I will try to examine and answer the first question, namely, what are the important, salient characteristics of this notorious deal, the Mundhra deal. I will cite the findings of the Report which states them vividly.

On page 21 of the Bose Report, it says:

"He began" he means Mundhra "by asking Rs. 80 lakhs under this head on the 21st June, 1957; he increased it to Rs 94,74,000 on the 23rd and ended it by being offered Rs 1,26,85,750"

There is another passage on page 99 which brings out another characteristic of this deal.

"All we need say at the moment about the letter of the 23rd June is that there at least was a firm offer in concrete shape to sell

the shares listed above at definite prices. This offer was examined scrip by scrip and in the end was rejected. But despite rejection Mr. Mundhra said that it still stood and that he had never resiled from it in the course of the following days. The rates asked for in his letter were above the current prices. "In the end Mr Mundhra was given higher rates in some cases than Mr. Mundhra himself wanted.

There is another paragraph on page 98 which says:

"In the end Mr Mundhra said almost triumphantly, whatever the meanings, the upshot was that he got more than even he had asked for"

There are a few other characteristic features of this deal. On page 158, the Report says

"And after the bargain, and after all the danger of a drag had gone, even when Mr. Mundhra had defaulted in the delivery of the shares that part of the contract was not cancelled and Mr Mundhra was obliged further by an acceptance of substituted shares in place of defaulting ones. In the matter of payment, in every case, the scales were tilted in Mr Mundhra's favour, whenever there was a choice of rates, the one that favoured Mundhra was selected"

On page 102, the Board says

"How can they justify giving the man more than what he himself asks"

These are the characteristic features of the Mundhra transaction and the Resolution evades and ignores all the findings which describe the characteristic features of this deal; and what does it say?

The Resolution says.

"It was not entered into in accordance with business principles and was also opposed to propriety on several grounds"

After reading this part of the Resolution, if I were to put it in the most mild terms, I can only say 'how absurd and how perverse

Sir, I will pass on to the second question and seek an answer to it namely, what was the object of this deal On this subject also I will read some of the important paragraphs from the two Reports Regarding the object of this deal the Chagla Report says on page 12

"Therefore it is clear that there was some compelling reason, some motivating force, which was driving all these actors into this precipitate action"

Again, on page 11, the Report says:

"This argument had clearly nothing to do with stabilising the market or removing the drag on the market This agreement on the face of it bears the imprint of the desire on the part of the Corporation to help Mr Mundhra or Mundhra concerns out of their difficulties In other words, the object was to finance Mundhra to the extent of a crore and a quarter by the purchase of his shares

Sir, coming to the few paragraphs in the Vivian Bose Report this is what it says on page 160

"Weighing all these various facts carefully and testing them against the proved and incontrovertible facts of this case we are of opinion that the defence stories do not fit the facts while the other does We, therefore hold that this June transaction was not entered into to save the Calcutta market and the drag theory was an afterthought and a blind We, therefore, reach the

conclusion that the object of the June transaction was to help Mr. Mundhra As for the motive for this, it is obscure We do not feel that we have been told the whole truth and we are not able to travel beyond the record"

Again, on page 173, the Bose Board says:

"That the transaction was effected for relieving Mundhra of his financial difficulties and not for any LIC purpose We have dealt with this fully and have held that this fact is proved"

This was the object of the Mundhra deal and the transaction The Resolution assumes silence on this point It does not mention it and rejects the motive suggested by the Vivian Bose Board

I am not surprised that they have rejected the motive suggested by the Bose Board because I do not expect this Government to be honest enough to accept it But the rejection of the motive does not disprove the fact that the transaction was entered into with the sole object of helping Mundhra.

I come to the third question Who are the culprits and what is their guilt? I will ignore minor fry I will take up Shri Krishnamachari I may be asked Why are you taking the case of Krishnamachari and why do you beat a dead horse? He has resigned' But he is not dead, he is alive and kicking and issuing statements There is an attempt in this Resolution and there will be other attempts also to rehabilitate him That is why I am taking up this question

An Hon Member He has turned a refugee

Shri Parulekar I will read the finding

An Hon. Member: He is a Member of Parliament

Shri Parulekar: He is not a Minister and it is rumoured that he is likely to become a Minister

The Report of the Chagla Commission and also of the Vivian Bose Board have listed the crimes which he has committed. I will give a list of the most important crimes which he has committed so that the House may be aware of the guilt of Shri Krishnamachari.

The first crime was, in the words of Mr Chagla, "that when he had come to know of these transactions, he never repudiated the action of Mr Patel. Therefore, this is clearly acquiescence on the part of the Minister in the part played by Mr Patel in bringing about the transaction of the 24th June. The lack of repudiation on the part of the Minister would go to support Mr Patel's theory that the Minister had approved the transaction in Bombay on the 24th." This is on page 23 of the Chagla Commission's Report.

I shall come to the second crime. This is on page 27 of the Report of the Bose Board.

"In our opinion the facts which we have set out with the minimum of comment are enough to show that from the start neither Mr Patel nor Mr Vaidyanathan— with whom we are not concerned at present— nor Mr Krishnamachari, when he took over charge, had the slightest intention of carrying out the directions of the Act or of honouring C D Deshmukh's assurance to Parliament."

This is not a crime of less serious importance. I will come to the third crime of Shri Krishnamachari. On page 147 of the Bose Report, it says.

"A starred question was asked on 4th September 1957 and an evasive answer was given by Mr Krishnamachari which, though factually correct, cleverly evaded

disclosing the information that was really wanted."

On page 150, it says

"The Finance Minister seeks to avoid disclosure of the facts in Parliament,"

I do not know whether in the opinion of Government this is honourable conduct of a Minister which is expected in parliamentary democracy.

Sir, the fourth crime of Mr Krishnamachari is given on page 147. Because it is a long paragraph, I will not read the whole of it but I will give the gist of it. That crime is that he disclaims more knowledge about the transaction than can be helped. He is not telling the truth before the Commission, he is not telling the whole truth and the Commission feels that it has not been possible for it to unearth more than what it did.

Then again there is another crime of his which is proved. On page 156 of the Bose report, they say:

"There were a series of meetings between Mr Mundhra and various Government officials including Mr Krishnamachari and Mr Patel between April and June 1957. It is obvious to us that they did not talk about the weather all the time and we are of opinion that it would have been unnatural for them not to have explored ways and means of helping Mr Mundhra. All that would have been natural in the circumstances and yet every one concerned except Mr Sodhani pretends that this particular topic was not touched."

On page 167, they say:

"In the present case, the evidence clearly goes to show that Mr Krishnamachari gave general approval for the LIC to invest in Mundhra shares to the extent of a crore of rupees or so."

It is true that his approval was vague. It is also true that Mr. Patel's instructions regarding the price at which they were to be bought were also vague. But my contention is that they were purposely vague. When a gang of burglars decide to commit burglary they take all precautions to see that a way for escape is left open if they are apprehended. So, vagueness is a part of the conspiracy and the vagueness was there just because, if they were apprehended, they must have a way of escape. That is what the report says against Shri Krishnamachari.

What does this Resolution say? It says that he was quite innocent and only the constitutional responsibility of the Minister was attracted. These are the findings of the two Commissions and judicial enquiries. These are the findings based on concrete facts and facts proved beyond doubt. Yet, this Resolution does not say anything about these facts. It does not take note of these facts but it simply says one thing. Of course, it does not say he is innocent but it says that only the constitutional responsibility of the Minister is attracted.

I will now come to another person whose list of crimes is longer and more idiotic—that is, Shri H. M. Patel. The list which I give is not exhaustive. It is only a specimen of the crimes that they have committed. On page 19 of the Chagla Commission report, it says:

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

The Bose report says; on page 92

"And yet, when the expert was called in to advise about the purchase, he was not told why he was wanted, he was not told to look up for the market prices of the shares offered for sale, he was

not asked to look up the balance sheets or other data about the soundness of the companies, he was not asked to do any of the things that any sensible man would want to do before sinking such a large sum in any concern."

On page 121, the report says:

"This is a clear admission that the investment committee was deliberately passed to ensure that this deal might go through without any hitch."

On page 126, again, the report says:

"Now, as regards Patel's explanation that he felt he had to report to the Minister before he left, we are unable to regard that as a justification for this haste unless there was something which was not quite straight in this deal."

Again, there is another crime. Shri Patel drafted a reply for the Minister and it ended thus

"The purchase was effected because the shares in question appeared to be a worthwhile investment."

Now, it has been proved that this was not true. I do not want to use other words which would describe the crime correctly because they are not parliamentary. (*Interruptions*)

Shri V. P. Nayar (Quilon): Try that word and submit to the ruling.

Mr Deputy-Speaker: It is as good as done.

Shri Parulekar: My purpose is served. On page 141, the Bose report says about the 'crisis theory', accepted by the UPSC:

"We are satisfied that there is no reliable evidence of an impending

[Shri Parulekar] ing crisis in June 1957 and still less that any reasonable man at the relevant date felt that one might develop"

Again, on page 115 it says

"They preferred instead to leave the most vital part of a contract for the sale and purchase of a commodity, namely, the price in such a vague and unsatisfactory condition that even persons on the same side of the transaction could not agree amongst themselves about what was settled"

That was the trick of the transaction It goes on

"The conclusion is irresistible that either this vagueness about the prevailing market price was deliberate to enable Mr Mundhra to rig the market or these highly paid officials were so negligent and careless that they presented Mr Mundhra with a heaven-sent chance"

These are the crimes of Mr Patel, they are of a very serious nature In the face of these findings, what does the Resolution do in effect? It says that he is innocent, his view about the drag on the market was unsound and erroneous I want to ask the Government whether there is any basis for characterising his view about the drag on the market as unsound and erroneous? Neither of the Commissions have said so but the Government comes to this conclusion It gives a distorted understanding and distorted form to the findings of the two Commissions and whitewashes Mr Patel

I shall conclude now The Resolution evades all crucial issues It rejects all established facts, findings and verdict of the two judicial investigations It distorts some of their findings It sets aside all prin-

ciples of democratic practice The Resolution is therefore, a dishonest attempt to save the culprits and whitewash the Government It is more scandalous than even the scandalous deal It is a hoax and fraud which reduces judicial investigations to a ridiculous farce

Shri Surendranath Dwivedy Sir, perhaps this is the last occasion for this Parliament to discuss this Mundhra affair I do not want to beat the dead horses, as my hon friend has said, because I feel that the principal actors in this drama have already been let off and the culprit is still at large I do not know whether the culprit is the man-eater or the money-eater I do not agree with the Mover of the motion that from the very beginning the Government took an honest attitude towards it or wanted to implement the wishes of this Parliament From the very beginning Government acted with mental reservations unwillingly and reluctantly The Prime Minister when he moved some motion for discussion of LIC inquiry on 19th Feb 1958 had said that they were hustled by the Parliament to appoint a committee

But the Parliament Sir, never demanded a committee or commission of the nature that they appointed The Mover Shri Feroze Gandhi himself said "We want a parliamentary committee we are not very much enamoured of a judicial committee" I think the hon Members who spoke that day also supported this and said, let us have a parliamentary committee to unearth all matters connected with this Without paying any heed to that they appointed a commission of their own choice They fixed the terms of reference Not only that, the former Finance Minister who was ultimately to be found to be one of the culprits in the affair, he himself fixed the terms of reference of charge commission

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When the Commission's report was published, they expressed surprise Even about the high-power commission under Mr Vivian Bose casual remarks—it may be casual, but they were unwanted and unworthy of a Prime Minister—were made I say, Sir, this is unfair We are not really establishing good traditions for the functioning of parliamentary democracy

Again, Sir, we are faced with this Resolution The House was not taken into confidence The Vivian Bose Board's report was not discussed in this House before referring it to the UPSC It would have been fair to get the opinion of this House, as to how they feel on the report of the Commission

The Resolution appears to me, Sir, as a very strange document If you will read it you will find that they apply different standards in placing blames on different persons as it suits them I shall deal with them later Let us consider why they have done this According to me, it is because the whole approach and attitude of this Government has been one which is vitiated by personal considerations Otherwise, I do not think they should have dealt with this matter in such a manner Whatever we desired in the Parliament has practically been negated by the civil executive authority I say this is a very bad precedent In the context of the situation that is developing all around and even in our own country, there is a feeling growing and I think after this action of the Government this feeling would increase in the country, that the civil authorities are incapable of following a higher standard of public morale and administration

What is the total effect after spending so many thousands of rupees on commissions and all that? The sum total that we see is, everything is still hazy and we are still guessing who is the person concerned. The responsibility is nobody's and nobody has been punished. The *males fide* has not

been found No individual has been benefited—individuals connected with the Government One beneficiary, perhaps, Shri Mundhra, is still in difficulty The only concrete beneficiary, and that too in cash perhaps is the Congress Party

Shri Tyagi (Dehra Dun) I protest Why in cash?

Shri Surendranath Dwivedy You may protest That is not what I am saying, it is found in this report of the Vivian Bose Board It has not been contradicted by the Congress President Shri Tyagi may be quite upset about it, but the Congress President has never contradicted and said that this amount of money was not received by the Congress Party from Shri Mundhra This is on record I just referred to it because it has been mentioned in the report of this Board

Shri Tyagi Was it relevant for that Board to start such discussions as to which party received payments and all that?

Shri Surendranath Dwivedy It is quite relevant for them to pass remarks on the evidence before them They had the evidence before him These are their findings

Pandit K C Sharma Sir I rise to a point of order Is it relevant to accuse of criminal action or any dishonest action of a party or a man when that party or man is absent and without giving an opportunity to that man or party to explain the position? I will give you the law in regard to this The Congress Party is a political organisation It is led by certain people It is not in consonance with the principle of justice and natural way of doing things to abuse a person in his absence without giving an opportunity to explain the position (Interruption)

Mr Deputy-Speaker. Order, order I have already understood the hon Member

Pandit K C Sharma: Sir, I will explain it with the ruling of a Judge

[Pandit K C Sharma]
 It was in Allahabad High Court The
 Judge says:

"Mr. K. D. Malaviya, who has argued this case for the accused ably and earnestly, told us that the general practice in the province is for a defendant or accused to conceal the defence as much as he can and not to put his defence to the plaintiff or complainant in cross-examination"

Mr. Deputy-Speaker: Order, order The hon Member is reading from some observations of some Judge in a court. Here he should briefly state the point of order

Pandit K. C Sharma: The point in dispute is this When we make any allegation against any person the fundamental question is that he should be put that question definitely "did you or did you not do such and such a thing". No question was put to any office-bearer or anybody on behalf of the Congress Therefore, this allegation could not be made They have said that is a disgraceful practice (Interruption)

Mr Deputy-Speaker: That cannot be discussed in this manner Those strict rules of evidence cannot be laid down here I entirely agree with the hon Member that I entirely agree with him that no person should be criticised in his absence because he has no opportunity to give a reply or answer for it But political parties can be criticised Moreover, there are representatives of the parties and they would answer such criticism When the hon Member gets an opportunity he can reply to all those questions very effectively, I am sure, and others also will have an opportunity. How can I prohibit any hon Member from doing that, but I would say that it should be done in moderate tones

Shri Surendranath Dwivedy: Sir, I bow to your ruling But I say, however unpalatable it may appeal, it is the inescapable conclusion out of the criticism that you have in the report of the Vivian Bose Board.

Now, S.r, this high-power commission was presided over by an eminent judge and his findings, we think, the whole country should take as something very important and serious. But when we are discussing those recommendations, there is a feeling, there is an attitude shown as though this was not a judicial commission How does it differ? Judicial persons were appointed as chairman of commissions so that they would bring a judicial mind into the entire affair and the public would be satisfied that these matters were enquired into from an unbiased, unprejudiced angle
 13.58 hrs.

