

[Shri Raghunath Singh.]

importance and I request that he may make a statement thereon:—

“Arrest of five Pakistani saboteurs at Uri in Kashmir.”

The Prime Minister and Minister of External Affairs and Finance (Shri Jawaharlal Nehru): Five persons were arrested by the Jammu and Kashmir Police on February 11, 1958, at Uri. One of these persons is the brother of a well-known Pakistan agent living on the other side of the cease-fire line. The arrested persons have admitted functioning as links of Pakistan Intelligence. As interrogation is in progress, it is not possible to give further details at present.

I gave the House on 13th September last year some details of the bomb explosions and the movement of sabotage, violence and subversion assisted and directed from Pakistan.

Since the middle of June last year, there have been 38 cases of bomb explosions, 13 in Kashmir and 25 in Jammu. In addition, there have been 20 cases in which explosive articles like gun cotton slabs, booby traps and hand grenades have been recovered.

Thanks to the vigilance of the authorities and the close co-operation between the authorities and the people, the mischief done by saboteurs has been limited and loss of life has not been heavy. Six people were killed and 17 injured in these 38 explosions.

35 persons have been arrested in connection with bomb outrages and attempts of sabotage. Out of this, 10 persons are undergoing trial in Srinagar in the Srinagar bomb case. In Jammu Province three persons are being tried and the trial of two others will begin shortly.

The latest arrests at Uri show that though Pakistan agents and saboteurs are still active, their attempts at sabotage and subversion are being

adequately dealt with by the authorities with co-operation of the people.

REPORT OF THE COMMISSION OF INQUIRY INTO THE AFFAIRS OF THE LIFE INSURANCE CORPORATION

The Prime Minister and Minister of External Affairs and Finance (Shri Jawaharlal Nehru): I beg to move:

“That the Report of the Commission of Inquiry into the affairs of the Life Insurance Corporation of India be taken into consideration”.

Mr. Speaker, Sir, it is just about two months ago since this matter came into my ken when it was first raised in this House. I was not present in the House then or in Delhi. Since then naturally all of us have been much concerned and have followed developments from day to day. This has been a somewhat painful ordeal for some of us, and these two months have made us sadder, a little older and perhaps a little wiser.

Shri Braj Raj Singh: (Firozabad): Question.

Shri Jawaharlal Nehru: But that experience or a little bit of wisdom has been purchased at a fairly considerable cost, for it has cost us the services of an able and distinguished Finance Minister at a time when they were most needed.

Let me say, however, at the very outset that whatever the penalties that we or others have paid or may suffer, this inquiry has demonstrated to India and to the world the democratic way we function. It has established the dignity and majesty of this Parliament, and of the procedures we follow in maintaining high standards of public life and administration. That is a great gain and an example to be remembered by all of us in India.

In accordance with parliamentary procedure, this House heard yesterday a statement on the resignation of Sri T. T. Krishnamachari. He has resigned and paid the penalty for what had happened and so far as this House is concerned, there is nothing more to be said about it.

In the course of this inquiry, much has been said about public ownership as opposed to private ownership, about nationalised Life Insurance Corporation as opposed to private insurance companies, about civil servants or businessmen in charge of large undertakings. Not only some witnesses but the public press have discussed this matter and some individuals have expressed their opinion about the failings of nationalisation. This was not a question for enquiry before the Commission. However, it is good, I think, that these facts have come out before the public.

I do not remember any such criticisms being made of the serious failures of a number of well-known private insurance companies. Apparently, such failures of private concerns were almost taken for granted and required no particular comment. It might be remembered that one of the principal reasons for nationalising the life insurance was the fact of such failures and the gross mismanagement of such companies. They were not managed or controlled by civil servants; businessmen were in charge of them. I am mentioning this so that we might consider these matters in proper perspective, and not in any way to slur over or to try to minimise the events that took place in connection with the purchase of certain shares by the Life Insurance Corporation, which have been the subject of enquiry.

One thing I should like to mention here, and that is that the Life Insurance Corporation has been doing rather well in recent months and it is, I believe, transacting far greater business than it has ever done before. After the initial few months, which were taken up in problems of re-

organisation, when the quantum of business fell, it has made rapid progress. The amount of business done by the various life insurance companies, which have now been brought under the umbrella of the Corporation, in 1955 was Rs. 258 crores. Then came the change and there was a great deal of disorganisation due to the change. So, in 1956 this business went down to Rs. 200 crores, that is, Rs. 58 crores less. In 1957, that is last year, it jumped up to Rs. 273 crores. That is to say, not only did it make up quickly the loss owing to disorganisation, but went considerably ahead of the previous peak figure.

So, judging from this, one would say broadly that the Life Insurance Corporation has done remarkably well, and that the officers who run it deserve credit for the way they have done it. That does not mean, of course, that we should not pay adequate attention to any wrong thing done, or that this record of good work justifies any wrong. But it does help us to look at this matter in perspective and to judge any individual case as an individual case, and not in large terms of generalisation about nationalisation or not.

Now, before I proceed very much further, I should like to say right now, on behalf of the Government, that we are of the opinion that the transaction resulting in the purchase of shares of the six companies was not entered into in accordance with business principles. I am also opposed to its propriety on several grounds. We accept, therefore, the Commission's findings in regard to this transaction. A major part of the Commission's report deals with this matter.

Also, I should like to say, as the Chairman of the Commission remarked in the course of the inquiry, there are several facts in this for which I have no explanation, and even the inquiry has not elicited all the facts which would enable us to form a clear opinion in regard to a number of these factors. Why the normal

(Shri Jawaharlal Nehru)

precautions were not taken in buying the shares and in fixing the prices and why the Investment Committee was not consulted, and why the prices of the transactions raised no protest, I fail to understand all this. It has still remained obscure. Whether it is possible to elicit further information now or in the future, we do not know. But, an attempt would certainly be made and perhaps we may be in a better position to understand one of these strange developments then.

A number of officers of Government, or of the Corporation, are concerned in some way or other with these transactions. We feel that insofar as the officers responsible for putting through these transactions are concerned, appropriate proceedings on the basis of the findings of the Commission should be initiated.

But, I should like to remind the House that while that is necessary and should be done, it is not right for us to come to final conclusions in regard to people who are not here to answer or to defend themselves. There are procedures laid down for this purpose and they should be followed. It has been a convention of this House—and it is a right convention—that no decision should be arrived at and no one should be condemned, who is not given an opportunity to defend himself. That is specially so in regard to public servants.

It is even more necessary to remember that if an individual is held responsible, it does not follow that the whole group of persons are at fault or are to be condemned. It would be a bad day if we generalise from a particular case, more especially in regard to the body of civil servants.

I should like to say that I consider the great majority of senior civil officers serving in India as a body of men and women of high ability and integrity, who have served their country well. I have been connected with many of them personally since the responsibility of Government fell

on our shoulders. I cannot say, of course, that everyone of them is able or of high integrity, but as a group, I am sure, they can be compared to their advantage with any similar group in any part of the world; and I am grateful to them for the work they have done.

They had to face a new situation and new types of work. They have done their utmost, often with success, to adapt themselves to this new situation. Our work has grown enormously and our fields of activity have spread. More and more we have become a State, engaged in social and industrial undertakings. I cannot say that all is well everywhere; but we are constantly trying to bring about a greater efficiency and higher standards of work and of integrity.

I should like to say here that in the course of the inquiry, though not in the report itself, mention was made of some persons wholly unconnected with these transactions in a way that might be disadvantageous to them and to the positions they occupy. In this way, the Governor of the Reserve Bank was mentioned. He was entirely unconcerned with this purchase, and I regret that anything should have been said which reflects on a man of high integrity and ability who occupies a position of great responsibility.

In this inquiry a question has been raised about the employment of officials of the Civil Service in our nationalised undertakings and our big projects. It has been suggested that businessmen of experience would be more suitable. I would welcome businessmen or other non-officials, if they have the ability and integrity that is required for such responsible posts. But there is another consideration to be borne in mind. A person serving in a nationalised undertaking should agree with the objective of nationalisation and of State control. A person who is opposed to it will find it difficult to fit in. It is interesting to

remember also that quite a number of our senior civil servants, after retiring from service, on reaching the age of retirement, have been offered and have accepted high posts in private business and are then supposed to be experienced businessmen. They are paid much more than, of course, what they were paid while in service.

Shri Nath Pal (Rajapur): That is for services they rendered while they were in office. (*Interruption*).

Shri Jawaharlal Nehru: Hon. Members opposite have very special sources of information which have nothing to do with reality and fact. They live in a world of imagination and make statements without the slightest foundation. If there is anything, let them bring up the facts. It is no good making generalisations.

Shri Nath Pal: They have been brought to the notice of the Government more than once.

Shri Jawaharlal Nehru: I am merely saying that generalisations of this type are no good. May I enquire why then senior officials who have been retired are in office in international organisations in India, in Europe, in America and all over the place? Because they were considered good enough for that.