[PANDIT THAKUR DAS BHARGAVA in the Chair.]

We are sorry that even this Board was not given full scope to go into the entire matter Their terms of reference were very much limited As a result of that the Commission themselves are in doubt and the people also remain in doubt They do not know what has happened The truth has not been told I shall quote what the Vivian Bose Board says "We have not been told the whole truth, and some at least of what we have heard must be false" The Chagla Commission also says "The ambit of enquiry lies in a very narrow compass" Lastly, the Prime Minister also says, while replying to Shri T T Krishnamachari after his resignation "I have still a feeling that all the relevant facts connected with this unhappy matter have not been brought out". If that is so, what happened after this enquiry? Really, Sir, the real culprit has not been found out The real matter behind this whole deal has not come out to the public The conduct of the Government, therefore, is very much objectionable and not in tune with the demand of the House

Then I find that there are certain individuals—who have been exonerated or are no longer associated with the Government—who show unnecessary anxiety to explain their conduct.

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We are flooded with printed papers and leaflets. The one conclusion that I draw from that is, the guilty mind is always suspicious. I do not understand why Shri T T Krishnamachari thinks it proper to go to the press while he continues to be a Member of this House. He is not a minister but he continues to be a Member of the House. There is no indication that he is going to resign from the House. He knew that the House was going to discuss this matter and he could come here before his own colleague in this House to put his case. I do not think it is proper for him to go to the press and issue a printed pamphlet. It is showing the least courtesy to the House, to say the least 14 hrs

Even on the basis of the documents, can it be said that he is absolved of all responsibilities, not only constitutional but other responsibilities also? Is he not liable? Of course I do not see any *mala fide* act against anybody. I do not say that there is any *mala fide* act. But, after the findings of the Commission, it would have been graceful on his part if he had said that unintentionally a mistake has been committed. It would be nice to say that a mistake has been committed and then to admit that, if a mistake has been committed, whatever action would follow out of that will be accepted. That would be a different stand. But, here, the whole affair in this matter has degenerated into a squabble, namely, who is responsible,—whether it is the ex-Finance Minister or his ex-Finance Secretary. It is a controversy between those two! Everyone is trying to extricate out of it and everyone is challenging the other. The UPSC have given their recommendations or advice. We feel that the UPSC according to our democratic constitution, is a body which should be given proper recognition. It has a distinct role to play in giving us a very clean and honest administration. Even that is being degraded now because it

was compelled to make some adverse remarks against certain persons. The Vivian Bose Board of Inquiry has said repeatedly that there is an attempt to shirk responsibility and hide the truth. I again repeat that so far as these persons are concerned, I think no *mala fides* has been established, but the conduct of the ex-Minister and the ex-Principal Secretary, whatever they may have tried to show shows that entirely they are the principal actors in this drama.

This raises another important question, the question of the relationship between the Minister and the Secretary. It is being argued in different ways. I think nobody disputes that the relationship between the Minister and his Secretary cannot be merely too formal. It will be close and intimate. There may be oral instructions and discussions which will go on, and the Secretary is there to carry out the wishes as the mandates of the Minister or whatever it is. Even the Prime Minister says that to say that the Minister is always responsible for the action of officers working under him may take this much too far. I agree. It may be much too far to say that the Minister will be responsible for all that is happening in his department. But there is no denying the fact that there are some ordinary, normal responsibilities. If those responsibilities are denied what would happen is, as the report itself has observed, nobody would take the responsibility to discharge anything. We find some disquieting elements in the administration today that it is very difficult for officers generally to take the responsibility upon themselves because the persons higher above, by introducing a policy, may sometimes deny it when it suits them. Therefore, it is really necessary that some rules should be laid down. The House must be satisfied, in this case, and it is for Shri T T Krishnamachari to say here that there was sufficient proof to show that he was not aware of the facts.

[Shri Surendranath Dwivedy]

In this particular case I want to mention that from the evidence of Shri B K Nehru and Shri A K Roy we have found how the Minister and the Secretary function in the department. That has not been contradicted. The whole question arises as to whether Shri T T Krishnamachari granted an interview to Shri Mundhra before the deal was transacted. When he was asked, he said that after January, 1957, "I have no record that I have met him." It is strange that he has no record. When the records were called for from the Secretariat, surprisingly enough the register was also missing. That particular register which could show whether the Minister had an interview with Shri Mundhra or any others between the 6th and 17th June was missing. Therefore the Commission have not accepted the plea that the Minister was unaware of this. I think both of them and all of them were involved in it and it was really a conspiracy in this case. If there was any policy difference, then only this question may arise, but there was no policy difference. The policy itself was decided by the Minister and it was carried out by the Secretary.

I now come to the resolution. As I said earlier, it applies double standards for different individuals. While discussing this I want to know whether the Government accepts the evidence of Shri B K Nehru and Shri A K Roy. While discussing this, namely, Shri T T Krishnamachari's part in this affair, the Government have not taken the findings of the Commission as in other matters. But they have gone out of the way to say that from the evidence it is established that Shri T T Krishnamachari was only constitutionally responsible. In that part of the evidence, it is given out by the Secretary and by the officers who are still in the Finance Ministry holding responsible positions that there was a discussion

on the 25th or 26th June with Shri T T Krishnamachari and Shri A K Roy told the Minister that he did not like this deal. Then, Shri T T Krishnamachari said, "Yes, Patel also mentioned to me about this." Having this evidence before us, I fail to understand how the Government could say that Shri T T Krishnamachari has only a constitutional responsibility. It may be on account of some motives. I do not know what it is.

Then I will come to another fact. That is about Shri Patel. I do not understand the Government's attitude. What they say in this report is, "There is considerable force in the Minute of Dissent of Mr Pillai." Mr Pillai is one of the members of the UPSC. What is that force? What is that considerable force? They did not say that. They did not say whether Shri Patel is guilty or not. I say he is guilty and he should have been given the highest punishment. But they do not say whether he is guilty or not.

Mr Chairman The hon Member's time is up.

Shri Surendranath Dwivedy. I will take 25 minutes. I am the only speaker from my party and the hon Speaker said that I may take 25 minutes. I shall try to conclude before that time if possible.

So, the thing is, either Shri Patel was guilty in which case he should have been given the highest punishment or, if he was not guilty, the Government should come forward and say that he is not guilty, and say, "So we are dropping the case." They did not say anything of the kind. I could go so far as to say that it would be more proper for Government even to say that "he was guilty but because of his past services the Government did not think it proper to take action regarding him." That would have been a different thing, and one could have understood it. One could under-

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stand that the Government, though they found a particular person guilty in this affair, did not, for reasons of their own, want to take any action against him. But nothing of the kind has been done.

Now, you will find that the Government, surprisingly, have been very much perturbed and worried because the Vivian Bose Commission discussed about Shri Iengar and Shri Bhattacharyya. They were not accused, and they had no opportunity to explain themselves for the Commission. So, why should they go out of the way to criticise them? I think the Vivian Bose Commission did a distinct service to the nation by bringing in facts which were unknown to anybody. Have the Vivian Board said that they were found guilty and that they want they should be punished? Nothing of the kind. What they have said is, they are responsible officers. It is not that they were unattached. In some way or other, directly or indirectly, they were also involved in the deal. However the Government might say that they are not connected with it. I do not want to go into the history of it. They have simply said that both Mr Iengar and Mr Bhattacharyya have not told the truth and they "give differing and mutually contradictory versions of the same incident". I will just quote this paragraph to show how serious it is. I would like to know how Government can permit those two officers to continue holding responsible positions in the Government today. The Board have said

"Whether that attitude is right or wrong, it has, at least, the merit of manly forthrightness. But now, we come to a saddening spectacle. We find some of the highest officials in the land shirking responsibility and hiding the truth. We find each trying to wash his hands of a matter that has evoked much public criticism and each trying to throw the blame on the other. A Minister blames his

Principal Secretary, the Secretary blames the Minister and a colleague who holds a high office, the colleague shifts the onus to a co-worker, the Managing Director of a large national institution in which both hold high and responsible office, and the Managing Director, in turn, blames each of the others. All these gentlemen, and a Governor of the Reserve Bank, as well as the Chairman of the State Bank of India, give differing and mutually contradictory versions of the same incident. Men of standing in the business world give us childish explanations to cover up something of which they are either frightened or ashamed. We have been told the whole truth and some, at least, of what we have heard must be false. It is now our painful duty to sift these stories, as far as possible, and find out, if we can, where the truth lies."

Acharya Kripalani: All are guilty.

Shri Surendranath Dwivedy: It is a serious matter that these persons should continue to hold responsible positions in the Government. If Government believes the evidence of Mr B. K. Nehru and Mr Roy, then Government has no reason to exonerate Mr T. T. Krishnamachari, since they are also officers in the Finance Ministry.

Lastly, I want to bring another matter to your notice. In the substitute motion adopted by this House on 20th February, 1958, three things were stated: firstly, the transaction was not on business lines, secondly, appropriate action should be taken against the officials—we know what action has been taken against the officials and thirdly,—this is very important—Government promised that they would give careful consideration to the suggestions made by the Chagla Commission as regards the relationship of Government with autonomous

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corporations This is a very important matter and I do not know whether the House will have an opportunity to discuss this matter at some other time The Commission repeatedly pointed out that rules and regulations in the LIC regarding investment and other matters seemed to have been ignored, the Ministers and other officers did not at all give any consideration to them and they tried to bypass those rules That is all established Government, therefore, should have come forward with a distinct policy in this matter

But I find in this Government's resolution, it is simply stated that

"Excessive formalisation of the relations between the Government and the Corporation would be unworkable and undesirable"

Beyond that, they have not clarified anything Of course, I know that the Finance Ministry has announced that the necessary amendment has been made so as to make clear the intention of section 27A But the Finance Minister says, "This policy is nothing new This is the investment policy that we have been following even before the Mundhra deal" What does it prove? If the policy has not been changed, if this was the policy followed before the Mundhra deal, there is every room for repetition of the same type of deal again and again Then, it would mean that the investment machinery has to be corrected If the policy is correct, the machinery must be wrong The defective machinery ought to be got rid of The machinery should be so amended that there is no occasion for repetition of such deals.

If that is to be done, I would suggest that the functions of the investment advisory board should be clearly defined and its proceedings should be made available to the Parliament. It should be treated as a public document, so that we may know how the investment is being made.

The second thing, which is also important, is the Minister's responsibility It is not proper to say that the Minister is only constitutionally responsible This is not a Corporation which can be compared with the steel or other corporations that we have Those are private limited concerns which do not earn any money and which may go into liquidation But the LIC is something more than that The people of the country are investing money in it with the guarantee from the Government that every pie of the premium that they pay would be properly spent and would be utilised for the good of the community

The Parliament can only function through the Minister and if the Minister's responsibility is only constitutional, Parliament will remain as dark as it has remained so far So, in my opinion, it should not only be a constitutional responsibility, but it should also be a substantial responsibility so far as LIC is concerned I would expect Government to announce that policy They have dealt with this matter and their resolution is here I would like to know what is the exact policy that they have made in order to see that such things are not repeated in future As I have said, I am more concerned about the future than what has happened in the past I again repeat, I have no grudge against any person nor do I want that this matter should be taken on a personal level

My real grudge against Government is that personal considerations weighed with them more than anything else In this country, when we are faced with problems of vast magnitude, when the entire democratic fabric is being threatened, it is our duty, if we are serious about democracy, to see that we function, and the Government functions, in such a manner as to leave no room for doubt This Government particularly must behave in a manner which is worthy of this country and nation.

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Shri Jaganatha Rao: Mr Chairman, Sir, according to me the scope of the discussion is very limited. The Chagla Commission and the Board of Inquiry presided over by Justice Vivian Bose have both held that the transactions in question were improper and un-businesslike. What we are now concerned with is about the disciplinary action taken against the three officers.

My friend, Shri Mathur, stated that this Board of Inquiry had a statute and its findings are entitled to great weight and respect. It is true that an eminent judge of the Supreme Court presided over this Board, but the fact remains that the findings of the Board do not have the same status or the same binding effect as a judgment of the Supreme Court. We have to see how far the findings of this Board are based on the evidence tendered before the Commission and how they can be substantiated. I may point out the irregularities or the imperfect nature of the inquiry inherent in inquiries of this kind.

You will find that several witnesses were examined and several persons stood in the position of co-defendants, if not as co-accused. You find Mr Patel comes and gives evidence, and some person deposes in his favour. Their evidence is in a way against the other persons who are concerned in the deal, like Shri T. T. Krishnamachari. But when Shri T. T. Krishnamachari was in the bar, no questions were put to him confronting him with the facts as deposed by earlier witnesses. It is a fundamental principle of natural justice, though not of procedure, that questions regarding circumstances against a person should be put to him, so that he can explain and acquit himself.

Shri P. R. Patel (Mehsana): I want to know from the hon. Member that if no questions were put, whether he has denied the fact.

Shri Jaganatha Rao: The question of denial or admission comes when the question is put. If we go through

the voluminous evidence that was tendered before this Commission, we will find that answers were given in reply to questions. It is not as in ordinary cases in civil or criminal court where a witness is asked to say what he knows. We know that several pointed questions were put to the witnesses and several pointed answers were given. When Shri Krishnamachari was in the dock and when other witnesses were in the dock some pointed questions were put to them. But I find that the Board of Inquiry has come to the conclusion that the Minister's tacit approval was there. If the Minister had said as he subsequently says

Shri Harish Chandra Mathur: The Board of Inquiry never says that the Minister's approval was there.

Shri Jaganatha Rao: If you go through the evidence you will find that it is made out by the witnesses that the approval, tacit or implicit, of the Minister was there. But, in that case the Minister should have been put a question as to what he really meant by the words used by him. In the absence of an explanation, or a clarification, by the Minister, how could it be said that these words gave Shri Patel the inference, or the assurance, that he has agreed to the deal? There were several other irregularities of a like nature which crept in in the course of the enquiry before the Board of Inquiry.

Again the Minister was not defended by a counsel whereas the other persons were defended by a counsel. The Minister was not in the position of a co-defendant. Such irregularities resulted in the findings of the Board becoming imperfect. Of course, I do not assail the integrity or the impartiality of the Judge who presided over the Board of Inquiry. Similar circumstances existed in the Board of Inquiry, which was conducted in England into the Bank Rate Leakage Case, and leading dailies, including *The New Statesman* and *Times*, commented that a different procedure has to be

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evolved in an inquiry of this sort. The Commissions of Inquiry Act does not provide a regular or a precise mode of inquiry. So the result is that certain imperfections and irregularities creep in with the result that the findings cannot be accepted *in toto*.

The Union Public Service Commission tried to hold that the transactions in question were both proper and businesslike but the Government did not accept that decision. The Government Resolution, if you see paragraph 7, says:

"The Government of India have already accepted that in the light of the evidence available to the Chagla Commission that the transaction in question was not entered into in accordance with business principles and was also opposed to propriety on several grounds. In this connection, the Chagla Commission as well as the Vivian Bose Board of Inquiry, after an examination of the evidence before them, came to the conclusion that the view entertained by Shri Patel that the Mundhra shares operated as a drag on the Calcutta exchange and that in order to create confidence in the market it was essential that they should be brought to such levels as they should ordinarily be by means of purchases to be made by the Life Insurance Corporation, was in fact unsound."

There, the findings of both the Commissions were accepted by the Government. Then the resolution says, 'lower down in paragraph 7 —

"The Government of India agree that whilst there may be differences of opinion regarding the appreciation of the economic situation and the proper remedy therefor, as made by Shri Patel, due regard should also be paid to the fact whether in the light of his knowledge of the circumstances he genuinely and *bona fide* felt that his appreciation of the situa-

tion was correct and that the remedy proposed by him was required in the public interest."