Acharya Kripalani: (Sitamarhi): Is not the Prime Minister himself guilty of generalisation from a few cases?

Mr. Speaker: He was only answering what was said here by way of generalisation.

Shri Nath Pal: That was only with regard to the private employment. We accept they have integrity. We do not dispute that part of the statement.

Mr. Speaker: The hon. Members will have an opportunity to speak. The debate is not closing now.

Shri Jawaharlal Nehru: I do not wish to enter into an argument because these are side issues. But, they have become important issues because unfortunately all kinds of charges and insinuations are flung about in the press, in the lobbies of Parliament.

Shri Surendranath Dwivedy (Kendrapara): Rightly sometimes so.

Shri Jawaharlal Nehru: The non-Member says, insinuations are rightly flung about. That is unfortunately the way of some Members of the Opposition; I hope not of all. Because, I have high regard for many Members of the Opposition.

Shri Jaipal Singh: (Ranchi West-Reserved-Sch. Tribes): May I ask, on a point of order, is it correct for the Leader of the House to tell us what happens in the lobbies?

Shri Jawaharlal Nehru: If I may say so, I myself do not frequent the lobby as much as many others. But reports do reach me and I am amazed at the kind of insinuations and charges made there which, I should say, I do not mind their being made publicly if they can be dealt with. It is unfortunate that this kind of thing is said outside and it spreads like bad gossip and scandal from mouth to mouth and ear to ear.

Mr. Speaker: Sometimes newspaper report what they do not hear in the lobby as lobby correspondents.

Shri Jawaharlal Nehru: There is one rather interesting fact in regard to the Life Insurance Corporation, that the person chiefly and most intimately concerned with the question of investment, the particular matter that arises here, was and is a person who is considered an old experienced businessman. He is not a civil servant. He has had experience over a generation. I do not know how long, in one of the biggest life insurance companies previously.

Acharya Kripalani: He was paralysed.

Shri Jawaharlal Nehru: I know; unfortunately businessmen get paralysed when they have to function adequately.

This talk about public servants and businessmen in this connection requires much greater examination than has perhaps been accorded to it. The fact of the matter is that we should naturally search for and employ the best men for the job whether they are public servants, non-officials or businessmen, whatever they may be. As our work increases and the demand for high class and trained men with experience grows greater and greater, we are finding it very difficult to find the right kind of men.

That is a matter which has been considered repeatedly by the Planning Commission. Hon. Members, if they read the Second Plan report, will find a good deal said about it, that is, how to train in-sufficient numbers people to occupy these high posts if we could get them. In that, we have further stated that it is not merely training from the bottom up, but taking a young businessman if he is good, into service and giving him special training or training our civil servants in a special way. In other words, we have left the door open to get people and give them training and experience and thus prepare them for the larger responsibilities that are coming our way.

Then, the question has arisen as to what part the Government should take in the working of an autonomous corporation. Obviously, this requires earnestly consideration. The Commission has recommended certain principles. We shall certainly examine their recommendation in regard to these principles very carefully. Broadly speaking, we agree that autonomous corporations should have autonomy subject naturally to such limitations as may be prescribed.

Let us, however, look at the Act which gave birth to the Life Insurance Corporation. It should be remembered that the entire capital of

the Corporation has been found by the Government. According to the Act, the Government has the right to appoint the entire Board, the right to lay down the rules, the right to approve the regulations that may be made by the Corporation itself and the right even to wind-up the Corporation. Thus, although the Corporation was meant to be independent and autonomous in its day to day functioning a machinery was provided for the Government to give guidance to the Corporation in various ways. Parliament in its wisdom imposed upon the Government the responsibility that this business should be properly conducted through a Corporation and authorised the Government to give directives when they found such necessary.

Shri C. D. Deshmukh, the then Finance Minister, stated in the Lok Sabha on the 18th May, 1956 that there is the further safeguard that the Central Government has the right to give directions to the Corporation in the matter of investment. Investment does mean not only investment generally but specific investments. To lay down as a principle, therefore, that the Government must keep aloof from the Corporation completely would be to challenge the decision of Parliament.

Having made this point clear, I should like to add that we entirely agree that an autonomous corporation should not be generally interfered with. Indeed, it is our belief that there must be more and more devolution of power and authority subject to certain safeguards. No complicated system of Government can work if it is too centralised. Even in our other departments of Government, we are moving towards greater decentralisation.

This inquiry has raised very novel questions. Indeed, it is not in India only, but also in the United Kingdom that similar questions have arisen in regard to a recent inquiry called the Bank Rate inquiry

After that inquiry was over, many doubts were expressed as to the proper mode of a public inquiry in such cases. It is, I believe, the practice in inquiries in England to hand over the case to the Treasury Solicitor and he is given the assistance of the Chief of Police to make investigations. Upon the investigations being completed, all the information is put before the Inquiry Commission. The Commission does not, as a rule, take part in the examination of witnesses, but leaves it to the Attorney-General who is furnished with statements obtained by the Treasury Solicitor. The Attorney-General conducts both the examination and the cross-examination and in doing so and presenting the case, he acts only in the interest of bringing out facts.

It may interest the House if I quote from a leading article in regard to these matters which appeared in the *London Times*. I shall read some extracts from it only. There were, in fact, two or three articles on this because the matter exercised British opinion greatly, as indeed here in India this particular inquiry has exercised Indian opinion. Of course, the two inquiries are not of the same type; the matters involved are not the same. Nevertheless, there is a certain similarity, and the same questions have arisen.

I should like to say why I am explaining this, because it really is a matter for the future, not for the past. The other day I stated elsewhere that the method of inquiry was not very satisfactory. Some people thought that I was criticising the Chairman of the Commission. It was far from my thought. I was not criticising the Chairman at all, but rather the whole approach. The fault really and principally lay with us in not thinking this matter out beforehand. As a matter of fact, if I may say so with some hesitation and in all confidence, we were hustled by Parliament (*Interruptions*).

Shri Geray (Poona): That is very obvious.

Shri Nath Pai: We should do it more often.

Shri Jawaharlal Nehru: Parliament did not order us. What I mean to say is that it was Parliament's eagerness, a very legitimate eagerness—I am not denying that. We are asked—even now I believe there are questions in the Order Paper—did some Members of the Cabinet want to delay the inquiry? Did they want to postpone it? With this kind of atmosphere surrounding us, we must take action immediately, and of course, we were anxious. From the very first day, we were anxious to have a full inquiry to elicit all the facts and take steps. But we were not quite clear as to the best way of doing it, and because of our lack of prescience or lack of thought given to it, difficulties arose, as they arose in England in a different context.

Therefore, it was not in criticism, certainly not of the very eminent Judge who presided over this, that I said that. Rather it is for us to consider, for Parliament to consider at a later stage—and for Government to keep in mind—as to what type of procedure we should follow.

Now, quoting from this newspaper, it said that 'the whole question of the propriety of the whole tribunal procedure from its first origins in Parliament has come up before us, and what happened in the method that is adopted, what happened from a certain date always has caused considerable misgivings'. Again another point—'The first doubts concerned the question asked about a certain gentleman. In view of the categorical statements made by Mr. Wilson and Sir Leslie Palmer, that these questions were not intended to convey any allegation against him, it must certainly be wondered whether the way in which the questions were framed was proper, more especially.....'—Then it referred to some particular question whether Mr. Thorneycroft did or did not do something—'should questions be asked in Parliament carrying innuendo of this kind.'

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Then it goes on to say that 'the question has even arisen whether there should be some kind of restriction on the privilege of Members of Parliament', but comes to the conclusion that 'this would be undesirable. Even though the privilege may be misused, it is important to keep that privilege intact'—something with which I entirely agree. 'It is Parliament's duty, however, to do what it can to discourage Members from abusing that freedom.'

Then it goes on—'Possibly, the recent episode may tempt some Members on both sides in Parliament to indulge in exploratory innuendo as a harassing tactic'. (*Interruptions*)

Then another difficult question arose, that 'before referring the matter to a regular Inquiry Commission, is it to be inquired into in a smaller way? If so, will that smaller inquiry be public or private?' All kinds of questions are considered. 'If a public inquiry is decided upon, is the tribunal, the child of the 1921 Act, the right body? Clearly, Parliament itself cannot conduct such an inquiry. The next alternative is the Select Committee. The last time a Select Committee was used for an inquiry at all comparable with this, the Members divided strictly on party lines, and this was only one of the many bad features which prompted the 1921 Act as a remedy. Though this Act was hasty, its principle of referring such matters to an independent judicial body with the powers of the High Court seems unquestionably right'.

The 1921 Act, however, did not provide at all for the membership of a tribunal or their proceedings, and both have evolved by experiment.' 'After two Members of Parliament had taken opposite views as members of a tribunal in 1928, the membership was thereafter confined to the legal world. This has worked much better'.

'As regards the procedure, upto and including the budget leak inquiry

of 1936, the tribunal did their own inquiry. The Attorney-General confined himself to summarising evidence and to taking witnesses through their statements, while the cross-examination was done by the tribunal themselves' 'However, the 1936 tribunal complained that the testing of the witnesses' stories by way of cross-examination or otherwise by the tribunal might have created the impression that they were from the start hostile to some of the witnesses who appeared before them. From that arose the practice of the Attorney-General stating the case in more pointed terms and himself conducting the cross-examination. But this change may have undesirable consequences of its own. The Attorney-General starts, with a role which, to the laymen's eye, is one of hostility. Being himself a member of a Party Government, but acting in a non-party capacity, he must take special pains, so it is suggested, not to fall short in severity. In the exercise of this severity, although the luckless people to whom every sort of impropriety seems to be imputed are constantly reminded that nobody is accused of anything, he is apt to make a long connected statement of the case which somebody has explained away without a corresponding opening statement being made by that somebody's counsel. Further, the increased need for those involved to be represented by counsel imposes a huge expense which few private people can reasonably bear'.

I need not read all. The first thing is that such an inquiry should not be instituted without sufficient cause and without adequate preliminary inquiry. I merely read this out to indicate how complicated questions arose in these matters, how they have arisen elsewhere—they have, in fact, arisen in different ways. It is not a question of criticising any particular procedure. It is, of course, not necessary for us to follow the British practice in this or any other matter. But since in many ways we

do follow the British practice in Parliament, we can learn much from what has been done elsewhere and I certainly think, subject to further consideration that when such an occasion arises for the appointment of a Commission, some preliminary step should be taken and some preliminary investigation should be made to be placed before the Tribunal to help them.

There is another aspect of such inquiries. The inquiry, like any judicial procedure, must necessarily be conducted with great decorum and dignity and without public interference in it. Now, it is right and natural for the public to be greatly interested and for my part, I think as a rule public inquiries are better than private inquiries. But if, as was stated in fact elsewhere too, the whole atmosphere of the court becomes surcharged by public excitement and public exclamation and interference, it is not the normal atmosphere which one wants to prevail in a judicial court or in a like inquiry. As a matter of fact, I know that the Chairman of this Commission, Mr. Justice Chagla, was much distressed at what was happening in his court and protested many times about it, because it is embarrassing to the Judge or to the Presiding Officer of the Tribunal. It is exceedingly embarrassing to the witnesses who appear there and every effort should be made to prevent this kind of public excitement from overflowing into a court room.

Then, there are questions relating to ministerial responsibility, and like questions. They are important. Of course, they are hardly within the purview of the Inquiry Commission; they are really for Parliament to determine and usually such questions are matters of convention. I do not propose to go into this matter here except to say that we accept the broad principle of ministerial responsibility. But to say that the Minister is always responsible for all the actions of the officers working

under him may take this much too far. May I say that this inquiry had obviously nothing to do with the broad principles of the policy of the Government. It is not for such inquiries to criticise, comment or object to the broad principles of policies which Parliament has laid down. But there has been so much reference in the Press and elsewhere about these broad policies and an attempt made to run down those broad policies because of this not only in regard to insurance, but even in regard generally to the public sector, that I feel it is necessary to state quite clearly and positively here that so far as Government's policies are concerned, in regard to the public sector, in regard to increasing the public sector, they hold completely; there is not a shadow of doubt in our minds that those policies are right and should be pursued and this particular matter has nothing to do with them.

Further, I have already stated that Government accept the Commission's findings to the effect that the transaction resulting in the purchase of shares of the six companies was not entered into in accordance with business principles and was also opposed to propriety on several grounds. Further, Government intend to initiate proper proceedings on the basis of the findings of the Commission in respect of the officers responsible for putting through the transaction. Government also intend to examine carefully certain principles recommended by the Commission for adoption by the Government and the Corporation.

I am placed in a slightly difficult position, because I have got up to move a resolution which I have placed before the House that this report be taken into consideration. That, of course, is not a matter which can be voted upon, unless we stop consideration. With your permission, at a later stage I propose to put forward a substantive resolution for

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this House to consider and adopt. That resolution runs as follows:

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

"This House, having considered the Report of the Commission of Inquiry into the affairs of the Life Insurance Corporation of India, approves of the statement made on behalf of Government that:

- (1) Government accept the Commission's findings to the effect that the transaction resulting in the purchase of shares of the six companies was not entered into in accordance with business principles and was also opposed to propriety on several grounds;
- (2) Government propose to initiate appropriate proceedings, on the basis of the findings of the Commission, in respect of the Officers responsible for putting through the transaction; and
- (3) Government propose to examine carefully the principles recommended by the Commission for adoption by Government and the Corporation."

Shri Surendranath Dwivedy: Is he not moving the original motion?

Mr. Speaker: Motion moved:

"That the Report of the Commission of Inquiry into the affairs of the Life Insurance Corporation of India be taken into consideration."

Besides the substitute motion moved by the hon. Prime Minister, just now, I have received notices of 18 substitute motions. They come from the other side and this comes from the right side. I do not find any difference. (Interruptions). All that can be complained of is that they do not have sufficient notice of this motion. It will be circulated now.

All those amendments or substitute motions given by the hon. Members here will be treated as substitute motions for that motion. Therefore, there would not be any difficulty at all except the question of notice and I waive notice.

Shrimati Renu Chakravarty (Basirhat): Am I to understand that the original motion is substituted by this and that is not moved, as it was originally moved by the Prime Minister?

Mr. Speaker: That was moved and this is substituted.

An Hon. Member: There is a conflict.

Shri Mohamed Imam (Chitaldrug): We want to table some amendments to this motion that has been made by the Prime Minister. It is brought to our notice just now.

Mr. Speaker: The rules are here. Rule No. 342 says:

"A motion that the policy or situation or statement or any other matter be taken into consideration shall not be put to the vote of the House, but the House shall proceed to discuss such matter immediately after the mover has concluded his speech and no further question shall be put at the conclusion of the debate at the appointed hour unless a member moves a substantive motion in appropriate terms to be approved by the Speaker and the vote of the House shall be taken on such motion."

I do not find that there is any limitation that the Mover shall not make a substitute motion. We have allowed a number of substitute motions from time to time on Bills. Government itself brings up substitute motions in the Select Committee; then later on here, they heed to representations made, and they themselves say: "This is the original clause; we want to amend it in accor-

dance with the wishes of the various Members of Parliament." I have allowed on various occasions the hon. Mover of the Bill himself to move substitute motions or amendments to clauses in his own Bill.

Shri Jaipal Singh (Ranchi West—Reserved—Sch. Tribes): May I suggest that there is a lacuna in this. The other day we had the same point where the Deputy-Speaker turned down a point of order that I had raised.

The Leader of the House rose to move a particular motion. Very well. Then, afterwards, towards the end, of it, he tells us he proposes to move another motion later on. The point is he must move that right now; otherwise, it is not before the House.

Mr. Speaker: He has moved:

Shri Jaipal Singh: He has not moved it yet.

Mr. Speaker: He has done so.

Shri Jaipal Singh: Now he is doing, but he said he proposed to move it later on.

Mr. Speaker: He has moved it. I am afraid the hon. Member ignored the later portion; he was more attentive to the earlier portion than to the later.

Hon. Members would have noticed that the hon. Prime Minister read the original motion. The report might have been taken into consideration. The Government having considered so on and so on, want to have this motion carried by the House, or generally, they may say as they have said so originally that the report be taken into consideration.

Now, he wanted that the report should be taken into consideration, and subsequently, in the end, he read out that for the original motion the following be substituted, viz I have circulated copies of this substitute motion.

Shri Jaipal Singh: He must have permission of the House to withdraw his original motion, before he can move the substitute motion.

Mr. Speaker: It is not necessary.

Shri A. K. Gopalan (Kasargod): We have given substitute motions on the basis of the motion that the report be taken into consideration. Now there is a change. Will we be allowed to make some amendments to the substitute motion?

Shri Bimal Ghose (Barrackpore): Would you refer to rule 339 which says that a member who has made a motion may withdraw the same by leave of the House. We want to know whether the Prime Minister has moved the original motion or not.

Mr. Speaker: He no doubt moved a motion, then he moved another motion which I have allowed to be moved. Now, therefore, this will be the substitute motion that will be placed before the House. (Interruption).

Shri Bimal Ghose: rose—

Mr. Speaker: Order, order. I have allowed an amount of indulgence to this hon. Member. I have heard him. There must be some end to it.

The original motion was moved. Subsequently the Government thought that they must come forward with a certain specific motion. They have given a substitute motion. I do not see what impropriety there is.

Hon. Members may have noticed that as long as I have been here, for these eight years, I have not been standing merely on formalities and technicalities. The substance of a particular matter ought to be allowed to go through.

I agree with Shri Gopalan. I will certainly allow, if the substitute motions tabled by hon. Members on the other side do not fit in with this substitute motion moved by the hon. Prime Minister, hon. Members to make suitable modifications to them, and if they want their substitute motions to the original motion to be treated as substitute motions to the substitute motion moved by the hon. Prime Minister, I shall do so, and I will allow also such modifications as

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may be necessary. They may take their time. We are not concluding the debate today. Of course, during the course of the day they can give notice.