It is true that the Board of Inquiry held that there was no crisis in the Calcutta stock exchange. But the fact remains that there was a threat of a crisis. If that is so, well, the officer concerned, who initiated these talks and the transaction, had the *bona fide* reason to pursue the matter. In the absence of *mala fide*, on the part of any of the officers concerned and the Minister, we can say that the transaction was not dishonest or fraudulent.

Shri Harish Chandra Mathur: Will you refer to the draft which Shri Patel himself made for an answer to the Parliamentary question on 6th September?

Shri Jaganatha Rao: Let us not go behind the findings of the Commission, Board, UPSC and the Government resolution. Let us not go into the questions that were put, which appeared on the 4th September, or the 27th September, what the file of the Minister contained which he did not make use of and so on. That is a different matter. We are not discussing that today.

Shri Harish Chandra Mathur: That is an important point made by the Commission.

Shri Jaganatha Rao: This House has before it the findings of the Chagla Commission, the findings of the Board of Inquiry, the findings of the Union Public Service Commission and the Government resolution. This House is not a court of appeal.

Shri Mahanty (Dhenkanal): On a point of order. Who is the UPSC to give a finding? The hon. Member says that we are considering the findings of the UPSC. I ask: who is the UPSC to give us a finding?

Shri S. M. Banerjee (Kanpur): They will give advice.

Shri Jaganatha Rao: Under the All India Services (Discipline and Appeal) Rules, 1955, the UPSC is the final

authority that can suggest disciplinary action. The Government may or may not accept their suggestion.

Shri Tyagi: No, no. I am afraid, the Government is the final authority.

Mr. Chairman: Let him proceed. He thinks that way. Let him have his own say. We are not taking a decision. The hon. Member who is speaking now has got his own views and he can give his expression to his views. He is expressing his views as to who the final authority is. And he has the right to say so. This question cannot be debated between two members.

Shri Mahanty: But if one says a man is a woman, it becomes different.

Shri Jaganatha Rao: When I say that the UPSC is the final authority I mean that it is the final authority in suggesting action. It is for the Government to accept or reject it. As a matter of fact, Government did not accept all the findings of the UPSC. UPSC went to the extent of saying that the transactions were proper and businesslike. Government did not accept that decision. Therefore, it is not correct to say that the UPSC is nobody. Under the All India Services (Discipline and Appeal) Rules, 1955 UPSC is the final body to suggest what action should be taken against a particular officer. Government may accept it, or Government may reject it in part or in toto.

Therefore, when we consider the adequacy of the punishment meted out by the Government to these officers, we have to see what are the circumstances, the extenuating circumstances in which the officers were at that time. Reference to *mala fide* is one. Secondly, Shri Patel had every reason to believe that there was a crisis, or a threat of a crisis, in the Calcutta stock exchange, because the 1957 budget, introduced by the then Finance Minister, Shri T. T. Krishnamachari had an adverse effect in the market. Then, LIC was the investor. So, if the LIC had invested in the share

market previously, certainly the Finance Secretary was justified in proceeding with the transactions.

Dr. M. S. Aney (Nagpur): May I ask one question? Does he think that it was open to the Service Commission to question the findings of fact given by two judicial commissions, whose evidence were placed before it, and which was obviously asked to examine the conduct of officers concerned and recommend punishment or any other suitable action?

Shri Jaganatha Rao: In the first place, they are not judicial pronouncements. I prefaced my observations with the statement that though it was presided over by a learned Judge of the Supreme Court, it was only a board of inquiry. Therefore, let us not mix up the two things. It is true that Justice Vivian Bose is a Judge of the Supreme Court. Still, his findings in this inquiry are not of a judicial character in the sense of being binding as a judgment of the Supreme Court. So, it is entirely within the competence of the UPSC to accept or reject it. It is for the House to decide how far the UPSC is justified in rejecting or throwing down the recommendations of this Board of Inquiry.

Shri Harish Chandra Mathur: May I ask the hon. Member to clarify one point? Shri Patel had every reason to believe that there was a threat of a crisis. But when Shri Patel drafted the answer he has stated that "the purchase was effected because the shares in question appeared to be worthwhile, incidentally the purchase assisted in averting a possible difficult situation in the Calcutta stock exchange." So the Commission says that this knocks the bottom out of the possible crisis theory.

Shri Jaganatha Rao: But I do not want to support the findings. I attack the findings of the Board of Inquiry. I take an entirely different view of the matter. My hon. friend cannot ask me to agree with him. I hold a different view.

An Hon. Member: On a consideration of the evidence

Shri Jaganatha Rao: On a consideration of the evidence. If you take into account the evidence of Mr Chaturvedi and Mr Bhattacharya and others, they certainly say that there was a threat of a crisis.

Shri Harish Chandra Mathur: Please explain the draft of Mr Patel. That is all.

Shri Jaganatha Rao: Leave it.

The Board of Inquiry proceeded on a wrong premise. The Board enunciated the Assistance theory. It said that this transaction was entered into as a *quid pro quo* for the generous gesture of Mr Mundhra in having contributed generously to the Congress funds and subsequently that he agreed not to close down the Kanpur mill. What evidence had the Board, I respectfully ask, to enable the Board of Inquiry to come to the conclusion or draw the inference that this is a return for the generous gesture of Mr Mundhra? An inference has to be drawn from proved facts. This is only a surmise. My friend read out from the findings of the Board of Inquiry. There is no evidence. It has given a motive. There cannot be any wild inferences. If really that was the case, was any question put to Krishnamachari whether Mr Mundhra had contributed to the Congress funds and this transaction entered into as a *quid pro quo*? Nothing. If the Government really wanted to benefit Mr Mundhra as a return for his generous gesture, certainly it presupposes that the Government officers who were concerned in this deal were a party to it. No question was put to Mr Patel; nor to Mr Kamat. In the absence of any evidence connecting any one of them with this generous gesture of Mundhra, I respectfully submit with due respect to the learned Judge who presided over the Board of Inquiry that it is not an afterthought and planned. Absolutely there is no basis for such an inference.

If the main basis of the findings of the Board of Inquiry falls to the ground on this issue, certainly we have to see how far the transaction is vitiated by any impropriety or unbusinesslike nature of the transaction. It is true that Mr Vaidyanathan was, to use the words of the Board of Inquiry, in a tearing hurry to offer prices for some shares more than what Mr Mundhra has quoted. That is true. But, Mr Patel goes out of the picture the moment it is decided that the shares should be purchased at the market rates. It is for Mr Vaidyanathan to explain. Taking into consideration all the evidence and the probabilities of the case, I feel that the Government was justified in coming to the conclusion that Mr Patel has to be exonerated.

Incidentally I would like to mention about the unfortunate situation in which Shri T. T. Krishnamachari was placed. I do not hold a brief for him.

Shri Braj Raj Singh (Ferozabad): Who do you explain in the beginning?

Shri Jaganatha Rao: If we go through the entire voluminous evidence, I feel, as I prefaced at the outset, he was not represented by counsel. He is more sinned against than sinning. But, he resigned. He is not personally responsible as Minister for this transaction though constitutionally responsible to the House, and he has resigned. He has set an open example for others to follow.

Some Hon. Members: Others to follow?

Shri Jaganatha Rao: Yes, for the other democracies in the world.

An Hon. Member: To come back.

Shri Jaganatha Rao: According to me, what is more important is, what are the lessons that we learn from this Mundhra deal. We need not discuss this again and again. According to me, these are some of the points which are very important and which have to be taken into consideration by

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the Government for the future working of the LIC. The autonomy of the LIC. has to be respected. The provisions under section 27 of the Act have to be complied with. Though Mr. Justice Chagla held that there was substantial compliance with the rule of law when the Investment Committee was subsequently informed of this transaction, section 27A has to be strictly and faithfully observed. In future, any directive that the Minister wishes to issue has to be in writing. Because it was oral, it has given scope to so many interpretations. Again, I suggest that the Commission of Inquiry Act being defective, in future, enquiries of this kind have to be gone into by a Committee of Parliament and the report placed on the Table of the House so that Parliament can discuss it. Above all, we have to see that we should not view or discuss this question in a spirit of blackmail or witch-hunting. We must also see that the morale of the civil service is not impaired. The result of the Mundhra affair is that no civil servant feels that he is safe. He expects the Minister

Shri Mahanty: On a point of order, Sir,

Shri Jaganatha Rao: What is the point of order?

Shri Mahanty: The hon. Member has said, "Let us not discuss it in a spirit of blackmail." The obvious inference that can be drawn is that Members who have participated are blackmailing somebody. This word should be expunged. Who is blackmailing?

Mr. Chairman: Order, order. The hon. Member is certainly entitled to say that all the persons who are criticising should criticise in a moderate way. He is entitled to say that.

Some Hon. Members: He said, blackmail.

Mr. Chairman: Just as the hon. Member is entitled to say that they are being criticised in a manner which is unreasonably lenient or soft, another member has a right to say to the

contrary. There is no point of order involved. The Member has a right to say that this may be discussed in this manner as the other hon. Member has the right to say that it may be discussed in another manner.

Some Hon. Members: What about blackmail?

Mr. Chairman: Order, order, there is no question of blackmail. He did not say that some persons are getting some profit out of it. All that he wanted to say was that the matter should be discussed in such a way that as a matter of fact, the people who are criticised do not feel that they are being criticised too severely. That is all that he meant. He did not mean anything else.

Some Hon. Members: Let him say so.

Shri Jaganatha Rao: What I meant was, we should discuss it in an objective way. We should not be led away by prejudices or passions. That is what I meant. When we discuss about certain officers who were concerned in this deal, let us approach the question in an objective way. I entirely agree with my hon. friend on the other side and I would say, you criticise the officer if he is really unworthy. But, according to me, from the evidence, I feel that the criticism is not warranted. I am entitled to hold that opinion.

Mr. Chairman: That is a question of temperament. The hon. Member takes one view. The other hon. Member may take another view.

Shri Jaganatha Rao: You know, Sir, lawyers take different views. I take a different view.

Therefore, certainly Parliament has a right and duty to the country to discuss such matters. But, we should not view this Mundhra deal as a stick to beat the civil servants indiscriminately. If the morale of the civil servant is shaken, it is a sad day for the country, because efficiency and initiative are really the products of a high morale. It should be our duty

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to see that while we criticise the actions of these officers, this morale is not affected.

I gave notice of an amendment that the House should approve of the Resolution of the Government. I commend my amendment to the House.

Shri Morarka (Jhunjhunu): Mr. Chairman, I do not wish to speak on the merits of the deal known as the L.I.C. Mundhra deal, because according to me, there is no merit at all in this deal. Nor do I wish to apportion the blame among the various officers, because, according to me that is a very difficult task. Even the highest tribunals appointed could not discharge that duty properly or satisfactorily. Therefore, I shall confine myself only to the examination of a few general points that have emerged from the various enquiries.

The first point that strikes anybody is that the Finance Ministry did not allow this enactment of Parliament to be implemented in its entirety or in its proper spirit. The mandate of this House embodied in this Act has been given a complete go-by by the person responsible for its administration. It was pointed out before the Chagla Commission that the provisions of this Act required the constitution of a board of directors, the constitution of an executive committee and the constitution of an investment committee. All these bodies, though formed, were never allowed to function properly.

As a matter of fact, there is evidence that in this particular deal, the Investment Committee was never consulted, leave alone the question of its approval; and the board of directors was not even informed until much later. In support of this contention, I would give only one quotation, and that is from the report of the Chagla Commission. At page 15 of its report, the Chagla Commission has stated:

"The transaction also suffers from this serious blemish that it was effected without consulting the Investment Committee."

Then, it goes on and says:

"I find no justification whatsoever in the corporation investing this large amount without seeking the advice of a statutory body which has been set up for the very purpose of advising the corporation with regard to the investments it wishes to make. In making this investment, the Corporation has also contravened the clear directions given by the Investment Committee with regard to the investments to be made."

My short point is that though the House enacted a law which embodied a complete scheme of how the administration of this Corporation should be carried on and how these huge funds of the Corporation should be invested, still the administrative authority, that is, the Ministry, carried out this provision in such a way that not a single provision of the Act vis-a-vis this investment was observed. This, according to me, is a serious lapse. And only on this one point, the concerned persons could have been held responsible. I do not say whether it was the Minister or whether it was the Principal Finance Secretary or whether it was the Ministry as a whole or the system prevailing in the Ministry that was responsible. But the fact remains that the mandate of this House has not been carried out. By this, I do not wish to suggest that only the autonomy of the Corporation was interfered with. My grievance is somewhat more serious than that. The autonomy of the Corporation could be interfered with even if you go on giving directions under section 21 of the Act again and again. But, here, not only were written directions not given, but many other provisions of this Act were not carried out. That is one serious complaint which I have to make.

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In the last debate, the hon. Member Shri Feroze Gandhi laid on the Table of the House, a document bearing reference No. LT/563/58, which shows how often the Minister and the Principal Finance Secretary and others tried to interfere even in small matters relating to the staff appointments, staff dismissals and things like that, and that apart from the question of interfering with the autonomy of the Corporation, a complete go-by has been given to the provisions of the Act as enacted by this House

The second point which is somewhat related to the first one but which does not arise out of any of these inquiries, but which arises from the statement made by the then Finance Minister recently, and which, according, to me is a more serious point is that the Finance Ministry did not carry on the financial administration with that amount of orthodoxy which is necessary. At page 9 of the statement or the pamphlet which is circulated, this is what the Finance Minister says:

"The second instance was the suggestion of purchases of shares in certain Banks. There was a proposal to make these Banks subsidiaries of the State Bank and in the process because of the somewhat liberal terms of compensation that would obtain in respect of the shares of these Banks there might be an appreciation in the prices of these shares. It was intended that some part of this benefit should go to a public institution rather than to private speculators."

What is the meaning of this statement? The Finance Minister says that he advised the LIC to purchase the shares of certain banks because he knew that these banks would be nationalised, and when they were nationalised, the terms of the compensation would be liberal; and in-

stead of the shareholders getting all the benefits, it would be the LIC which would get the benefit. And he characterises those shareholders as private speculators.

Shri Sinhasan Singh (Gorakhpur): What is wrong with it? If the LIC purchases all the shares of the banks and thereby the LIC gets a major portion of the compensation payable to the banks, then what is wrong with that policy?

Shri Morarka: The hon Member may have a little patience, and he would hear everything

Pandit K C. Sharma: He gets less.

Shri Morarka: Here, the Finance Minister is in possession of an advance information. He knows what compensation he is going to give, and, therefore, he says to one of the corporations, 'You purchase these shares, because on these shares you are going to get so much compensation.' Now, assume, for a moment, that the compensation was going to be less. Would the Finance Minister then have said 'Go and purchase these shares.'?"

Apart from that, here is another question. The Finance Minister is in charge of the finances of the whole country. He is in charge of the budgetary policy of Government. He frames the budget. Today, he gives a directive to the LIC for purchase of shares of banks on the point of nationalisation, and tomorrow, before the eve of the budget, he can ask the LIC or the STC or any other corporation to go to the market and purchase the shares or sell the shares to suit his budgetary recommendations. Is it proper for the Finance Minister to go on advising these corporations and making use of his official knowledge for the benefit of one corporation or for the benefit of one institution? Can he treat anyone of these corporations which we claim as autonomous corporations in this manner to the disadvantage of the entire pub-

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lie? It is all right, and it sounds well to say 'rather than to private speculators'. But what steps could one take to purchase the shares only from the private speculators and not from the genuine investors? Who sells the shares? The private speculators are shrewd enough to know what compensation they are likely to get. It is only the unwary private small investors who would sell their shares, and it is only those people who would be deprived of the benefit.

Shri Thana Pillai (Tirunelveli): The speculator will not sell the shares.