Therefore, with all this latitude we shall proceed, and I shall place the substitute motion before the House.

Shri M. R. Masani (Ranchi—East): Do I understand you to mean that a new amendment to the new motion before the House will also be in order?

Some Hon. Members: Yes.

Shri M. R. Masani: May I point out that the new motion brings new matter before the House, and it is only fair that amendments to that motion may now be in order?

Mr. Speaker: I will certainly allow all these amendments which arise out of the substitute motion, but not those not at all contemplated before; I will not allow an hon. Member to take this opportunity to bring in something new which does not arise out of the substitute motion.

Motion moved:

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

"This House, having considered the Report of the Commission of Inquiry into the affairs of the Life Insurance Corporation of India, approves of the statement made on behalf of Government that:

- (1) Government accept the Commission's findings to the effect that the transaction resulting in the purchase of shares of the six companies was not entered into in accordance with business principles and was also opposed to propriety on several grounds;
- (2) Government propose to initiate appropriate proceedings, on the basis of the findings of the Commission, in respect of the Officers responsible for putting through the transaction; and

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

Regarding the time, I would like to state that there are a large number of substitute motions to the original motion, and to this motion, i.e., all substitute motions, if the hon. Members agree, will be treated as substitute motions to this motion.

Hon. Members may hand over at the table the numbers of the Selected motions which they propose to move. I shall treat them as moved, as substitute motions for this, unless they want to move other amendments to their own substitute motions. The Members who hand over the numbers must be present in the House.

The time-limit for speeches will, as usual, be 15 minutes for Members including Movers of substitute motions, and 20 to 30 minutes, if necessary, for leaders of groups.

As hon. Members are aware, the House will sit up to 6 p.m. today.

Shrimati Renu Chakravartty: On a point of clarification. I want to find out whether we have to hand in the numbers of the amendments immediately or tomorrow.

Mr. Speaker: Hon. Member was a Member of the Business Advisory Committee. We have only two hours tomorrow. What is the meaning of handing over tomorrow?

Shrimati Renu Chakravartty: Because you have just said that we can move amendments to our substitute motions, we want to know whether we should do it just now, or we will get time to move them later on.

Mr. Speaker: "Later on" is not tomorrow—it is "during the course of the day". **Shri Dange.**

Shri S. A. Dange (Bombay City—Central): The Prime Minister, when he opened the discussion, made certain

observations which illustrate to us what has been the net result of this inquiry. The observations made, the original motion put forward which is absolutely vague, and the amendment that comes forward immediately after the original motion moved—all this shows what a terrific confusion and contradiction exists in the ranks of the Government. They did not know whether to go before the public accepting the findings; then they see that it will not do good to themselves and their health, and they change their minds; and all that is reflected in the last half hour's discussion about substitute motions and amendments and so on. And it is quite natural that there should be confusion, that there should be, in fact, panic, and that there should be sadness accompanied by a self-congratulatory speech that we are a great democracy, and that we are certainly far better than other sinners; we sin less than other countries. That is the conclusion One can congratulate oneself, if he likes, on being a smaller sinner while others are big sinners. But that does not lead us to the right conclusion.

Therefore, I would like to help the House in looking at the matter in a more realistic manner. It is not a question of bringing in false accusations or generalisations or in general damning the Government or in general damning the ruling party. That is not the point. The point is that from the things which have happened, correct conclusions are not yet being drawn.

See the way in which things are being discussed. There was a debate in December on this question. Government took one month to appoint an enquiry Commission. The Prime Minister says, perhaps, the Parliament hustled Government. Is that correct? There was one month to consider the whole problem, and to appoint a commission. The terms of reference were discussed by the Finance Minister in consultation with

the Attorney-General, and perhaps in consultation with other Ministers. Maybe, according to the rate and speed of governmental functioning, one month was not enough, and maybe, it was hustling.

13 hrs.

Shri Jawaharlal Nehru: Not one month I am sorry to interrupt the hon. Member. The hon. Member's timing is not correct.

Some Hon. Members: Twenty days.

Shri Nath Pai: The debate was over by the 17th December, 1957, and you appointed the commission on the 7th January, 1958.

Shri S. A. Dange: All right. Twenty days. You can reduce it to ten days I have no objection. I am coming to the real question later on. It is not such a hustling as it seems. Now, here the commission was appointed. But on the day when this question was brought up in this House, what was the attitude of Government? It was to deny everything and to say that maybe, something has happened, we will look into it and so on. And a tremendous pressure including the pressure from the Congressmen themselves was needed in order to make Government accept the demand for the appointment of a commission.

An Hon. Member: Only from Congress Benches. (*Interruptions*).

Shri S. A. Dange: Are you ashamed of this pressure? No, I do not think so. You did good; it is good that the Congress Benches also joined in the Demand.

Some Hon. Members: No, no. (*Interruptions*).

Shri Tyagi (Dehra Dun): They initiated the debate.

Shri S. A. Dange: I thought Shri Feroze Gandhi was a Member from the Congress Benches.

Some Hon. Members: Yes.

Shri Tyagi: And he had initiated the debate.

Shri S. A. Dange: That can be excused. You can deny because many things are being denied now, because the skeletons in the cupboards are getting out one by one. So, naturally, there is confusion and denials are there. However, at that very point, there was resistance to the appointment of a commission. But Government knew that the matter was serious, and they agreed to a commission. In fact, I would have been prepared to congratulate Government on agreeing to appoint a commission with a judge like Chief Justice Chagla. Certainly, Government should have deserved congratulations, but should they get them? The way they started looking at the conclusions shows that after appointing the commission, when they saw how things were moving, they repented about the appointment..

Some Hon. Members: No.

Shri S. A. Dange: ...and started detracting from the conclusions. And it was an astounding thing to hear, before the matter came up before the House, the Prime Minister passing judgements, giving certificates to officials and to people saying that there was no corruption involved; certainly, handing over Rs. 80 lakhs of public funds to a well-known fraudulent speculator was the highest kind of morality that was shown in the ranks of the officers who dealt with it; it was not a case of corruption at all. And I am quite sure, we should not be surprised later on, if Shri H. M. Patel and the officials were to get a title next year, of Padma Vibhushana or Bharat Ratna. It has become a habit. I am sorry, either in his magnanimity or in his blindness to reality, the Prime Minister develops a habit of sheltering people whom he should not and hitting at people whom he should not. The result is the confusion that is being seen in the debate and even in the remarks which he was making. He accepts the findings that the transaction was wrong, and yet, he says that the officers were good, they were

honest, they were not corrupt, and they have to be congratulated.

And he singled out one Governor of the Reserve Bank for a special certificate that he is not at all concerned. So far as the Finance Minister was concerned, he was the least concerned. Then we should like to know who was concerned; not the Finance Minister, not the Principal Secretary, not the Governor of the Reserve Bank, not the Chairman of the State Bank, not the president of the Stock exchange, and not the Cabinet; then, who was concerned? Only one person, Mr. Mundhra. He was the man who somehow or other inveigled people and ran away with Rs. 80 lakhs. And, of course, he was a great man. In fact, he himself claims that he was just following the foot-steps of the Prime Minister. (*Interruptions*). He was trying to build an empire. And building an empire is not a special virtue of Mr Mundhra; building such empires is the virtue of all the big monopolists that are still rampant. One Mundhra has been found. But others also still exist in the world of monopoly capital. Let us remember that.

The matter does not end there. You may detract from the conclusions; you may run down the method. In fact, there was a frowning at the installation of loudspeakers, and it was said: 'Why were people allowed to hear the whole thing? It was going to be a public enquiry, but a public enquiry where no one should hear anything. That should have been the method. That should have been the approach.' We fail to understand that sort of criticism. The enquiry is there. Let the people hear. We must congratulate Mr. Chagla for making it so public. We should congratulate the public of Bombay on their political consciousness, when in thousands they went to the court and they wanted to hear what was being done. Instead of congratulating the people, congratulating the Chief Justice, and congratulating the way in which things were done, there comes

the statement, no, the approach was wrong, the method was wrong; and later on, you deny and say, no, no, it is not a reflection on Mr. Chaglia. What a confusion, one statement being contradicted by another? However, let us not deal with the confusion part any more.

The question is this. Why was this done? To my mind it seems that in this House, there have been references to many scandals before. The House knows it. There were references, I do not know, to how many scandals. In fact, it is rather difficult to make a list. It is presented as if this is only one scandal which has suddenly come upon the people, come upon Parliament and come upon Government, and they are surprised that such a thing did take place. No, that is not so. There was reference to many scandals in this House. There was the jeep scandal. It was suppressed. There was the fertiliser scandal. One or two officers were just prosecuted or something was done, and Shri T. T. Krishnamachari gave his parting kick with particular reference to this scandal. He said that the Minister at that time did not find it convenient to resign. Of course, he took the compliment for himself that like an honourable man he accepts and walks out, while the other gentleman who once becomes a Governor, and at another time a Cabinet Minister and a third time a petty lawyer who goes hawking about for defence cases against working classes, did not have the courage to resign when he was the Minister. The hit was right, and I congratulate Shri T. T. Krishnamachari for having given that hit, though both of them belong to the same Congress Party.