Shri Morarka: That is not only within the realm of possibility, but I find that before the Chagla Commission, there was a letter filed before them, namely, Exhibit No. 19, which was a letter written by Shri H. M. Patel to Mr. Vaidyanathan, the then Managing Director of the LIC. The letter is dated the 21st May, 1957. and reads thus:

"My dear Vaidyanathan,

Thank you for your letter of the 18th May giving me an account of your purchases on the 15th, 16th and 17th. As I told you on the phone today. I would like you to continue to buy in the main, Indian Iron, Tata Ordinary and ACC. As it is our intention to support the market and stabilise it, it clearly follows that we should go on buying even if prices rise. It would be, to my mind, well worth our buying, any Indian Iron right up to Rs. 20/-, the other two similarly up to correspondingly appropriate rises.

Yours sincerely,

Sd/ H. M. Patel."

Sir, you would remember that the main budget in that year was presented in this House on the 18th May, 1957. This letter is dated the 21st May, 1957, and this letter contains a

statement that he approved of the purchases made by Shri Vaidyanathan on the 15th, 16th, 17th May and so on. Mr. Vaidyanathan was instructed to make these purchases before the 15th May, just before the Budget was to come. I ask: Is it proper for the Principal Finance Secretary to advise the LIC just on the eve of the Budget to indulge in the purchase or sale of these shares? If they do this, there is a possibility of abusing this power and there is a possibility of doing immense harm to the members of the public, and they may in the process benefit only one corporation. This is, apart from anything else, not only 'improper, but according to me, immoral, and the Finance Minister should always desist from doing such things.

Shri Sthasnan Singh: How is it immoral?

Pandit K. C. Sharma: He does not know what he talks.

Shri Tyagi: It is immoral in the sense that he knows what is coming in the Budget; and, therefore, on the eve of the Budget, any responsible officer should not let people know what shares are being taken or purchased.

Shri Sthasnan Singh: The letter is dated the 21st May that is, after the Budget, and not before the Budget.

Shri Morarka: One hon. Member says that I do not know what I am talking about. I wish him luck, and I wish him to understand what I am talking about. I am not making this point in a lighthearted way. I consider this a very serious matter. I consider that any Government or any Finance Minister charged with the budgetary policies of the Government should not render advice to anybody, leave alone a government corporation to indulge or to operate on the share market; whether it is beneficial or not is a secondary point.

Mr. Chairman: The hon. Member's time is up.

Shri Morarka: The hon' Deputy-Speaker had said that those who had studied this would have more time

Mr Chairman. He has already taken 18 minutes. He can have two minutes more

Shri Morarka. The other point that strikes me is that in this inquiry, the highest-placed officials right from the Minister down to the private individuals have gone before the Commission and on oath they have told lies to the Commission. We are not dealing here with the ordinary type of witnesses we see in the courts in criminal cases—accused, accomplices and other persons. Here we have the Finance Minister of the Government of India. Then we have the Governor of the Reserve Bank, then the Chairman of the State Bank of India, the Chairman of the Life Insurance Corporation, the Managing Director of the Corporation and persons like that. It has been proved first by the Chagla Commission and then by the Bose Board that these people have not told the whole truth. I do not want to repeat those quotations which have already been given. Time after time they have mentioned that these persons have not told the truth. If they have not told the truth what action has been taken against them? These are the people who are occupying very high administration posts in the country. Take the Governor of the Reserve Bank. Under his signature, our currency notes circulate. Every ten rupee note, five-rupee note, hundred rupee note and even thousand rupee note bears his signature. If the Governor of the Reserve Bank is not going to tell the truth even in an inquiry with which he was not primarily concerned, I think it is a sad commentary on the integrity of that office.

Now, connected with this is another matter, that is about the two officers Shri A K Roy and Shri B K Nehru. These two officers did not give evi-

dence before the Chagla Commission. I ask, why did they not? The Chagla Commission invited everybody—through the Press—who knew anything about this transaction to appear before it and give evidence. Accordingly, Shri Mazumdar and others did go there and give evidence. But these two persons, Shri A K Roy and Shri B K Nehru, did not do so. When the Finance Minister, Shri T T Krishnamachari, went away, these two officers went and gave evidence before the Bose Board. Though the Bose Board did not think it proper to accept their evidence, the UPSC has made full use of it. I am not commenting on the credibility of this evidence. My main question is why did these people not go before the Chagla Commission and give evidence? If they had gone there, perhaps they would have shown Shri Patel in a different light. They did not care what happened to Shri Patel, as long as Shri T T Krishnamachari was in office they were afraid of him perhaps. But the moment he went away, they go before the Bose Board to give evidence.

Again I say that if this is the mettle of our senior officers—administrative officers—in this country, I think we cannot blame the other persons such as juniors and assistants who generally suffer from such fears.

There are two lessons which we must learn from this inquiry. The first is that an inquiry like this must always be preceded by full police investigation. If you want to know the real facts, if you want to get at the truth, you must first appoint a fact-finding commission or a proper police inquiry team. It is said that there is no *mala fide*. I know that no *mala fide* is proved, it is not even suggested. But if investigation was made for *mala fide* at the proper stage, perhaps something would have come out.

The second lesson we must learn is that we must never, never appoint a Supreme Court Judge on this inquiry.

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if his judgment is going to be tampered with by administrative agencies like the Public Service Commission. It does not speak well of us to appoint the highest persons of the judiciary on such inquiry and then make others to sit in judgment on their findings and wash away what they have said.

In this whole deal, the most surprising thing is that though this has cost the Corporation millions of rupees, the Government its reputation, the Minister his political career, the Principal Finance Secretary his job and Shri Kamat, his seniority, nobody is to be blamed. One tribunal has found one set of people innocent; the other tribunal has found another set of people innocent.

Shri Tyagi: Mundhra is complimented!

Shri Morarka: Shri Mundhra was not on the scene; otherwise, even he would have got compliments.

Shri Harish Chandra Mathur: He is having the best of both the worlds.

Mr. Chairman: He has taken more than 20 minutes. He should finish in a minute or two.

Shri Morarka: Another point I wish to make is; none of these tribunals has given importance to one aspect, that is, a promise made by this Corporation to purchase shares worth Rs. 1.25 crores which were not in existence at all, shares which were to be issued by Mundhra concerns in future. To that, nobody has attached any importance. There is an exhibit on record, exhibit No. 46, as also exhibit No. 8, which clearly show that there was an agreement between the LIC and Mundhra under which the LIC was to purchase further shares worth Rs. 1.25 crores. If proper inquiry was made as to why this promise was made, about purchase of shares which were not in existence at all and which were to be issued in future, I think many more interesting

things would have come out.

I would conclude by only reading a passage from page 11 of the Chagla Commission's Report in support of this point, which is:

"Mention may also be made of the agreement arrived at between the Corporation and Mundhra by which the Corporation agreed to take up the preference shares to be issued by BIC and Jessop & Co. This agreement had clearly nothing to do with stabilising the market or removing the drag on the market. This agreement, on the face of it, bears the imprint of the desire on the part of the Corporation to help Mundhra or Mundhra concerns out of their difficulties".

Thank you.

Shri Yajnik (Ahmedabad): Mr. Deputy-Speaker, it is unfortunate that this controversy and this scandal which rose like a rocket has now fallen down like a damp squib. The deal was a deal not only shady but dark, almost criminal, when it was brought to light. But by stages, it has been turned to grey and now the UPSC recommendation and the Government Resolution have nearly turned it spotless white. But we have to count with the people. Let us not forget that this cannot be the end of the whole drama. Two years should not be spent in vain. For the few who are sitting in this House, there are millions and millions who are watching this controversy and listening to the words that are being spoken in this House. These crores of people will look at the Government's attitude on this matter. What are they going to do about it? Thus has last curtain rung down on this matter. The way it has been done—that is the question with which we are concerned.

With the first controversy, interest in this matter was aroused, and interest in the matter rose to dramatic heights when the Chagla Commission

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conducted a public inquiry into the matter. It is very important that inquiries of this nature should be conducted publicly. Unfortunately, the Bose Board of Inquiry conducted its proceedings privately, with the result that people have not been able to get at what has been happening. All these voluminous documents and Report of the Bose Board would not be read by the people. The UPSC's report and the Government Resolution would not be properly attended to except for the fact that Government have now exculpated everybody who was supposed to be guilty and who was pronounced guilty by the Bose Board Report.

Now, one thing that emerged during the Chagla Commission enquiry was that the high and mighty in the land were, for the first time, caught napping or caught red-handed. Unfortunately, the Ministers and the big Secretaries who almost take themselves to be big Olympuses striding and ruling over this land have been accustomed for a long time past to do things in a secret manner. They took themselves above and beyond the people answerable to none whatsoever, because they never imagined for a moment that any of their doings will be brought to light. All these people have been involved. That is what the Chagla Commission said and that is what the Bose Board said.

15 hrs

They were conferring in the Secretariat in Delhi; they were conferring in big offices in Calcutta; they have conferred and conspired together at Bombay. It is proved beyond a shadow of doubt that all these people, Shri Krishnamachari, Shri Patel, Shri Vaidyanathan and Shri Kamat saw each other many times during these weeks; and, certainly, they did not talk about weather. Shri Mundhra was present; he was dogging their footsteps all the time. Why was he dogging their footsteps? He had a motive and, surely, men like Shri

Krishnamachari, men like Shri Patel knew what Shri Mundhra was after because they knew Mundhra very well from 1955 and notes had been placed in the records to show what this man was like.

It was the unanimous decision of the Chagla Commission as well as the Bose Board that a dirty deal had been affected, Rs. 1 crore and more had to be flung away at a man who should not be touched with a pair of tongs! And, whose money was it? As for Shri Krishnamachari, he was not ashamed to say,—he said so in private—he never knew that those words can never see the light of the day—that he would rather prefer Vaidyanathan to Gamble away. Gamble away with whose money? Gamble away with people's money. Thirty crores of people are involved

We have nationalised life insurance. As representatives of people we go round and tell the people that everything is all right with insurance. Let us popularise insurance. Let people put more of their monies in insurance in the faith that every pie of their money will be properly taken care of. But here is the Finance Minister of this Government of India not ashamed to say that he has left Vaidyanathan to gamble away. Vaidyanathan can gamble away with his own money; Shri Krishnamachari can gamble away with his own money. But, how is he entitled to put it on record that Shri Vaidyanathan can be allowed to gamble away with crores of peoples' money? With what face will Government face the people? How can we face the people? How can we popularise national insurance?

It is a very serious matter and the people at large were snocked when all these facts came to light. A dirty deal was effected; a crore and more was spent in order to buttress the falling fortunes of a financial wizard and a juggler who, in Shri Krishnamachari's own words, wanted to

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create an economic empire in this land of ours. When the interest rose to the highest pitch and there was a discussion in this House, a resolution was passed in this House. After the Chagla Commission Report, a resolution was passed by this Lok Sabha and I want to draw the attention of the House to that. The Resolution said that Government accepted the Chagla Commission's finding that the transaction resulting in the purchase of the shares of six companies was not entered into in accordance with basic principles of business and was also opposed to propriety and on other grounds.

Then, it said that Government propose to initiate proper proceedings on the basis of the finding of the Commission in respect of the officers responsible for putting through this transaction and Government proposed to examine carefully the principles recommended by the Commission for the Government and the Corporation.

The second Board that was appointed presided over by Mr Vivian Bose has fundamentally agreed and only heightened the crime, magnified the crime a thousand fold, by all the details, the gruesome details that have been given. That has been covered by many of my hon friends.

A crime has been committed. Who is responsible? The responsible people must be traced. They were sought to be traced by the Bose Commission. They were traced. The Report is before us. The Report was considered by the Union Public Service Commission.

Now, look at this Union Public Service Commission Report. It looks a miserable document compared to the weighty document of the Bose Board. The Union Public Service Commission say that they agree with the general recommendations of both the Commissions. But they want to take the sting out of everything. They say that

though the Bose Board finds that Shri Patel, Shri Vaidyanathan and Shri Kamat were responsible, they acted in a bona fide spirit. Shri Patel is exonerated, Shri Kamat is to be treated only with a censure and action against Shri Vaidyanathan will be taken by the LIC. Where are we left?

I submit that if the Union Public Service Commission exonerates the two officers, the matter comes back to this House. We have now to look into this matter and we have our responsibility. Shri Chagla as well as Shri Bose felt that all the truth was not told. There was some driving power that was driving everybody into action all the time. They could not lay their finger on the driving power because they say everybody was not telling the truth. There was only a tentative suggestion or a theory placed before us by the Bose Report and the theory is the theory of assistance. The theory of assistance was not put to the witnesses, I agree. They have not been examined and cross-examined in this matter. Therefore, it is not deemed to have been proved. But the facts of the assistance had been placed on record. Two and a half lakhs of rupees have been paid to the Congress Treasury and the mill at Kanpur was kept running at a very serious loss which no businessman in ordinary circumstances would dare do. Never mind whether the theory is proved or not. But the fact remains that man like Mundhra, paying a little or more into the Congress Treasury happened to hobnob with the biggest in the land. They see Shri Morarji Desai. That is also on record. They see Shri Manubhai Shah, they see Mr Patel. They dog the foot-steps of Shri Krishnamachari from Delhi to Calcutta and Bombay. Because these people pay through the Ministers, there is opportunity for them to go round these big houses. They have entrance to the big offices to which they should not be allowed at all. These people who want to get rich

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quick, who want to deal in all kinds of shady transactions, who want to make money at the cost of the common investor and insurer should be given short shrift by the Ministers and Secretaries. They have no place in our Chancelleries and in our offices

But, for one Mundhra who has been found out, there are hundreds in this land. They are still dogging the footsteps of the Ministers. They are going round our offices. They are in the corridors, trying to get information and line up their pockets and this danger always remains before us so long as these people pay something to the Congress—the ruling party's—treasury. Then, they have the opportunity to get in touch with the Ministers and Secretaries and as far as I know the high moral standards which they place before them soften down. It is on evidence that the attitude of Shri Krishnamachari and Shri Patel was so softened down. It softened because of the personal relationship, social relationship, based on some money that has been paid. We do not take it any further. May I say that an enquiry should be held further into this theory that has been put up before the Board. I say that the public will not be satisfied unless you make the fullest enquiry into this matter, unless the treasurer of the Congress Party and all the other people are examined and the truth found out whether this theory tentatively placed by the Bose Commission is good or not.

Shri Tyagi: Suppose the Congress party received money or any other political party received money . . . (Interruptions.)

Some Hon. Members: Why suppose?

Shri Tyagi: What about it?

Shri Tangamani: The Bose Commission has given its findings.

Shri Yajnik: The last point that I want to make is this. The State Bank has at that time lent Rs. 3-4 crores. It was not dealing in its own money. Shri Bhattacharya goes out of his

way. I do not know how it has been done. My only suggestion is this. It is possible that all this money was paid to Mundhra in order to help the State Bank out of its difficulties. This is also a matter to be examined. It is on record that Rs. 3-4 crores were lent on the securities of a man like Mundhra which, they say in Bombay, should not be touched with a pair of tongs. How does this amount of money get into his hands on the security of such snares which the banks have got? Shri Mundhra was not in a position to pay even the margin. Therefore, the share value had to be kept up and therefore, if some shares are thrown on the market, they must be bought in order to raise the market value of those shares.

We are left high and dry, in spite of all these enquiries unless the Government pursues it further or takes some further action, the confidence of the people in the LIC and in the Government of India will be rudely shaken and it may not be possible for all of us, belonging to all the parties, to promote the cause of national insurance as we would like to, if their reputation was untarnished and if suitable action was taken against all those concerned in these nefarious transactions.