Then, there was the debate about the affairs of the Industrial Finance Corporation. There was resistance to giving names of those who took loans. It was found that the amiable gentlemen of the Industrial Finance Corporation were appropriating loans

for their own concerns or for the concerns run by their brothers-in-law or sons-in-law. When the scandal came out, somebody resigned, and the whole thing was hushed up.

There was the Stores Purchase scandal also. There was somewhere, I think, a reference to the supply of defective vehicles to the Defence Department running into a bill of crores and the man who exposed it, a simple worker, is victimised and dismissed. And I do not know what has happened to these defective vehicles I am told they are being returned.

Things are going on; people do talk. People are asking questions. But what is the result? Questions are asked but ministers evade replies. They evade telling the truth and when the whole thing accumulated like a dead weight of heavy sins, this Government thought, let us face it out. They thought nothing much would come out of it. They said: You have mentioned so many scandals. Here we are appointing an Inquiry Commission for one. And, they were horrified to find that things came out which they did not expect to come out. Therefore, there was confusion; there was panic.

However, I want to say this that the concession to appoint a Commission was not so much due to a high sense of democracy. Things had accumulated too much and they wanted to let out a little steam and see if the whole thing could be covered up in a way. But the Commission did reveal things they did not expect.

What did the Commission reveal? There was practically no reference here to the simple thing, the simple truth that is revealed in the inquiry—and all parts of the truth are not yet known—yet the truth that is revealed is so stinking that the whole world is talking about it. And, what is the truth? We should pay some attention to that.

[Shri S. A. Dange]

I do not want to go into the details of the case, but I want friends and hon. Members to see the essence of that. What is the essence of that? It is that fraud was discovered in insurance funds when it was in the private sector. I am told that some Dalmia was hauled up for that and something. Then, they nationalised it and they handed over the administration, the investing power, to those very people who opposed nationalisation. Mr. Vaidyanathan, the Chairman (*Several Hon. Members*: The Managing Director) of the LIC had campaigned against nationalisation. It was handed over to them and with what policy? That the funds shall be put at the disposal of the private sector as they were done before.

So, what was the net result? The net result was funds were taken over from the Dalmias and handed over to the Mundhras, once from the private sector and now from the public sector. This is the net result of the transfer from the private to the public sector. And, it illustrates the truth of the statement by the Prime Minister that there is no difference really in our economy between the public sector and the private sector. That is the truth. But the traffic is only one way traffic; funds go out from the public sector to the private but they never come from the private to the public sector. This is the way in which nationalisation is handled.

Was this policy correct? It was not correct. What was the importance of nationalisation? That small savings of poor people should be gathered together and put at the disposal of the Plan. When we ask bonus payments, we are told by the Ministry and the Government, to buy savings certificates, and not take cash. When people ask for higher wages, even in this Insurance Corporation, they are told: Do not ask for higher wages; save and lend to the Government. Yes; save and lend to the Government so that the Government can lend to

Mundhras. That is the slogan. So, that is the policy! It was not the adopted policy of the Plan; and yet who changes the policy? It looks as if any Minister, any Finance Secretary, any Reserve Bank Governor can change the policy of the Government and change the policy of the Plan. Is that the way Government should function? That is the question we should all ask Government: Why such functioning takes place.

What was revealed is now made out as if it is a bolt from the blue. No, Sir. This thing happened because there is a certain method of functioning of the State machine. There is a certain method of Cabinet functioning; a certain method of functioning of the permanent bureaucracy and that method is the cause of this.

For example, it is said that the thing has come upon us suddenly. Is that so? It is on record from the Secretary of the Company Law Administration that the history of Mundhras was known to the Government since the year 1954. It is not merely June or December 1957. This is not a thing in which hustling has taken place in 20 days' time. The Government of India knew Mundhra since 1954. What were they doing; what were all the Ministries doing about this affair?

The Reserve Bank made a report against the Mundhras. What was the Government doing. There is a letter in July about these transactions. What did the Government do till December until the House brought it forth in the debate? Not only that. Who does not know that the omnipotent and omniscient Home Ministry, which can chase communist workers from railway departments and can find out who is walking with whom and with what politics could not find time to chase the Mundhras and find out what they were.

Is it a fact that they were not known? The Commerce Ministry has been concerned with the foreign exchange of the Mundhras and their

concerns. What were they doing? What were all these Ministries doing? It is on record—in the Chagla Commission Report—that the Prime Minister himself knew it. It is no use simply hanging TTK for a sin for which he should suffer and did suffer. It is no use doing that.

Acharya Kripalani: Don't bother! he will come back.

Shri S. A. Dange: No, no; he will not come back.

It is on record that the Finance Ministry knew about the Mundhras in 1954. Mr. T. T. K. knew it in August 1955 when he was the Commerce Minister. Mr. Rama Rau, Governor of the Reserve Bank knew in February 1956 and reported to the Government. One Justice Tendulkar, when he was confronted with a petition from the Mundhras, put it on record that he was a dishonest man; and the Prime Minister himself wrote to the Ministry saying that there is a new star appearing, please watch it. And, the Ministry started watching it. And, they were soon dazzled by the star that they became its satellites and started moving round the star, and the star has landed them ultimately in a mess. When they became satellites, the result is bound to be a crash that we saw in December in the debate. Why were not steps taken? The Prime Minister also knew that the star required to be watched. Why was not that done?

After the June transactions, in September 1957, for a time when T. T. K. was out and the Prime Minister was acting as the Finance Minister, at that time, he got a file from the Finance Ministry on certain affairs—we do not know what those affairs were—and he writes on that: "I have no good opinion of this man; he has a bad reputation." He had no good opinion about the reputation of the man. He should have asked the other Ministers. We are yet to know what was the file on which the remark was made. Why did not the Prime Minister make a statement before the Chagla Commission on this? It was

after the June transaction. There must be some explanation about it. It is recorded in the evidence before the Commission.

What I am going to say is this. There was a sort of hypnotism cast almost over every Ministry by this gentleman. Everybody knew about it and nobody would move about it. And they started running criss-cross with this man and that brought a crash. This is the picture that comes out. From 1954 till 1957, the whole picture is that every Ministry knows about it and yet nobody moves about it. And, when the thing did crash, even the June transactions did not come before the people, even when the Governor of the Reserve Bank and others reported in their July letter to the Finance Ministry, even when the Prime Minister knows from the files that were before him. This is the sort of paralysis that has crept over the governmental system for 4 years, when this man, a known fraudulent man, a gambler, a flamboyant personality, a man who wants to build an empire of industry with no money in his pocket by speculating on the Stock Exchange goes on adventuring. For 4 years it goes on and yet no Ministry can do anything. What is the secret of this? What is the use of blaming the ICS or giving good certificates? The permanent bureaucracy was involved in it. Shri H. M. Patel is a brilliant man of this bureaucracy, but his brilliance went to the service of the Mundhras.

Who are the officers involved? The list is very interesting. There is Mr. Bhattacharya, there is Mr. Iyengar, there is of course T. T. K., then there is Mr. Kamat and then there is Mr. Chaturvedi. In this you will find that there is no difference of language, community or linguistic provinces. No difference of south or north or east or west. Every direction is equally represented—Bengal, Maharashtra, Gujrat, Tamil Nad and U.P. Every body is represented. They have acquired one very good understandable common language—the quotations

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of the stock exchange. It could be understood without any differences, of language or philosophy.

What are these men? They are the men who are the power behind the throne. Who rules us? Sometimes the Ministers, sometimes these gentlemen. Many of them are honest. I do not want to cast a reflection on the whole service as such. What is the system? T.T.K. is asked a question From behind comes a pad and he says: 'I do not know what was written there'. Who is running the Government? Who is running the democracy? There is a wonderful and funny division of labour, between the ministers and the I.C.S.

Even today you can illustrate it. T.T.K. went out. What about the Budget? Just as easily or with greater ease, the Prime Minister will get up and read the Budget. Who makes the Budget? We should like to know. What is the relation between the ICS service, the steel frame which we have inherited from the British and the democratic functioning of the Cabinet and the Parliament. Why has this happened?

Why could these ICS people be bamboozled? I do not want to say just now about their particular careers. But why are they taken in by the Mundhras? Because the State machine has tremendous faith in private capital. They are dazzled by the power of the monopolists. It is not unnatural. If Mr. J. R. D. Tata or Mr. G. D. Birla or for that matter Mr. H. D. Mundhra walks into the office of an ICS Secretary, he is overwhelmed by the power of the millions, by this ownership of the sugar mills, textile mills, iron mills, railways and so on. There are ten directors controlling hundreds of crores of rupees of capital, 20 or 30 companies despite the new Companies Act. When these mighty capitalists, owners of finance capital, walk into the office, what can the poor Secretary do? Even the Ministers collapse. What to talk of the ICS.