Shri Feroze Gandhi: Sir, I am a little worried, not because of the debate so much, but because a close colleague of ours, especially mine—Pandit Balkrishna Sharma—has just had a rather bad heart attack. Mr. Chairman, I know from experience what it is like. I have heard some of the speeches and I partly agree and I partly disagree. When I read the report of Justice Vivian Bose, I myself was rather confused. It is not a straightforward judicial pronouncement. It leaves you guessing who has done what. Therefore, I have spent several months in going through the thousands of pages of evidence which were tendered before these Commis-

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sions of enquiry and I have come to certain conclusions on the basis of that evidence as well as the report

Sir, in April 1956, Shri Vaidyanathan sent up proposals suggesting investments in some of the Mundhra concerns, Jessop and Richardson and Cruddas. On 23rd of April, 1956, Shri Patel put up a note to the then Finance Minister, Shri Deshmukh. He said

"These, I think, we ought to keep away from, because prices of all of them have been artificially pushed up during recent months, and in any event, it would be unwise to invest in shares of companies whose management is in hands one cannot wholly approve of"

Shri Deshmukh said 'I agree'. This is a directive in writing to the Life Insurance Corporation, a directive approved by the Minister and passed on to the Corporation by the Principal Finance Secretary who was also the Chairman of the Life Insurance Corporation. It blocks the entry of any shares of the Mundhra concerns—no matter, how good or how bad—into the Life Insurance Corporation. I would like the House to keep this note in mind—because as we shall see its defiance has taken place in a situation in which the June transactions did not come about.

Let me proceed with the story. Shri Patel was asked by the Board of Enquiry

"Mr Chairman You took the initiative?"

Shri Patel: Yes"

The initiative was taken by Shri Patel. He was asked

"Where did the idea of purchasing these shares originate—Mr Mundhra, Mr T T Krishnamachari, Mr Kamat, Mr Vaidyanathan, Mr Chaturvedi, Mr Sodhani or who else?"

"Who first put the idea into your head or did it originate with yourself?" He replied. "No, certainly not with me." The idea did not originate with Mr Patel. Remember, the Chagla Commission was after the driving force behind this transaction. They wanted to know who was the driving force behind this transaction who was hypnotising people into this situation where this transaction was to come about. Mr Patel's reply clarifies that the idea of this investment originated somewhere else. He was pressed by the Chairman "Then, who first put the idea into your head?" His answer was "I really, Sir, have no clear recollection. I suppose, if anybody at all put it, the idea must have been first put into my head by Mr Chaturvedi. He seems to be the only likely person." Mr Chaturvedi is the Chairman of the Calcutta Stock Exchange and a member of the Investment Committee of the Life Insurance Corporation. Mr Patel's lawyer, Mr Bhagwati, while examining Mr. Patel asked him "Who suggested the purchase of the 50,000 shares of Jessops on April at the meeting of the Investment Committee?" Remember it was not in June but April. He asked, "How did it come about?" Mr Patel replied "It was almost certainly Mr Chaturvedi, President of the Calcutta Stock Exchange."

It is unfortunate that there is so much stress in the enquiries as well as in Parliament on the June transaction. The fact is that the transactions with Mr Mundhra started in April, not in June. About Rs 11 lakhs were first invested on the 23rd April. It is remarkable that on the 23rd April, 1956 Mr Patel sent the note, and on the 23rd April, 57 exactly a year after he, as the Chairman of the Life Insurance Corporation presiding over the Investment Committee, presiding over the destinies of the Life Insurance Corporation, agrees to the purchase of these 50,000 shares. That is the first violation of the directive

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in writing which is legally binding on the Corporation because it has got the Minister's approval.

Shri T. T. Krishnamachari—many things have been said; good and bad—is nowhere in the picture. Not a word is said about him in the entire evidence that is given before the Board or the Commission. Shri T. T. Krishnamachari is nowhere in the picture as far as the April transaction of the Life Insurance Corporation goes. Yet it is done. Mr. Patel's lawyer asked Mr. Mundhra: "Who suggested to you that you should go down to Bombay on the 20th June?" Mr. Mundhra says: "Mr. Chaturvedi". The Chairman of the Board of Enquiry asked Mr. Mundhra: "Well, Mr. Chaturvedi is an old friend of yours". Mr. Mundhra said: "Very good friend". Then Mr. Chairman asked: "You paid for his fare from Calcutta?" Mr. Mundhra said: "I booked that ticket, which I do not feel happy". He meant to say that he purchased the ticket—I am sorry I have not been able to follow his language. Then he adds: "I mean he has not benefited much".

Mr. Chaturvedi is a courageous man—Chairman of the Calcutta Stock Exchange and member of the Life Insurance Corporation Investment Committee. He says before the Commission of Enquiry: "I was relieved that the trick was done without my taking part in the transaction and without the responsibility coming on me." Look at the courage. Somebody is looking for Shri T. T. Krishnamachari, somebody is looking for Mr. Patel, and somebody is looking for, I do not know who. Here is the man who says yes. But his conduct is not under enquiry. Mr. Chaturvedi returns to Calcutta. He hears that the transaction has been completed. Then he writes a letter of thanks to Mr. Iyengar for all that the L.I.C. had done towards purchasing these Mundhra shares. You see, therefore, that from beginning to end there is one

force running right through this transaction and that one force is Mr. Chaturvedi, the President of the Calcutta Stock Exchange. ..

Shri P. B. Patel: Why did he write a letter to Mr. Iyengar?

Shri Feroze Gandhi: The only reply which I can give to my friend is, why did Mr. Mundhra write to Mr. Patel?

Now we come to the investments. Mr. Patel was asked by the Solicitor-General. If I have money, I want to invest it. It means that I must get a safe return, the highest return consistent with safety. "Were you told that the dividends of some of the companies were not paid?" Mr. Patel answered: "Yes". Then the Solicitor-General asked: "Were you told that the dividends of some of the companies were very low?" Mr. Patel said: "Yes". Mr. Patel had all the information that the dividends of some of the companies were very low and some of the dividends had not been paid, and yet the money was going to be invested.

Now, Sir, we enter the region of controversy, where Shri T. T. Krishnamachari comes in. I am going to accept not Mr. Krishnamachari's version of what happened in Bombay nor Mr. Patel's version but the third version of Mr. Bhattacharya. Mr. Bhattacharya's version is that this conversation between the Minister and the Principal Finance Secretary lasted not more than two minutes. Let me describe it in his own words. He says: "After the business of the meeting (Finance Minister's meeting) was over, Mr. Patel mentioned to the Minister that a letter had been received from Mr. Mundhra in which he proposed the sale of certain shares of his concern to the L.I.C., and the Minister, as far as I remember, said: 'you might look into it.'" To this version of Mr. Bhattacharya something has been added by Shri Krishnamachari and Mr. Patel that when it was mentioned the Minister said: "Be careful, there might be some spurious

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shares". Of course, as I said, it is very easy to say and he should have said: "Stop it". When he said that there might be some spurious shares, he should have said: "Stop it". I have myself said that. But if you go through the entire evidence you will find that this was taken as a casual reference, as the first reference to a Minister who was expecting something more which did not come

Now, Sir, this "look into it" is something which has been taken as approval. I am really frightened. Only the other day, the Prime Minister, while speaking about Gen. Thimayya, said that the General came to him and the General had some temperamental problems. The Prime Minister then said, "I will look into it". I hope the General does not start getting any ideas into his head after what this "look into it" has resulted in,

This "look into it" or "take up the matter with the LIC" is taken by Shri Patel as approval, and he proceeds. The Commission says: "The Finance Ministry must use an extremely expressive code if all this meaning can be packed into the words, 'look into it' or 'take up the matter with the LIC'." It must certainly be a very exclusive code. But I am going to load the dice totally, fully, and thoroughly against Shri T. T. Krishnamachari. I will accept this as approval. I am not going to dispute it. I will not take it that it is his approval, but for argument's sake, I accept it. Having accepted it, I would request hon. Members to see how it has been extracted from two sources, one the Commission's opinion and the other Shri Kamath, the Chairman of the Life Insurance Corporation. With regard to this "looking into", the Board of Inquiry states:

"All that we can say is that if this is Mr. Patel's way of briefing his Minister on a grave issue that requires a high level decision of policy, he is very much to blame

and from the Minister's point of view we cannot blame him if he thought, as he says he did, that this was just a casual information about the LIC which did not require any decision from him".

Now, what does Shri Kamat have to say? He was the Chairman of the Life Insurance Corporation.

"At the particular time when this transaction was made what reasons had I to suspect .."

note the words, "what reasons had I to suspect"—

"that Shri Patel and Shri Vaidyanathan "

Shri Kamat had been there as Chairman only for 20 days. Remember that. It is a very important fact. For 20 days he had been the Chairman of the LIC till then. He was new to the job and he was not in charge of investment. The investment portfolio was held by Shri Vaidyanathan. Shri Kamat said:

"What reasons had I to suspect that Shri Patel and Shri Vaidyanathan were holding back from me some very vital information which was within their knowledge and which indicated that the transaction was ill-advised?"

Further,

"What reasons had I to suspect that the reasons which Shri Patel gave me for his initiating the discussion and his continued participation in those discussions, viz, to save the Calcutta Stock Exchange from a threat of crisis was not the real or the only reason for his taking so much interest in the matter?"

That is what Shri Kamat said. I may be accused of trying to defend the Minister. No I am going to defend the Minister and an official, and I am going to defend Shri T. T. Krishnamachari and Shri Kamat. If I cannot defend the others, I am very sorry. The Board of Inquiry says:

"The information given to the Minister is of the sketchiest kind."

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But it is considered sufficient for the Minister to extract approval.

I am quoting Shri Kamat:

"In June, 1957, and in fact till these enquiries began, I had no knowledge that Shri Patel's information was so tenuously based—

Mark the words 'tenuously based'—

"nor could I be expected to believe that so able and outstanding an officer as Shri Patel, holding an important position in the Ministry of Finance, would have been so singularly ill-informed as is now held by the Board".

The information given to the Minister was not only sketchy but it was misleading. Let us see how.

"Then, having obtained Mr. Kamat's consent, Mr. Patel went back to Mr. Krishnamachari and gave him a very sketchy and, if he was seeking an endorsement of high level policy, misleading (because of its scantiness) account of what had happened".

The Minister is misled into this so-called approval and what about Shri Kamat, the Minister's approval and Shri Kamat's consent? Let us see how the consent was given.

Shri Surendranath Dwivedy: The Minister was a simpleton.

Shri Ferose Gandhi: Shri Kamat says:

"What reasons had I to feel that Shri Patel would sponsor to me, in his official capacity (both as a founder and the immediately preceding chairman of the LIC, as well as the Principal Finance Secretary), a transaction for the purchase of shares of companies controlled by a person whose antecedents he knew to be of a questionable character and whose management 'one would not wholly approve of'."

The words 'one would not wholly approve of' are from Mr. Deshmukh's note. That is a quotation.

In order to be fair to Shri T. T. Krishnamachari, is there the slightest indication in Shri Patel's evidence to show that Shri T. T. Krishnamachari had exhibited a sense of impatience over this deal? I shall prove that he was not impatient.

Mind you, the Bose Board said that there is something in evidence—I think somebody quoted it—to show that approval was there for about a crore of rupees. It was exactly Rs. 80 lakhs as corroborated by the evidence of Shri A. K. Roy. The Union Public Service Commission, in saying that these words 'look into it' constituted approval, have relied on the evidence of two officers, Shri A. K. Roy and Shri B. K. Nehru. Both these officers were not State witnesses. They were witnesses of Shri Patel. What they have quoted is correct. But there is very good reason why the Vivian Bose Board did not attach much importance to the evidence of these officers, and I will tell you why. I will read out from the evidence of Shri Roy. If you can make anything out of it, well, I leave it to you.

15.38 hrs.

[MR. DEPUTY-SPEAKER in the Chair]

He is being examined; he is Shri Patel's witness and not a State witness. Shri Patel's lawyer is examining him.

"Shri Bhagwati: Did you ask the Minister whether it was with his approval or not?"

This was about the transaction—whether it was done—and this is in regard to the conversation which Shri Roy and the Minister had after the Minister's return from Bombay and Shri Roy's return from Calcutta. I quote:

"Did you ask the Minister whether it was with his approval or not?"

This is a long time before the question came up in Parliament and a

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long time before all these things happened. "Shri Roy: I did ask him As I said, I did ask him." Kindly remember what the UPSC has recorded has been said by Shri Roy. I am reading the evidence, just to show why the Vivian Bose Commission attached so little importance to it. Shri Roy is the Finance Secretary

"Shri Bhagwati: What was the impression you got from the conversation?

Shri Roy: The impression I got from the conversation was that he did know broadly about things, but probably, he did not know the details, because, later on, I found that the transaction was really one crore and twenty-five lakhs of rupees."

The Minister had told him that it was Rs. 80 lakhs.

Now, Shri Bhagwati is brushed aside, and the Chairman steps in

"Mr. Chairman: I do not think this is correct. We are not interested in Mr. Roy's impression. What we want to know is what was said.

Shri Bhagwati: Yes, I will ask about that.

Mr. Chairman: We have to know the impressions of the Minister; not of the witness.

Shri Bhagwati: Your Lordship is perfectly right. Mr. Roy, you said you asked him.

Shri Roy: Yes, I asked him whether it had been done without his knowledge or concurrence."

This was a very important question Months before the whole thing started, Mr. Roy asked him whether it was done without his knowledge or concurrence.

"Shri Bhagwati: Then what was his reply?

Shri A. K. Roy: The reply was, and as far as I can remember, the exact words were "No; Mr. Patel mentioned it to me." and then he mumbled some words; I suppose: "There is something in your point". I cannot remember exactly, but I suppose he said, "They are all right" or words to that effect. He mumbled something and walked out. I mean I cannot tell you exactly what those words were."

He mumbled something and then he went out. Mr. Roy also has done a little mumbling. Probably the witness found himself in an uncomfortable position

Mr. Roy heard of the deal in Calcutta. Everybody seems to forget about what Mr. Roy said in his evidence, that he is totally opposed to this deal. He is totally opposed to the transaction. He heard about this in Calcutta, which has also been mentioned by the U.P.S.C. Let us see in Mr. Roy's own words what he heard in Calcutta

"Mr. Chairman: You said that you heard about this purchase in Calcutta. When were you in Calcutta?

Shri A. K. Roy: Since I was asked, I have tried to recollect it. What happened in Calcutta was, in Calcutta a number of rich people came . . ."

The emphasis, I think is on "rich"—

" . . . and saw me in the course of my job."

Must have been income-tax affairs

"One of them referred to me about it Who it was, I cannot say.

Mr. Chairman: What exactly was said to you?

Shri A. K. Roy: Some people came. At that time, everybody was talking about the depression

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in the share market. One of them mentioned to me that the Government, the LIC purchased—whether he said 'purchased' or 'going to purchase' I do not know—Rs 1,25,00,000 worth of shares

Mr Chairman: It was merely 'purchased' or 'going to be purchased'?

Shri A. K. Roy: He put in the words that "it had been purchased"

Mr. Chairman. Has been purchased?

Shri A. K. Roy. Yes,

It is both 'gas' and 'had'

"Shri A. K. Roy: Yes On the 24th, he said that it was purchased yesterday That is what he said He said "I hear so many rumours"

Mr. Chairman: Are you sure that he used the words "has been purchased"?

Shri A. K. Roy. 'Has been purchased'

Mr Chairman: And not going to be purchased'?"

The Chairman is an expert in this line

"Shri A. K. Roy: He used the words 'has been purchased'

Mr Chairman: Are you sure?