They believe that the words of capital weigh more. Ministers and officials flog abuses at hunger strikers, on students' indiscipline. But what paralytic faith, what imbecile faith they show in these owners of millions of finance capital? What is their power?

I will remind the House of this. My friend, Shri Asoka Mehta, some ten years ago wrote a book *Who owns India?* There you will get a description of this whole power of finance capital. It is this finance capital in the hands of private profiteers, buccaneers of the middle age, who annex now not pieces of land but huge blocks of capital and factories and mint millions, that owns India. This is the power that controls the Government and takes the policy in the wrong direction.

What is the source of evil? The source of evil is the power of private capital. Therefore, I agree with the Prime Minister that this scandal is not a reflection on the State sector. No. The solution is not to halt the growth of the State sector but to expand it.

Nationalise the banks. If you want to find out their frauds, the best key to them is the bank books. Yet the bank books are in their hands. The biggest banks are at their disposal. Nationalise the banks. Take over the Jessops Company. That is where the scandal started. You can read it. Jessops is a gold mine and there are many people who want to grab it. One fellow grabbed it and then others started informing on him. It is the rivalry among the powerful monopoly capitalists that has brought the truth out. When thieves quarrel, honest men come into their own. This is the example.

There are many hidden scandals and they are not known. Because, there they have a pact among themselves. When they fall out and quarrel, they inform against each other and then a very sorry spectacle started. One says that he is not responsible. The other says that he was not responsible. Everybody deserted everybody

else and we were left with things as they were.

What should be the lesson and what should be the solution? This Government is under the influence of big business—including the Ministers and the I.C.S. officials. They sometimes take their lessons from the Ministers' directions or from the Ministers and sometimes they do it on their own. I had asked the Chagla Commission in my letter to ask one question: "Will you ask how many benami transactions were made in the last three years by all those who were connected directly or indirectly with several Ministries in this Government?" Of course, Mr. Chagla said that it was beyond his terms of reference. Now, will the Government do that?

The Government passed laws about corrupt officials. Will the Government make enquiries as to how many 'nouveau riche' new millionaires had blossomed into power, owning millions of shares in various factories in the names of other people during the last ten years after they came into power. How many Ministries or Ministers and their friends have blossomed into new millionaires and by what methods?

Certainly if their private enterprise were honest, we should have no objection. But it is a matter for enquiry. The whole functioning of the Government is there. The Prime Minister referred to I.C.S. officials being taken over after retirement by businessmen in their service. That is supposed to be a certificate for the way they develop these officers as good businessmen. No, Sir. There are many officials of various Ministries who retire and are taken over by these businessmen so that they can give them advice in what expert way they could get licences and how their bills could be got sanctioned quickly. Bills are hidden in files. They remember their old friendship and their old school ties and these officers come back either on behalf of Tata or on behalf of Birla or Mundhra and say: Let us have the bill quickly. That is why they are taken back by these

businessmen into their service, not because they have blossomed into very fine economists, or philosophers or efficient administrators. That is not the only thing. I should like to know why the other aspect is not mentioned: why the Government takes businessmen or their friends inside the Cabinet.

There is a two way traffic. Government servants go back to businessmen and businessmen come to Government. For instance, here is the balance-sheet of this very company about which there has been such a lot of discussion—Jessops. The Chagla Commission asked: "What was the driving force, motivating force? What was the haste?" The motivating force was the possession of Jessops. The driving force was the *badla* day that was coming—the crash of Mundhra and others. Anybody who knows the stock exchange could find out what was the haste.

In this Jessops, you have the example of the other way traffic—private businessmen coming into the Cabinet. The Directors' report of Jessops, signed by the managing directors, Mr. Satchell and Mr. Graham, dated 31st October, 1956 says: "Mr. A. K. Sen joined the board on 20th August, 1956 and retired on his appointment as Minister in the Central Government." It is a two-way traffic, not one-way traffic.

I do not at all allege anything. Let me be very clear. I am a frank speaker. I do not allege that Shri A. K. Sen the Law Minister was unconnected with this transaction. I am simply saying that the State machinery is relying on Capital, relying on the private sector, talking theoretically of socialism but really feeding private monopoly. That is how it functions, how Ministries are composed, how I.C.S. servants function. Therefore, you will pardon me, Sir, when I say that once again the old man from the grave has got to be quoted, however much you might dislike him, and that is Karl Marx. One hundred years ago he said: "What is the modern capitalist State? It is an

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executive committee to manage the affairs of the bourgeoisie." The Mundhra affair shows that modern State machine, I.C.S. officers, Ministers and others, all were managing the affairs of this Mundhra. He was crashing, wanted two crores. They took public money from the L.I.C. and handed it over to him, and when the thing burst everybody wants to run away from the stink. You cannot run away from the stink like that.

There was hesitation in accepting the report; there was hesitation in having a further probe. I am very glad to hear that the Prime Minister at last accepted finally the main recommendations. I am glad that they are going to probe. What I want to ask is this. Will they, for once, use that Presidential power under which they dismiss hundreds of railway workers without assigning any cause, against H. M. Patel? The Railway Ministry knows that the President of the Republic signs warrants: "You are dismissed; cause will not be assigned in the public interest." Will he dismiss at least one I.C.S. man? A very brilliant man, release him for using his brilliance further in the service, if not of Mundhra who is in jail, of somebody else.

On the previous day Mr. Mundhra gave an interview in which he said that he had paid Rs. 1 lakh to the Congress funds; the next day he finds himself in jail.

An Hon. Member: Not more?

Shri S. A. Dange: May be that statement also may be wrong. Who knows whether we could believe Mr. Mundhra or not; we do not know. In any case, there it is. Therefore, Sir, I would say that the State machine is revealed in all its glory of State enterprise in the service of private capital.

At the same time I want to fight the conclusion that nationalisation is bad. I agree with the Prime Minister that if scandals did exist in private concerns, they could not be debated in Parliament. That is the main

advantage of State sector. Whether we agree or disagree with what is being done, we can debate them before the public; we can challenge the *bona fides* of what is being done. Therefore, it is one great advantage in having concerns in State sector. State sector does not stand condemned.

An Hon. Member: Advantage of parliamentary democracy also!

Shri S. A. Dange: Yes, advantage of parliamentary democracy also, if its conclusions are not to be denied, if it is consistently followed and its conclusions are not hurriedly denied by high men in power.

In conclusion what I would say is this. Let us study the way our State machine functions; let us study the way things are being influenced by private capital; let us study the power that is still wielded by them; let us find out how that power can be curtailed and finally abolished. Let us think of nationalising the big key concerns; let us think of taking over the Jessops in which we have already invested funds and let us take it over and nationalise it, because it is already running on orders from the Government.

Mr. T. T. K. has paid for his sins, whatever they may be, or they may not be. But he did tell the truth while he parted, and the truth was: beware, the man-eater is at large. I wish he had told the truth before he resigned. In fact, he accompanied the man-eater to America and to England, and helped it to secure aid and more blood. And having tasted blood the man-eater turned round and mauled him. In any case he survived and has given the lesson that powerful private vested interests are out to smash the development of the Plan, and especially the State sector. They are out to discredit the State sector; they are out to take possession of the public funds in the Plan, in order to enrich themselves and this man-eater has got to be watched. Well, I hope, Sir, Government will not watch it as they watched that new star rising and

started going round it. I hope they will not have the ambition of thinking they can tame the man-eater and put it in the service of socialism.

No, Sir, the man-eater has got to be shot, and shot in the most non-violent way, if you like, but has got to be shot! The man-eater's claws have to be taken away and its poisonous fangs have got to be knocked out. What are the claws and what are the fangs? The power of capital, the power of banks, the power of ownership of vast textile mills, where they can do and undo things, where they can buy men, persons, morals and everything. This power of the man-eater has got to be curtailed and smashed. And I hope that in faithfulness to the principles which have been laid down by this House towards the development of socialism and democracy, these private vested interests, this power of finance capital will have to be smashed and the permanent bureaucracy, not all of them, but those who trip and fall a victim to it are taught the lessons that arise from this. I also want that Government does not sleep over scandals for years passing files from one Minister to another, that it does not disbelieve rumours that go in the newspapers or in the lobbies and scoff at these rumours as being inventions either of this party or that party and that they will take the correct lessons and cure themselves of the sin that they have committed.

Acharya Kripalani: Mr. Speaker, Sir, I agree with the Prime Minister when he says that the ordering of this inquiry has enhanced the reputation of the Government and of the Congress Party as also of the democracy in India. The Government did a very good thing in appointing a Judge of the High Court whose reputation for knowledge of constitution and common law is very great and who is known for his independence and for his impartiality.