Shri A. K. Roy: I am not"

Remember that it was Justice Vivian Bose who presided over that Board of Inquiry, and not somebody from the services who presided over the UPSC

"Shri A. K. Roy: I am not It is very difficult to remember all this My impression of the talk with him was that it had been purchased. I will put it that way What the exact words were, I do

not remember 'Purchased' I cannot even remember I remember on the 23rd and 24th, visitors came to me, but who it was that mentioned it to me and what exactly, I cannot tell you"

Now you see why the Vivian Bose Board did not attach much importance to the evidence of these officers, who were Mr Patel's witnesses Why should the UPSC so much bother themselves about the evidence of these officers—Mr B K Nehru and Mr Roy? They could have easily gone through the evidence They could have found out what Shri Patel has got to say about his Ministry's functioning orally, verbally They say.

this is how our Ministry is functioning" Therefore, the UPSC says "look into it, is approval" But nobody bothered what Shri Patel had got to say And remember that the subject matter of this inquiry, the Commission of Inquiry as well as this Board, was not the Ministry of Finance and its administration—I would not like to make a general comment on that—the subject matter of the Inquiry was "the transaction or anything concerning the LIC" And what does Shri Patel say himself, about the verbal part of his Ministry's functioning? The Solicitor-General asked Shri Patel—he was probably cross-examining him—some questions and they are as follows

"Shri Sanyal: Now all that I am putting to you is this Whenever a question of policy regarding investment arose, there has been always something in writing Is that right?"

Shri Patel: Well, I can only say, on the few instances we have here, that is correct that the communication has gone from here of the views or the wishes of the Finance Minister, or the Ministry, or myself by letter"

And here remember that the LIC was only one year old. Then he asks

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"Shri Saayal: On the few instances given here in your statement and Kamat's statement "

In Shri Patel's statement and Shri Kamat's statement they have given all the instances

"Shri Saayal: On the few instances coming here in your statement and Kamat's statement, there has always been something in writing Is that right?"

Shri Patel Letters have gone yes"

Why then send for Shri A K Roy and Shri B K. Nehru. I do not know I do not understand it at all

Now I am going to load the dice against Shri T T Krishnamachari fully and totally Mention has been made of crimes committed. Let us see Now there is an important point Shri Nehru gives evidence to say that he brought a draft of the defence statement, prepared by all of them, to Delhi They all of them got together and the counsel, Shri Sachin Choudhary, prepared the draft This draft was brought to Delhi Shri T T Krishnamachari was in Gauhati and they prepared it The Minister had nothing to do with it Shri Nehru brought the draft Shri T T Krishnamachari said this is too long and there is mention of Calcutta too often, so I will prepare a short statement So, he prepared a statement himself Now, subsequently whatever the reasons may be, Shri Nehru was unable to produce the statement before the Board

An Hon. Member: Shri Nehru?

Shri Feroze Gandhi: I will say Shri B K Nehru; otherwise, I might be getting into difficulty

Shri B K Nehru was unable to produce the draft He could not produce the draft, because he did not have it Now comes a very important legal point. Sir, you are there and the Law Minister also is sitting here The

explanation was that Shri T T Krishnamachari has stated in his draft, which is not available now, that he had given his approval to the transactions All right. I accept it As I said, let us load the dice against Shri T T Krishnamachari Here is the Law Minister and you, Sir, are there Shri Krishnamachari appeared as a witness before the Board of Inquiry Shri Nehru was Shri Patel's witness and the question was not put to Shri Krishnamachari Now, I leave it to you, those who understand and know the law It is worthless and useless—the evidence of Shri B K Nehru The question should have been put to Shri Krishnamachari He was not asked The Commission sent him some letter He sent a telegram saying, if you like, I am willing to come, I am writing a letter to you about this, but if you like I am willing to come In the letter he said, why was I not asked yesterday, I appeared before the Board only yesterday Even a lawyer would not say that he forgot, because the order of witnesses was, Feroze Gandhi, T T Krishnamachari and B K Nehru That is why he could not say that he forgot That is the answer to the so-called draft out of which such a lot has been made out

Now, I will come to Parliament—an interesting story It started on the 4th September 1957 as far as we are concerned Peculiarly, the Minister of Parliamentary Affairs fixed the date for this debate also the 4th of September Somehow, I said, please let us get out of the 4th of September and so we are dealing with it today

Dr Ram Subhag Singh put a question What was the question? The question was

"Will the Minister be pleased to refer to a report in the Statesman of August 1957 to the effect that a sum of Rs 1 crore from the funds of the LIC had been invested in a private enterprise with its headquarters in Kanpur"

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The answer was that no such thing had happened. Another thing is that the question did not come up. But, there is a draft reply which was brought out into the open due to my effort. I said, No, get it. Here is Shri T. T. Krishnamachari; look he has cut out all these replies. He has cut them out therefore he knows everything about the whole thing and he is hiding it. I said so in my evidence. I had this thing produced. Look at the draft reply. The draft reply which was submitted to the Minister reads like this. Of course, the reply given in the Parliament was a written reply because the question did not come up and there was no occasion for supplementaries. The draft reply which Mr. Patel submitted was:

"The Life Insurance Corporation has not invested, as stated in the report referred to, a crore of Rupees in any single private enterprise with headquarters in Kanpur. The report presumably had reference to the purchase by the Corporation of preference and ordinary shares in a number of industrial concerns which were the property of one individual Shri Haridas Mundhra. The total amount thus invested was of the order of rupees one crore and 25 lakhs. The purchase was effected because the shares in question appeared to be an unthought investment.

Mark the words. We are going to notice very funny things happening to the draft reply of the Principal Finance Secretary.

The purchase was effected because the share in question appeared to be an unthought investment. Incidentally the purchase assisted in averting a possible difficult situation on the Calcutta Stock Exchange."

I gave evidence. I said, here it is in black and white. The amount is there. The Principal Secretary is probably willing to say that it is a

bad investment. He says it is unthought investment. I personally do not understand the language. But, the thing created on my mind the impression that here is something which the Principal Finance Secretary is willing to tell Parliament and here is the Minister who cuts it out.

The first part, I still maintain today that it was very wrong to have cut out the fact. It should have read and that is a suggestion that presumably the Member has in mind that Rs. 1 crore and 25 lakhs has been invested in this concern. It should have been given. Why it was not given, I cannot explain. That is a wrong thing.

Some Hon. Members: Why was it not given?

Shri Feroze Gandhi: I am coming. It was wrong. It was a mistake that it was withheld from Parliament. It should have been given.

Shri Naushir Bharucha (East Khandesh): That question was never answered in Parliament.

Shri Feroze Gandhi: My hon. friend Shri Naushir Bharucha is not following. This is the draft reply submitted by the Principal Finance Secretary for approval. He is cutting out and doing all these things.

The second thing is, "the purchase was effected because the shares in question appeared to be an unthought investment". I pointed this out to the board; I said this; I am quite sure the Finance Minister knew all the details and that is why he has cut this out.

My hon. friend Shri Parulekar is not here; he read out what has appeared in the report of the Vivian Bose Board of Inquiry, as to how it had happened. He read out the portion relating to 'worthwhile investment'. When I read the Vivian Bose Board's report, I found that my en-

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tire mountain had been reduced to a mole-hill because Mr. Patel said 'No, this was an error, this was a mistake'. It went to the Minister for approval. When does it go? It goes on the 2nd. The question is on the 4th the Minister gets the file on the 3rd and passes it on to the Finance Ministry for finalisation. The Solicitor-General asks Mr. Patel about this 'unthought investment'. Now, see what happens. The Solicitor-General asks:

The purchase was effected because the shares in question appear to be an unthought investment. What is this language?"

Mr. Patel says:

"I am afraid that is a typing error".

It has gone to the Minister for approval, mind you.

And the Minister has only to say 'I agree'. Shri Sanyal, the Solicitor-General, then said:

"Whatever you say will be accepted....A portion of the answer is secured out. It is 'unsound investment'?"

If you go through the evidence, you will find that there is some scribbling there. The Solicitor-General asked:

"A portion of the answer is scored out. Is it 'unsound investment'?"

Now comes the bomb-shell. Mr. Patel said:

"I think it is most likely 'worth-while'."

So, 'unthought' becomes 'worth-while', and see how it fits with the reply.

Shri Tyagi: His handwriting is bad.

Shri Feroze Gandhi: He said so, that his writing was bad. But I think this was typed; it was submitted in

typed form. That was how I walked into this.

Shrimati Benu Chakravarty (Barrister): Could the hon. Member explain that?

Shri Feroze Gandhi: I shall tell you. I shall have to explain it. Now comes the third para of the draft reply. I am referring to this because there is a feeling and there was a feeling that Shri T. T. Krishnamachari was suppressing facts from Parliament. As I said, I want to load it all against Shri T. T. Krishnamachari and see if there is any explanation; if I can satisfy my hon. friends, well and good; if I cannot, I fail; that is all. The third para of the draft reply was:

"Incidentally, the purchase assisted in averting a possible difficult situation on the stock exchange."

This has also been cut out. Shri T. T. Krishnamachari from the beginning to the end and has always maintained that this theory of supporting the Calcutta stock exchange does not have his support.

Then comes a very interesting thing as to how the secretaries function, mind you. It is a pity that only a few Ministers are sitting here; otherwise, they could all have learnt such a lot out of my speech.

Now, it is said that the Minister had the information. There was a letter of 16th July, which has been in the Finance Ministry; very good, but there is the evidence of the Joint Secretary, Finance (Insurance), Mr. B. K. Kaul, who has said in his evidence before the Chagla Commission that the letter of Mr. Kamat was not on pad. Well, when we become Ministers, we shall remember that. Shri Tyagi would have some experience of it already. Now, that letter of Mr. Kamat, which is the only letter, the letter of 16th July, regard-

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ing these transactions is not on the pad. That is the evidence of Mr. B K. Kaul.

Now, there is another letter from Mr G. R. Kamat, the chairman of the LIC, dated the 12th July. The Minister asked Mr Patel as follows. Here, I want the Home Minister and the other Ministers to listen to this very carefully. What happens? The Finance Minister asked his Principal Finance Secretary 'Ask the LIC to send me a list of blue chips'. Mr Patel said 'Yes'. I am not quoting. Do not think that I am quoting. He said 'Yes'. Mr Patel on his way to the UK halted at Bombay, had a talk with Mr Kamat and said 'The Finance Minister wants a statement of blue chips'. Mr Kamat said "What is 'blue chips'?" Mr Patel said, 'I do not know', that is, my hon friend's secretary Mr Patel said 'I do not know, ask Mr Vaidyanathan, Mr Vaidyanathan is the expert'. And we shall see at the end what a terrific expert he is and how he bungles the whole thing. Shri Vaidyanathan is the expert. He says ask Shri Vaidyanathan. Shri Kamat asks Vaidyanathan. Shri Vaidyanathan asks what are blue chips? They all get together—Patel was on his way to the UK, he had left—and prepared a statement of shares which received prominent attention on the Calcutta Stock Exchange and passed it on to the Finance Minister. He got the statement. There were one or two companies—I am speaking from memory—of Mundhra not the whole lot. There were just two

16 hrs

The Minister is guided in giving answers in Parliament by the note on his pad. If he departs from it, it is his funeral. I have no experience of sitting on these Treasury Benches. I am 47 years old.

Shri Tyagi: He is heading for it.

Shri Feroze Gandhi: It is very kind of Shri Tyagi to say so.

Shri C. D. Pande (Naini Tal): One has to be 70 years old to be a Minister.

Shri Feroze Gandhi: I am only 47 years old and 23 years behind schedule.

The point is that a Minister is guided by the note on pad. If he departs from it, it is his responsibility. What does the note on pad of 4th September say? Shri Kamat's letter is not there. The note on pad prepared by Joint Secretary, Finance (Insurance), Shri B K Kaul, says

"It is for consideration whether it would be in the public interest to publish the names of the companies in which investments have been made by the Corporation".

This is the advice to the Minister—as far as possible, keep hush-hush and we shall see if anything happens later. This is the advice given by the Ministry. But I do not blame the Joint Secretary. It is Shri Kamat who mentioned in his letter that it would not be in the public interest to reveal the names of the companies in which the Life Insurance Corporation was investing funds. But, of course, I am just clarifying the pad system.

Shri Tyagi: How could he get all this information?

Shri Feroze Gandhi: This is all available in the evidence. Now, an accusation is made against the Minister that he withheld facts from Parliament on the 29th November when the question was asked of him. I was the person who was jumping up most. I asked 'Tell us what were the prices before—two days before, three days before,—and what were the prices on 24th or when you purchased them. He could not reply.

Now, as the inquiries proceeded, we all thought here is the Minister; he is hiding facts; he is not telling us; he has information, because he

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has got Shri Kamat's letter on the 29th November; Shri Kamat's letter was on the pad. But there is one thing. The prices paid by the Corporation were indicated, but not the comparative prices—not the prior ones nor the ones that followed. After this, of course, a statement was laid on the Table of the House.

Now comes the debate in Parliament. I am going to answer every single point. I want to satisfy you because one of these days some of the Members might be sitting on the Treasury Benches.

Shri P. N. Singh (Chandauli): How much more time is Shri Feroze Gandhi going to take?

Shri Feroze Gandhi: If I have spent days and days in giving evidence, at least give me this opportunity to have my say.

Shri P. N. Singh: This is not the point. If he is going to take much more time, then the time may be extended.

Shri Feroze Gandhi: Not much more time. Please do not worry.

Mr. Deputy-Speaker: Let him conclude. Then we will see.

Shri Surendranath Dwivedy: He is going to make a right-about-turn, let him take more time.

Shri Feroze Gandhi: Mr. Deputy-Speaker, the Minister is suppressing information from Parliament. It is a very serious charge, although it has nothing to do with the transaction. The transaction has taken place and ample has been said about those who were concerned with it. I want to keep out of it. Information has been suppressed. Now, I received a very rude shock, when I went through the evidence before the Bose Board, when Shri Kamat said in his evidence that the question of prices came to his notice after the debate. I have given all the prevailing prices. I said the prices on this day were so much and you have given this; you have incur-

red so much loss; this you have done and that you have done and all that. I do not know what happened to the Minister that day.

Shri Kamat says in his evidence that the question of prices came up into focus after the Lok Sabha debate, on the 16th December and that, "when I examined the papers in the L.I.C. I found that in three cases the prices paid were more than what Mundhra himself had asked for. Then, I asked Mr. Vaidyanathan as to what had happened. I could see he was worried over this difference in prices, difference in payment", and he goes on. "I certainly found Mr. Vaidyanathan quite a changed man after the Lok Sabha debate". That is our good contribution that he was a changed man. 'One of the expressions that he mentioned to me on more than one occasion was, "this is at the rag end of my career; what is all this trouble".'

This is Mr. Vaidyanathan, Managing Director of the Life Insurance Corporation.

Sir, I come to a part of the debate and discussions where Mundhra used to come to Delhi, meet Ministers and meet officials. I personally think it is a very wrong practice. But, I also think that if you stop it, probably, the work of Government might also stop. You have to 'There are' circumstances in which you have to meet these people. Of course, you do not have to ask them for donations. I do not like that.

A lot of diaries were seized from Mr. Sodhani. Whom did Mundhra see? He used to see Ministers; he used to see officers. He has met Shri T. T. Krishnamachari; he has met Shri Morarji Desai and he has met Shri Manubhai Shah and maybe some others. Amongst officials, he has met Shri H. M. Patel, Shri M. N. Kaul—Sir, there is an error in the Report; it should be corrected because I think it is B. K. Kaul and not M. N. Kaul; I hope that will be corrected.

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It is remarkable that at the mere mention of the name of Mundhra facial expressions change. But he used to meet big officials, they used to discuss things, all these things were taking place. Now a very big thing happens. A register has disappeared. I forget the date of the telegram that I produced 12th or 13th.

An Hon. Member: Thirteenth.

Shri Feroze Gandhi: On the thirteenth. A register is missing. So Shri T. T. Krishnamachari must have met Mr. Mundhra (*Interruption*). Why say, may? Put it against him. He must have met, and he denies it. Therefore, Shri T. T. Krishnamachari must have met Shri Mundhra. I say, 'must have'. All right, agreed. All his diaries are produced before the Board. All the three diaries do not establish any meeting with Mundhra after January or February. It does not matter. I say, let us accept that they met. They talked, they fixed it up. 'I am going to put money into your concerns'. So, Mundhra was very happy. Everything was settled. Let us put it so.

There is not a single sentence in these thousands and thousands of pages of evidence to show that Shri T. T. Krishnamachari has suggested that the Life Insurance Corporation invest a single pie in any one of the concerns of Haridas Mundhra, to anyone. If that has been said, let the person who says it, produce it. We cannot traverse beyond the evidence, we have to remain within the four corners of the evidence. If anybody has any other information it is useless now.

There is not a word, Mr. Deputy-Speaker, in these thousands and thousands of pages of evidence to show that Shri T. T. Krishnamachari has mentioned to a living soul—and I repeat it—that the Life Insurance Corporation should invest a single pie in the concerns of Mr. Mundhra—not Shri Patel, not Shri Kamat, not Shri Jangar, not Shri Bhattacharyya,

not anybody. There are only two persons to whom he could have said it—Nobody can say that they were afraid—Shri Patel and Shri Kamat.

Shri Kamat is one of the finest officers of the Government of India. He is a man who has been straightforward right through this enquiry. He has said, "I take the responsibility, why are all of you shying away? I take the responsibility. The responsibility is mine. I was not in charge of the investment of the Life Insurance Corporation but Shri Vaidyanathan brought the letter to me and I signed it although the Chairman never signs such letters."

Now, what happened is a remarkable thing—about this letter. Look at the whole thing. It is some sort of a petty conspiracy or some sort of a conspiracy. He finds that the words 'Managing Director' were erased and the word 'Chairman' is typed. Shri Kamat signs it. Very good.

We know TTK, we know him well. Shri Surendranath Dwivedy: What about his meeting Mundhra before the BIC meeting in May?

Shri Feroze Gandhi: I accept it. If you can produce in these thousands of pages of evidence a word from Shri Patel, Shri Kamath, Shri Bhattacharya, Shri Chaturvedi or from anybody that he has spoken a word to anybody to invest the LIC money, I will accept it. Shri Patel goes up with this proposal for Rs 80 lakhs and he asks him to look into it. Apart from that, I challenge you to produce a single word from the evidence. I have gone through every line of this. I have devoted months to going through every line of this evidence. If anybody can produce any evidence that TTK has suggested to a single living soul that LIC money should be invested in Mundhra's concerns, let him do it.

There is another thing. Shri Kamath met T. T. K. in Bombay on the 23rd when almost all these negotiations

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 were over. He was with T. T. K. on the 23rd. He discussed the affairs of the LIC with the Finance Minister. Mr. Deputy-Speaker, knowing T. T. K. as we do what would we expect him to do? But T. T. K. never asked Shri Kamat as to what has happened to Mundhra's investment. He did not ask: "Have you done it or not done it?". Neither, Shri Kamat mentions it to him. Where is this sign of impatience? Where is this sign of impatience on the part of the Minister? We all know T. T. K. and know him very well. If he has something in his mind, he is not going to keep quiet about it. Here he is sitting with Shri Kamat but he does not mention a word about it; he does not ask Shri Kamat anything about it. Nor does Shri Kamat Supply any information in connection with this.

Shri Surendranath Dwivedy: What about the meeting with A. K. Roy on the 26th of June? . . . (Interruptions.)

Shri Feroze Gandhi: I am talking of the 23rd of June. Shri Kamat is the Chairman of the LIC. He is the man who has to do it and not Shri Roy. He was in Calcutta. Shri Kamat is the real man; he is going to sign the cheque; he is the head of the LIC. It is a big investment of a crore and a quarter rupees. If T. T. K. has taken it seriously, he would have asked: "What about it? Have you done it or not done it?" This is what I want to emphasise. There is no sign of impatience on the part of the Minister as regards this particular transaction.

Mr. Deputy-Speaker, before speaking in this debate, I imposed on myself a very severe restriction that I will not use a single word of evidence spoken by T. T. K. as far as he is concerned. There are 200-300 pages of it and hon. Members who are willing to go through it may do so. I have not used a word from him; I have relied on the evidence of others. I have come to my own conclusions.

You may agree with them or you may not agree with them. That is for you.

Now, look at the U. P. S. C.—their logic and justice. They exonerate Shri Patel because he has the Minister's approval. Why? Because the Minister did not pull up Shri Patel after the investment. After the investment the Minister does not say anything to Mr. Patel. Therefore, everything is all right, the approval is there. The two officers have given evidence that the approval is there. But look at their logic in exonerating Mr. Patel because he has the Minister's approval, whereas his subordinate Mr. Kamat whom he made to carry out this deal is held guilty because of the fixation of prices. Because of confusion at that stage we do not know who said what and what happened. Mr. Kamat, Mr. Vaidyanathan and others say that this was a continuing process. Mr. Patel says, and partly the Board agrees with it, that the whole thing came to an end on 24th and fresh proposals were to be scrutinised. Even though they have not very clearly stated it, they have suggested that Mr. Patel at this stage was out and it was these people who bungled

Now, Mr. Kamat is punished on the same grounds and Mr. Patel is exonerated on the same grounds that he had his superior's approval. Mr. Kamat also had his superior's, the Principal Finance Secretary's approval. Mr. Patel has defended the deal right through. But Mr. Kamat is punished and Mr. Patel is exonerated. Then, what did the Government do? Look at this Government. They let off Mr. Patel. They said: "We are dropping the charges against you". That more or less means, we cannot proceed against Mr. Patel, we have no evidence. The fact that they have dropped the charges means that they do not accept the U.P.S.C.'s report, but it is a virtual exoneration. But this Resolution says that the Minister has only attracted constitutional responsibility. How? You could not fix the

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factual responsibility on the Secretary, and in the same breath you say that the Minister has attracted only constitutional responsibility. How? There is some illegality in that Resolution. You cannot do it. Either you say that Mr Patel is guilty and then say that Mr Krishnamachari is constitutionally responsible, or if you exonerate Mr Patel—as I said, it is virtual exoneration, there is only a 'hair-line' difference between saying "we drop the charges" and "we exonerate you"—you must remove from the Resolution the words that the Minister has only attracted constitutional responsibility.

An Hon. Member: Bring both in.

Shri Feroze Gandhi: Sir, no one concerned with this particular deal even pretends that it was business like or it was proper. Those concerned with this transaction have definitely lowered the dignity of the Ministry of Finance. But Parliament, I think, has done its duty. Let us hope that the administrative departments of Government have learnt their lesson. They will learn their lesson, and I assure this House that no matter what goes wrong in any Government department, for a hundred years the Life Insurance Corporation will never make a mistake of this type.

Shri Bhanja Deo: Mr Deputy-Speaker, Sir, after the very eloquent speech of my hon friend, Shri Feroze Gandhi, I do not like to deal with the matter as to who is responsible for this because he has elaborately dealt with that point. But what I would like to bring to your notice, Sir, and to this hon House is, while considering the report of the Vivian Bose Board of Enquiry and the findings of the UPSC, whether the UPSC, having come to their findings, have transgressed what was actually referred to them and for which they have racked up many constitutional proprieties which I will place before you.

I will start with this whether it was correct to presume that the UPSC was supposed to give the

findings on the action to be taken against the civil servants involved, based on the Bose Board's report, within the framework of the service and conduct rules. As I find from their findings, I think they have transgressed their jurisdiction though they came to the conclusion that the Bose Board has transgressed their jurisdiction while dealing with this matter. If the above presumption is correct, the UPSC have obviously transgressed their limits by making certain observations about the constitutional responsibility, which in effect amounted to an entire re-examination of the case and which led the hon ex-Minister, Shri T T Krishnamachari, to make a statement in the press and which unfortunately has again raked up this matter.

According to the Prime Minister's statement, Shri T T Krishnamachari would not have resigned if he had been a Minister today. If the UPSC has exonerated the officials, then, who is to be blamed for this deal or for this transaction over which we have already had so much deliberation in this House?

There have been two Commissions which have gone thoroughly into the matter—the Chagla Commission and the Bose Board of Inquiry. In spite of the two inquiries, there is some mystery which has not been brought out and it is very unfortunate. If the UPSC's findings regarding the official conduct in that affair was to be final, I would ask, what was the point in having two Commissions appointed and making a farce of them? When we had that eminent person like Shri Chagla, who was the ex-Chief Justice of the Bombay High Court and one of the judges of the Supreme Court on the Board,—who is of very high standing so far as judicial knowledge and integrity is concerned—was there any propriety again for the Union Public Service Commission to give some findings over what the other two Commissions had already found?

[Shri Bhanja Deo]

I admit that under a socialist pattern of Government, when we are taking up many commercial undertakings and social services, where public money is involved, it is necessary for our future guidance that certain principles are formulated to define ministerial responsibility and the responsibility of the civil servants in such matters so that that there will be no such recurrence in future. Once this responsibility is defined, it will be safer for our Ministers and the civil servants and they will know as to how far each is responsible for his action without any ambiguity.

In this connection, I might refer here to almost a similar case which occurred in England. I mention this particular case because we still follow the Parliamentary traditions and the practices of the British system of Government in our country. I refer to the Crichton Down case, as is popularly known, which led to the resignation of the Minister there. A similar issue about the conduct of a civil servant was investigated by a special board and suitable action was taken. But the question of constitutional responsibility was not reopened, as it happened in this LIC matter, as I find from the statement of Shri T. T. Krishnamachari and of the Prime Minister, after findings of the U.P.S.C.

With your permission, I quote that particular case in detail, but before doing so, I would like to draw your attention to a statement which appeared in the *Statesman* of 1st September, 1959, as part of Shri T. T. K's statement which runs as follows:

"He would only like to say what the Prime Minister had subsequently said at a Press conference that had he (Mr. Krishnamachari) continued in office, when the Government took the decision it did in regard to Mr. H. M. Patel, even his (Mr. Krishnamachari's) constitutional responsibility would

not have come in and that he had been wrongly blamed from the very first day and that he (Mr. Nehru) still held that opinion firmly and clearly."

I would refer to that particular English case, which was of a similar nature. I seek your permission to quote it elaborately: It was a case in which Sir Dugdale, the then Minister of Agriculture, had to resign on a similar constitutional responsibility:

"The day the enquiry report was published (15th June, 1954), the Minister of Agriculture, Sir Dugdale, made an initial statement in the House of Commons. He said, "the enquiry has achieved his main purpose, because it has found no trace of bribery or corruption; he takes full responsibility for the actions of any officials criticised in the Report and announced that after hearing further explanations from those concerned, he has formed a less unfavourable view of many of their actions". On the 20th July, the Minister made a further statement at the end of which he announced his resignation. Next day the two Parliamentary Secretaries had submitted their resignations . . . The position of the five officials chiefly concerned was considered by a committee presided over by Sir John Woods (formerly Permanent Secretary to the Board of Trade), which recommended that Mr. Eastwood (Commissioner of Crown Lands) be transferred to other duties . . ."

It was practically similar to this particular case, which we are discussing.

"Crichton Down is likely to prove an influential event in the development of the British Civil Service. Already the case has had important repercussions on the atmosphere and method of working of the Service. Also it has

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caused a reconsideration, if not a redefinition, of the relations of the civil servant with his Minister and with the public

The significant feature of the Crichton Down case is that it brought into question, not a Department as a vague corporate body, nor a Minister as the political head of a Department from which he receives anonymous advice, but the actions of individual civil servants

The reason why officials are not named or criticised in public is, of course, the strongly held doctrine of ministerial responsibility. The great mass of governmental powers are bestowed by Parliament, not on the Cabinet or on Departments, but on the Minister of this or the Minister of that. In the case of the prerogative powers and of Departments of an apparently corporate character (e.g. the Board of Admiralty) the convention is quite clear and well accepted that some individual Minister is responsible

Thus some Minister is responsible for every act of the Government. Civil servants, and for that matter Parliamentary Secretaries act by virtue of powers conferred on their Ministers and each Minister is responsible to Parliament for the action or lack of action of every official employed in his department. Thus, if departmental errors come to light or somebody is dissatisfied with departmental action or decision, criticism in Parliament and in the press must be directed at the Minister in charge of the Department concerned. The Minister himself, of course, may not be satisfied with the action of one or other of his officials, but this remedy is to take disciplinary or other measures inside his department."

Whether that was done in this parti-

cular case, it is for the House and for you to decide

"All this is orthodox British constitutional doctrine and in the end it appears to have been vindicated by Sir Thomas Dugdale's resignation. But, unfortunately for the doctrine, though the Minister's resignation took the sting out of the attack, it came too late to prevent the names and actions of individual civil servants being the subject of public discussion and criticism"

The same thing has happened in our case

"But as Mr Clement Davies pointed out in the full debate, if bribery and corruption were the main issue, why were they not mentioned in the terms of reference? Moreover there exists an accepted procedure for dealing with charges of this kind under the Tribunals of Inquiry (Evidence) Act, 1921, as is shown by the Stanley case of 1948"

In this case also we had enquiries and we have come to certain findings as ex-Chief Justice, Shri Chagla has mentioned in his report

I do not want to delve deep into that as I do not want to take out much time of the House. It is stated that for our future guidance certain principles of responsibilities of the Ministers, Secretaries and other officials should be laid down so that we may not enter into such transactions in future like the present one in the case of LIC, especially at a time when many such autonomous corporations are cropping up in our socialistic pattern of society.

Then I will refer to another matter, which was referred to in the British press, and that is the failure of political process. It is stated

"In many ways it is remarkable that nothing like this happened before, certainly since the great

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increase in the scope and character of governmental powers. At one time Ministers were concerned largely with a few big issues of public policy. In so far as their departments had to make decisions in individual cases, these could be made in most instances, on lines clearly prescribed by law or in accordance with general policy decisions of the Minister, and the others were unlikely to be so numerous that the Minister and his chief advisers could not give them their personal attention and reach decision, with a full understanding of the facts."

Again I would quote:

"The evidence of inefficiency was, however, not the important aspect of the case except in so far as it raised the question of whether the inefficiency was such as to cause the Minister to make a wrong decision on inaccurate information. Mistakes can occur in the best organisations, and with a large number of employees there are bound to be failures from time to time. Moreover the Land Commission had only been established a few years. What really shook people was the conduct of certain civil servants . . ."

Then again, it is stated:

"It is worth noting that notwithstanding the strong party feeling aroused by the case there was no suggestion in the Report or in Parliament that any of the officials concerned had been influenced by party political motives."

Mr. Deputy-Speaker: The hon. Member himself suggested a limit of 15 minutes. I think he has to conclude.

Shri Bhanja Deo: I shall conclude after laying down the principles.

Mr. Deputy-Speaker: The hon. Member put that limit upon himself.

Shri Bhanja Deo: I shall take only two minutes.

Sir David Maxwell Fyfe went on to enumerate four different categories of cases in which there may be Parliamentary criticism of a department and for which he said, different considerations applied. I wish a similar criterion is laid down in our Parliament for the future guidance of our Ministers and civil servants. These are the four principles which he enumerated:

- "1. Where a civil servant carries out an explicit order by a Minister, the Minister must protect the civil servant concerned
- 2 Where a civil servant acts properly in accordance with the policy laid down by the Minister, the Minister must equally protect and defend him.
3. Where a civil servant "makes a mistake or causes some delay, but not on an important issue of policy and not where a claim to individual rights is seriously involved, the Minister acknowledges the mistake and he accepts the responsibility, although he is not personally involved. He states he will take corrective action in the Department.
4. ". . . where action has been taken by a civil servant of which the Minister disapproves and has no prior knowledge, and the conduct of the official is reprehensible, then, there is no obligation on the part of the Minister to endorse what he believes to be wrong, or to defend what are clearly shown to be the errors of his officers. The Minister is not

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bound to approve of action of which he did not know, or of which he disapproves. But, of course, he remains constitutionally responsible to Parliament for the fact that something has gone wrong, and he alone can tell Parliament what has occurred and render an account of his stewardship."