However, Sir, the only flaw that appeared in the inquiry was injected by the Prime Minister himself. As the proceedings of the Commission

proceeded and evidence by high officials was given, the Prime Minister became rather irritated; and when he gets irritated it does not take him long to show his irritation. Even while the inquiry was going on he showered praises upon the parties concerned. Then he fell foul of the public. He said they had shown a morbid interest in the proceedings and they did not behave with due dignity and decorum. We often give sermons to the people on dignity and decorum, but when we get annoyed or frustrated our dignity manifests itself in the manner in which it was manifested yesterday (by the ex-Finance Minister).

The Prime Minister also criticised the installation of the loudspeaker, which was not of the people's doing, but which was done by the Police for purposes of their own. Sir, I do not apologise for the way the crowd expressed its interest in this enquiry. But I would wish the Prime Minister to know the psychology behind it—and he is a great psychologist himself. For a long time the public have felt that the high-ups in the ministerial and administrative services, when they deal with large sums of public money, their deals have not always been on the square. There has often been talk of scandals in the Government. Also, Sir, people have seen that those, who talked and walked with them before independence, as soon as they come into power, show superciliousness and a kind of superiority and arrogance and they behave as if they were not the servants of the people but the masters of the people. Even so, the crowd behaved well enough in the beginning, but when they found that the evidence by the great ones was characterised by vagueness, equivocation, contradiction and even a convenient loss of memory, the public got, naturally, a kick out of it and they expressed their feeling in the only way that they knew. I make bold to say that any crowd in the West, with greater traditions of discipline, would have behaved worse.

But, Sir, this was not enough. As soon as the Commission's Report was

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out, the Prime Minister, in his letter accepting the resignation of the former Finance Minister, opined that "the manner of approach of the inquiry was hardly satisfactory. The inquiry was neither judicial nor capable of otherwise elucidating facts". Sir, I am happy to learn that the Prime Minister had no intention of suggesting that the learned judge had not brought a judicial mind to this delicate and difficult task. May we presume that the Prime Minister thought that the evidence did not sustain the conclusions to which Justice Chagla arrived. I am sure, Sir, if Justice Chagla had felt like that, he would have given the advantage of doubt to the parties concerned. Evidently, he felt, Sir, that there was sufficient evidence to come to his limited conclusions. He has not enquired into the motives that impelled so many people to have dealings with Mundhra of a doubtful character. His terms of reference were limited and these terms of reference were settled in consultation with the Finance Minister. But he felt that there was sufficient evidence to come to his limited conclusions which were limited by the terms of reference and by the fact that it was not a criminal case or a civil suit. Nonetheless, it was an inquiry of a judicial character and the conclusions were based upon documents and evidence. For everything that Justice Chagla has said in his report, he has quoted copiously from the evidence given before him and he has also quoted from undoubted documents.

Sir, it is common ground that the whole truth has not come out. It is common ground between the Commission, the Attorney-General and the Prime Minister, and, if I may say so, the public also. And why does Justice Chagla and the Government Advocate feel that the whole truth has not come out? It is very plain that they feel this because the witnesses—and the official witnesses especially—have not come out with all the truth. They are all clever men. We are satisfied about their cleverness from what the

Finance Minister said yesterday and what the Prime Minister himself said today. I ask this: how could they have entered into such a deal without some motive? They are certainly not the people who lack intelligence. They are certainly not the people who lack experience. But the motive does not come out, and the learned judge could not go behind his terms of reference. So far as the Prime Minister is concerned, he has not made plain in what particular points the enquiry was defective. The Judge himself has said that it was not a criminal case with which he was dealing nor was it a civil suit, where there could be cross examination and re-examination and other methods used to sift the truth, that are used in criminal cases.

So, we do not know very much, but we know this much—and I am glad that the Prime Minister had admitted it—that there is sufficient evidence to show that certain not very creditable things were done and they were done in an irregular way. For instance, Sir, is there any doubt in anybody's mind that the intentions behind the nationalisation of the Life Insurance were not carried out by this deal? Has anybody any doubt what Shri Krishnamachari said about 'blue chips' has not been carried out, and also when he said that investments are made with a view to getting returns and making safe investments. Nobody, I suppose, ever doubts this. Sir, is there any doubt from a perusal of the evidence that proper forms of procedure laid down in the rules of the Corporation were not followed? The investment committee was not consulted. Section 27(a) of the Insurance Act was not applied. There was indecent hurry to close up this deal. Not only were the official forms not followed, but I claim that no forms at all, current to private business deals, were followed.

Was the investment sound and prudent? Nobody can say from the evidence that was placed before the Commission that the investment could

be sound or prudent. After a few days it is admitted that Rs. 40 lakhs loss had already been suffered by the Corporation. By this time how many lakhs the Corporation has lost only the officials know.

What was then the intention of purchasing these shares? Was there really a crisis in the market? Sir, there was a depression. But in the evidence it does not come out that there was a crisis in the market.

Was there the necessary co-ordination that would be considered good in any administration? The last Finance Minister before his last assignment was a Minister for Commerce and Industry, and as such he has made some remarks about the character of Mr. Mundhra; but when he becomes a Finance Minister he absolutely forgets everything about Mr. Mundhra's past. Then, there is no co-ordination between the Finance Ministry, the Commerce Ministry and the Government banks. The banks have certain information which remains with them or is not taken advantage of by the Finance Ministry. Further, as our friend has already pointed out, and as I pointed out on a former occasion, even the information with the Prime Minister is either ignored or not taken advantage of by the Finance Ministry.

Then, was there any definite basis for fixation of prices? The efficiency of the administrators is praised. But I have yet to learn that an administrator can be efficient when he gives out of public funds to a private individual even more than what is asked by that individual. It passes one's comprehension how in several scrips the price paid to Mr. Mundhra was more than what Mr. Mundhra himself had asked for.

Again, Sir, this deal was a 'packet deal', and shares of all quality were lumped together, good, bad and indifferent. And, then, the deal was private. It was not negotiated through the brokers. It was negotiated with Mr. Mundhra, and there was

a 'hush-hush' policy about it. When the officials were asked why they did not declare in the public that they had purchased so many shares they gave a very astounding reply. They said the market would have gone up. One would have thought that every purchaser of shares would want the market to go up so that the value of shares might be enhanced. Here these philanthropists do not want even the market to go up. This is something that is not done in private life, and what is not done in private life cannot be done in public life simply because the funds belong to the poor life insurance investor.

Then, Sir, there is a paralysis of all the officials. Of course, the Prime Minister has selected one officer and said that he had nothing to do with the deal, and that was the Governor of the Reserve Bank. But evidence is there that he was present at the time, on the 24th, when this deal was being finalised. He had in his office information about Mr. Mundhra's character that was not brought out. I do not know how the Prime Minister can single out the Governor of the Reserve Bank and make him immune from all responsibility.

Shri Nath Pai: To show that there is no conspiracy against Mr. Mundhra; that is the reason.

Acharya Kripalani: Now, Sir, I come to a very delicate point. It is delicate for me because from the time that Shri T. T. Krishnamachari was the Commerce and Industry Minister I have been critical of his policies, and he has himself said that I was allergic to him to which I had replied that I was allergic to all supercilious persons and those who claim to know more than they actually know. I continue, Sir, to be allergic to such persons.

Mr. Speaker: He is no longer here.

Acharya Kripalani: I am very sorry for him, but what can I do? Sir, it is a public question. It was a question of the responsibility, and I think it is this question of responsibility that was

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oppressing the Prime Minister. Here was the case of one of his favourite Ministers, not favourite on account of any personal reasons but favourite because he thought that he was very efficient, that he was a very energetic, that he was very resourceful, that he was a very careful Minister. It is because of this that the remarks of the Prime Minister on the question of responsibility are made upon the manner and method of inquiry. Therefore, even if Shri T. T. Krishnamachari is not present here I am obliged to say something about it. I will say nothing about him more than what I have stated in this House before on several occasions in his presence, so much so that you, Sir, had the occasion to take out some of my remarks though they were only the repetition of the remarks he had made.

14 hrs.

There are three kinds of responsibility. First, the responsibility of the Minister to Parliament. Second, the responsibility that is constitutional of the Minister for the actions done by his subordinates in pursuance of his policy. Third, the personal responsibility—whether the orders emanated from him or whether he connived at them or whether he did not take action after having come to know that certain things had been done. That is the personal responsibility.

Now, let first me take the responsibility to Parliament. Let us see how the former Finance Minister performed his responsibility to the Parliament. It has been pointed out that there was an equivocal answer to Dr. Ram Subhag Singh's question put on the 4th September. I am sure the Minister would have known what information the hon. Member was asking for. It is not sufficient to say that the Minister is entitled to give only technical answers to information that is sought in this House by hon. Members. Maybe that trained as we are, not as the Ministers are trained, we might

frame out questions defectively; but they (the Ministers) must come to our help and they must come to the help of the House and the public through the House by answering questions properly. Even the judge has said that the answer to Shri Ram Subhag Singh was an evasive answer.