Unfortunately, if these principles had been applied in this case, I am sure, we would not have so many independent committees functioning and referring the matter to the U.P.S.C. on top of these findings and getting recommendations from the U.P.S.C. to which, I am afraid, I cannot wholly subscribe. Though they have gone thoroughly into the matter, yet, it is for this House and for the Government and the hon. Prime Minister to decide hereafter what should be the constitutional propriety in cases like this, so that there is no blaming of the Minister when his officials keep facts away from him or of officials taking shelter under the protection of the Minister's responsibility when the Ministers do not know what actually transpired behind closed doors. Therefore, I would urge on the House to come to a conclusion as to what should be the constitutional propriety as far as the relationship between the Minister and his officials is concerned, so that a matter like this does not occur when we are dealing with the funds of the people of India, for which we are both accountable to the Parliament as well as the Government which we are helping to function as a democratic Government in our new set-up.

Mr. Deputy-Speaker: Shri Mahanty. I am afraid, I shall not be able to call any other Members of the Congress today. Shri Feroze Gandhi has taken too long a time and therefore, I have to compensate the opposition also. I hope the hon. Member Shri Mahanty would be

able to condense his remarks within 15 minutes.

Shri Mahanty: Mr. Deputy-Speaker, I shall take only twelve minutes. After the very able and forthright speech of Shri Feroze Gandhi, I personally feel there is nothing much to add so far as I am concerned. Therefore, I would like to confine my observations to two aspects of the subject matter which is under consideration which I venture to feel have not been touched by any Member so far. Therefore, I venture to participate in the debate; otherwise, personally, I feel there is nothing much to add so far as I am concerned.

I believe that it is now time enough that the Government of India puts a clearer construction on the extent and scope of article 320 of the Constitution, under which the U.P.S.C. was asked to go into this aspect of the question. The U.P.S.C. was asked to go into this question without any terms of reference. I think I am right in saying that the U.P.S.C. was given no clear terms of reference as were given to the Chagla Commission and also to the Vivian Bose Board of Inquiry. The terms of reference were not given precisely because the U.P.S.C. was functioning within the ambit of article 320 (3) (c) which reads thus:

"The Union Public Service Commission or the State Public Service Commission, as the case may be, shall be consulted—

(c) on all disciplinary matters affecting a person serving under the Government of India or the Government of a State in a civil capacity, including memorials or petitions relating to such matters."

I would like to emphasise these two very crucial phrases namely 'shall be consulted' and 'on all disciplinary matters'.

Usually, before the case of a particular public servant is referred to the U.P.S.C. or to a State Public Service

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Commission, some kind of departmental inquiry already takes place, and, thereafter, the case is referred to the U.P.S.C. so that a certain amount of objective thought can be brought to bear upon that particular subject. And what the U.P.S.C. or the State Public Service Commission is required to do is merely to examine the extent of disciplinary action that can be taken against the official concerned.

Here, we find two boards, or I should say, two tribunals presided over by persons who were nurtured in the traditions of a free judiciary; one was Mr. Chagla and the other was Mr. Vivian Bose. Here were two boards of inquiry presided over by two very competent persons. They came to a particular finding, which was more or less uniform.

I would like to ask in all seriousness why the U.P.S.C. arrogated to itself the status of a Supreme Court? What materials did they have before them? Did they examine any further witnesses? Had they taken any evidence? They did not do any of these things. On the other hand, they merely sifted the whole material that was before them, that is, that was before the Vivian Bose Board of Inquiry and before the Chagla Commission. They merely did that but they came to a conclusion, which was completely different from the conclusions of Mr. Chagla and the Vivian Bose Board of Inquiry.

Without trying to offend anybody, I am constrained to say that there is almost a conspiracy of the brotherhood or the fraternity of public servants to exonerate a person who had been condemned by two tribunals. Mr. Vivian Bose, the erudite scholar he is, quoted a famous Biblical saying 'You will be judged by your deeds'. The country had judged him by his deeds. But here, the U.P.S.C. came to throw a mantle of protection which he never deserved. And it is a shame. As it

has been said, Government's acceptance of this resolution is a worse scandal than the Mundhra deal.

Shri Tyagi: It is a pity.

Shri Mahanty: It is a pity; it was thousand times a pity that Government should have come forward before this House to say that they had accepted the advice of the U.P.S.C.

Shri Nausahir Bharucha: It suits them well.

Shri Mahanty: The U.P.S.C. cannot have the temerity, I say, to give findings. Who are they to give findings? Have they that judicial tradition? They were brought up in the vitiated atmosphere of the executive which always tries to protect the fraternity or the brotherhood of the public officers or public servants. Therefore, it pains me because thereby we have created a very bad tradition and convention under which the Union Public Service Commission arrogates to itself the status of the Supreme Court, which it is not. It is high time somebody told the Union Public Service Commission where it stood.

Now, I do not wish to divulge certain facts which I have in my possession. I know certain cases were referred to the Union Public Service Commission concerning the External Affairs Ministry. Even though the officials concerned had much to defend themselves, what the Union Public Service Commission did was to do exactly as the Executive wanted it to do.

The Minister of State in the Ministry of Home Affairs (Shri Datar): May I request the hon. Member to speak with some restraint about the Union Public Service Commission?

Shri Mahanty: I say after this that I maintain what I have said....

Mr. Deputy-Speaker: Order, order. He should not flare up simply by the observation of the hon. Home Minister that he should exercise some restraint. There is no harm in making an appeal to him that restraint should

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be exercised. Why should he get into temper for that?

Shri Tyagi: The Union Public Service Commission can be criticised in this House.

Mr. Deputy-Speaker: I am not objecting to that. We can criticise the Commission. But if the language used is a little restrained, it would add to our prestige.

Shri Mahanty: I am sorry if I have appeared to have lost my temper. But you must deserve before you demand. I ask in all seriousness, does the Union Public Service Commission deserve any respect from this House or from the country at large?

Some Hon. Members: No.

Shri Mahanty: You must deserve before you demand. I maintain in all seriousness that there was a conspiracy, almost a collusion, on the part of the Union Public Service Commission in this respect. By transcending the provisions of article 320 of the Constitution, the U.P.S.C. has forfeited all respect that the hon. Home Minister wants us to pay to it.

Mr. Deputy-Speaker: We always take the Executive to task when they depart from the recommendations of the U.P.S.C.

Shri Mahanty: Anyway, I would not go into it.

Shri Harish Chandra Mathur: I spoke with very great restraint about the U.P.S.C. You know my feelings.

Shri Mahanty: I personally always restrain myself as best as I can. But when a situation arises when somebody must speak, and speak without mincing matters, then it has to be spoken.

Mr. Deputy-Speaker: He has risen a little higher than the situation demanded.

Shri Mahanty: I am sorry. But unfortunately, we have a duty to perform and sometimes the duty becomes unpleasant. Nonetheless, we are

discharging a public duty according to the best of our lights and our conscience and without attributing any motive to anybody.

Then, I would come to another aspect, though I do not wish to take more time of the House. It is not a negative aspect, but a very positive aspect. I invite the attention of the House and of the hon. Minister to paragraph 9 at page 4 of the Government Resolution. There it is said:

"It follows, therefore, that the legal provisions regarding the power to give directions to a Corporation should not be so construed as to prevent Government from having recourse to other channels of communication, such as informal discussion or conferences"

This relates to the manner and method of issuing directives by Government to autonomous corporations. In this context, I would invite the attention of the House to the findings of the Chagla Commission. The terms of reference of the Commission were very clear. They were also asked to examine what should be the relation between Government and the autonomous bodies so far as issuing directives were concerned. The Commission had recommended that the Government should not interfere with the working of autonomous statutory corporations, that if they wished to interfere, they should not shirk the responsibility of giving directions in writing.

Here, I have to raise a privilege issue. If I remember correctly, the Chagla Commission's Report was discussed here last year and Government came out with a Resolution approving that Report and its findings. Now, this was a recommendation which formed part of the Chagla Commission's Report, which the Government and the House accepted. Am I right, Sir?

Shri Tyagi: May I remind my hon. friend that it is not only that? There is section 21 of the Insurance Corporation Act and it lays down that there can be no interference unless a direction in writing is there.

Shri Mahanty: I am coming to that. I am mixing up a matter of privilege with my general speech. You will remember that the Chagla Commission, whose report was accepted by Parliament on a motion brought by the Home Minister himself, said that Government should not interfere with the working of autonomous statutory corporations and that if they so interfered, they should not shirk the responsibility of giving directions in writing. Now, this has been approved by Parliament. This is a mandate to Government.

I would ask in all seriousness who the hell Government is to come to this House with this kind of Resolution.... (*Interruptions*). I say this, Sir, because it encroaches upon our responsibility. Here is a Government which comes to the House with a Resolution which says that if we want to interfere, we must give directions in writing. That is the spirit of the law; that is the letter of the law; and that is the mandate of Parliament; that is the Resolution which has been approved. But here is a Resolution, dated the 27th May, 1959, from which I have read out these lines, which completely negatives that.

It follows, therefore, that the legal provisions regarding the power to give directions to the Corporation should not be so construed as to prevent Government from taking recourse to other channels of communication, such as informal discussions or conferences. It follows, therefore, that the hon. Home Minister or whoever the Minister may be, if he wishes to issue a directive to an autonomous corporation, can do so over the telephone and then disown his responsibility. It will

be flouting not only the letter of the law, not only the spirit of the law, not only the mandate of Parliament but will go to create a situation where we cannot know absolutely where the caprices of the executive end and where the proprieties of law begin. An enormous situation has arisen. Therefore, I ask whether Government is competent to come forward with a Resolution which is contrary to the mandate of the House, contrary to the principles of the law, contrary to the letter of the law.

I will not take more time. But, in conclusion, I would venture to submit that this is merely the beginning of the end, this is merely the thin end of the wedge. We do not know, if Government proceed at this rate, whether all this fabric of democracy, of Parliament, of law, of the socialistic pattern of society that we are going to build will last in the mire of whims and caprices, where even though men like Shri Jain will resign and others like Shri Krishnamachari will be exiled, the guilty officials will continue merrily. This is the enormity of the situation. I challenge the Government: let them take away the Whip and you will see this resolution will find its proper place, namely, the waste-paper basket but not Government files.

Mr. Deputy-Speaker: I will call the other signatories to the motion. Shri Banerjee.

Shri S. M. Banerjee: Mr. Deputy-Speaker, Sir, I have heard with rapt attention the speech of my hon. friend, Shri Feroze Gandhi. Unfortunately, I have not got the same amount of time at my disposal and I could not make out what I want. He has tried to prove that Shri T. T. Krishnamachari, the ex-Finance Minister, was quite innocent. He has read some portions from the evidences. But in what connection was that evidence taken? The evidence was collected by the same Board of Inquiry headed by the learned Judge Shri Vivian Bose.

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After reading all the evidence and after hearing all the witnesses, the Board came to the conclusion that Shri Krishnamachari and all others connected with this deal were not as innocent as described by my hon. friend, Shri Feroze Gandhi.

He said that Shri Krishnamachari had not the letter of Shri Kamat. I read this from page 147 of the Report. It says:

"The portion referred to was drafted by Mr. Patel himself on 2-9-1957.... This was put up to Krishnamachari along with Mr. Kamat's letter attached to the pad on 3-9-1957 and Mr. Krishnamachari struck out the portion reproduced above with his own hand and directed that the question be answered 'as amended'."

These facts are not disputed. Shri Krishnamachari said that he did not look into those details when he struck out the part drafted by Shri Patel but we are unable to believe him. That is what the Commission has said. If we agree to what Shri Feroze Gandhi has said, then I must say that Shri Feroze Gandhi is a bigger Judge than Shri Bose or this Commission. My submission is this. If this is accepted by the House, let there be another Commission appointed with Shri Feroze Gandhi as the Chairman.... (Interruptions.)

Mr. Deputy-Speaker: Every Member has a right to give out his feeling.

Shri S. M. Banerjee: I feel he is one of the most respected Members of this House.

Mr. Deputy-Speaker: I am not denying that. I am saying that he has a right to criticise the report as other hon. Members have... (Interruptions.)

Shri S. M. Banerjee: There is another thing which shows how Shri Vaidyanathan and Shri Patel grew bolder and bolder. The Commission had written in clear terms:

"Mr. Patel and Mr. Vaidyanathan grew bolder and bolder in their almost contemptuous disregard of the Investment Committee...."

The Commission has quoted the famous story of the camel and the Arabs. I do not know who were the Arabs here. I have a feeling that Shri Patel's integrity and honesty had been praised by all.... (An Hon. Member: By whom?) I do not know Shri Patel. I do not challenge his integrity but he was supposed to be involved in many scandals. 'Supposed to be'—I said. These scandals still remained scandals in the minds of the people and they had not been cleared by any one.

The question arises as to why Shri Mundhra was given this money? He donated liberally to the Congress Party's funds. When this question was raised in this House by my hon. friend, there were certain Members who objected to this. I may read one portion of the Bose Report, from page 155:

"Then there are two important facts. Mr. Mundhra is proved to have obliged the Congress Party and two Congress Governments (the Central and the U.P.) in a large way on two occasions for political reasons. He paid the U.P. Congress Party a lakh and a half rupees and the Central Congress Party a lakh on the eve of the elections; at any rate, if the payment was not made, then the promises to pay were: Mr. Mundhra was not quite sure of the dates but he was definite that the moneys were promised shortly before the elections...."

I belong to Kanpur. On the eve of the elections, that is in March, notices were given to the workers of the Kanpur Cotton Mills—a B.I.C. concern—that the mill was likely to be closed or going to be closed. One fine morning, I saw a statement that it was not going to be closed and I sent con-

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gratulations to our Chief Minister because I thought that the Government were so generous. But here it is proved that the Chief Minister of U.P. promised some monetary help to Shri Mundhra. This mill was closed just after the election. Elections concluded in March and this mill was closed in April. I find that the offer of postponing the closure of the mills was not a generous offer but a political jugglery, a move of the U.P. Government to win the election. The report says

"Mr. Mundhra is not the sort of person who would do these things unless he was reasonably certain of obtaining a *quid pro quo*. In the ease of the donations, he said he gave them because he had 'faith' "

Faith in what? I want to ask Shri Mundhra whether he had faith in the honesty or dishonesty of the Congress Party. Not only this. The report goes on to say

" in the case of the Mills, he says that he was promised monetary assistance. We have no

doubt that these seemingly generous gestures were not gratuitous."

17 hrs.

Sir, I wish to congratulate this Vivian Bose Board of Inquiry. I want to express my thanks to this learned Judge of the Supreme Court and his colleagues. This House also, I feel, is grateful to such men of integrity who without any fear or favour have come out with this report. If this is published and distributed, it will give an idea to the intellectuals of this country that this Government is following a policy of abetting corrupt men who are trying to swindle this country.

Mr. Deputy-Speaker: I hope the hon. Member would like to continue tomorrow?

Shri S. M. Banerjee: Yes, Sir.

Mr. Deputy-Speaker: He may continue tomorrow.

17.02 hrs.

The Lok Sabha then adjourned till eleven of the clock on Thursday, September 8, 1959/Bhadra 17, 1881 (Saka)