Then the same Member asked again a question on the 29th November, and again the Minister replied, and it is seen that even up to the 29th November, the Finance Minister seems to have known nothing about what had happened. This question of Mundhra deal was agitating the commercial world and the public and yet when he gave his answer, this energetic, efficient and hard-working Minister, without proper preparation, without ascertaining facts. And it is said that he only quoted the answer that was written for him by the permanent officials. He said yesterday that he was so pressed with work, that he had to answer so many questions that he did not look to the answer that was prepared by the permanent servants, to this important question which had been agitating the public mind and which had been agitating the Members of Parliament.

Let us then examine his constitutional responsibility. It has been admitted by the Prime Minister, that this responsibility is there. But Shri Krishnamachari has added that it would be rather hard on the Minister if he should resign on every occasion. I do not suppose anyone of us, even the Members of the Opposition, want the Ministers to resign on any occasion; but not to resign on any occasion whatsoever would be dereliction of duty. I believe this was an occasion when the Finance Minister need not have waited for the Commission's report, but should have resigned at once. I am sure that if he had resigned at once, the confusion in the evidence would not have arisen. With the sword of the Finance Minister in office hanging over them, the officials who were paralysed into going into

the Mundhra deal were also paralysed at the time of giving evidence. If the Finance Minister had not been there and if he had resigned, I am sure the truth about which we all complain would have come out.

I do not believe for a moment that senior officers were afraid of their colleague, this colleague who was the Principal Finance Secretary. And who made him Principal Finance Secretary? If, as I believe, I am right, it is Shri Krishnamachari who raised him to that position, who recreated this post which was abolished, and he was in his confidence. I refuse to believe that senior officials were terrorised because of this Principal Secretary. As a matter of fact they thought that he was behaving, as he was behaving, at the instance of the Finance Minister himself. Therefore, to say that this is not an occasion to resign is not correct. This was a special occasion. That it was a special occasion has been pointed out by the Prime Minister himself because of the interest that was shown by the public.

Then the Commission has gone on circumstantial evidence. I do not know if circumstantial evidence is not allowed even in criminal and civil cases. It would be impossible to detect any irregularity or crime unless the judge took some note of circumstantial evidence. Direct evidence cannot always be had; but here there is some direct evidence also of two officers. Not only that. There is a direct evidence from the Finance Minister himself. There was Mr. Raman's letter of July 6th, and then again Mr. Raman's letter of the 5th September. He is an officer of the Reserve Bank of India—a Research Officer. His note was kept before the Finance Minister. The Finance Minister sent a note to his Secretary and in that note he said: "The attached report from Mr. Raman does not make good reading. Can we do anything about it?" And yet, when after great difficulty, you allowed a mere one hour's debate on this question, the Finance

Minister comes, not prepared with facts.

Mr. Speaker: What is that question about?

Acharya Kripalani: The original debate on the Life Insurance Corporation.

An Hon. Member: Two hours.

Mr. Speaker: I thought I gave something more.

Acharya Kripalani: I was not present on that occasion. I heard it was one hour's debate.

Dr. Ram Subhag Singh: Originally it was one hour. Later it was extended.

Acharya Kripalani: Anyhow, it does not matter. The Finance Minister talked most of the time.

Even at that time the Finance Minister was not posted with facts. He had not received them from his officers.

14.11 hrs.

[MR. DEPUTY-SPEAKER in the Chair]

Yesterday he made an astounding statement that he knew all the facts only when the Commission was enquiring. This is the efficiency the Finance Minister shows! He went on telling everyone of his officers that they should exercise care, and yet this is the care that he exercises. I think it is right to presume that he had some knowledge of the transaction. He says that afterwards he came to know of it. In that case, it was his duty to ask for a re-examination. It was his duty to give a note to the Commission.

Further, I am very sorry that he should have styled the private sector as consisting of man-eaters. I say with all the responsibility that these man-eaters were nourished most of all by the Finance Minister when he was the Minister of Commerce and Industry by indiscriminately giving them permits, which we are yet to redeem. It lies ill in the mouth of the

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Finance Minister to call these persons man-eaters. It is very ungraceful, because people that belong to this category of man-eaters have been uniformly praising him. It is not a sign of gratitude. It lies ill in his mouth to call the private sector as belonging to the man-eaters, because the Government has allowed it, with all its faults, to increase production.

Then again, the carcass rejected by these man-eaters goes to fill the pockets of the Congress party. If I may be excused for saying so, something of that mutilated flesh may have gone into the general election expenditure of the Finance Minister also, moreover some of the man-eaters are in Congress ranks.

Mr. Deputy-Speaker: The hon. Member has to conclude now.

Acharya Kripalani: As one financial magnate told me, these man-eaters prosper by the help that they get from the administration.

Then, was it Mr. Mundhra who let the Finance Minister down? The Finance Minister had talked of these man-eaters as if he was a victim of Mr. Mundhra. He was a victim, if I may say so, of a great man-eater, who was in his own department. He was let down if at all by his Principal Finance Secretary. Is he right or his Principal Finance Secretary is right? He was not let down by Mundhra or any other capitalist shark. He was let down by a shark which he had nourished himself. It was the Secretary who let him down. If he did not let him down, then I can only say that they were let down by each other. Who is the bigger shark and who is the smaller shark, I do not know. But it is absurd to say that the Finance Minister was let down by Mr. Mundhra.

It is also wrong to say that the public sector has been maligned. The public sector has not been maligned. I agree with the Prime Minister when

he said that it was only in the public sector that such an inquiry could be possible. If the inquiry has done anything, it has rather strengthened the public sector, and has damned the private sector, where people can make money and build industrial empires simply by manipulating the market, by manipulating the shares without doing a bit of industrial work. It is the private sector that stands most condemned. It is also condemned because it is the private sector that brings perversity even in the public sector and it gives inducements to it (public sector) to go wrong. Therefore, it is wrong to say that the public sector has been condemned by this inquiry. It is the private sector that stands more condemned.

Shri Ranga (Tenali): Mr. Deputy-Speaker, Sir, I am very glad that the Prime Minister has referred to the majesty of Parliament in the course of his speech today. It is the majesty of this Parliament which stands vindicated on this occasion. If anybody deserves congratulations more than anyone else, it is the Parliament, which has vindicated the faith placed in it by the people of this country during the last general elections.

I was rather a bit taken aback by the speech delivered by the leader of the Communist group, because he tried to turn it into a Government versus Opposition debate. But, actually, it ought to be treated as the debate of the whole House. It is the whole House which is interested in this particular affair. He made a factual mistake when he thought somehow or other that they took the initiative and when the Communist group asked for an inquiry, the Congress party was good enough to agree to that. That is not so. The facts are entirely different.

It was my hon. friend, Dr. Ram Subhag Singh, who took the initiative. He followed it up also by two Starred Questions on two different occasions, to which Justice Chagla has also referred. It was again my hon. friend,

Mr. Feroze Gandhi, who raised a two-hours' debate, and Mr. Asoka Mehta was good enough to join hands with him in strengthening the case of Parliament against the administration concerned with this particular deal.

Therefore, it is this Parliament which really ought to be congratulated and I say this advisedly for one reason. My hon. friend was not content with merely dealing with this particular case but was anxious to pat himself on his shoulder, because of his faith in Karl Marx. In a country where Karl Marx is held as a kind of demi-god, such things cannot happen. (*Inter-ruptions*). It is only here such things happen, because there is Parliament, there is responsible government, there is parliamentary democracy, and the party in power as well as the parties in opposition are prepared to make common cause in seeing to it that the morale of the administration is maintained and the integrity of the Ministry is also kept up.

It is from that point of view that I would like the House to look at this matter. I was a little unhappy over the tone that has now become rather usual with my friend, and my former leader also when he was in the Congress, Acharya Kripalani. He could not abstain from making certain remarks, personal as well as public, about the Prime Minister. The Prime Minister was himself in taking the decision to appoint this public inquiry. We must give credit where it is due.

An Hon. Member: On pressure of the public.

Mr. Deputy-Speaker: All Members are entitled to have their views.

Acharya Kripalani: Can I interrupt? I gave credit to the Government for appointing the Commission. What more can I do?

Mr. Deputy-Speaker: Why should there be occasion to interrupt or interfere? Two opinions can differ. If he feels differently he ought to be allowed to proceed.

Acharya Kripalani: He said, I had attacked the Prime Minister.

Mr. Deputy-Speaker: Perhaps he thinks so. If Shri Ranga, addresses the Chair, there will be no difficulty.

Shri Ranga: I am addressing you, Sir.

Mr. Deputy-Speaker: He directs his attention to his right side when he speaks.

Shri Ranga: There were equally serious cases of mal-administration which were brought to the notice of the public through the various Committees appointed by this august Parliament itself. It was complained by some of our friends that they did not also result in such public inquiries. It only means this that on those occasions Parliament was not strong enough to insist on public inquiries and on getting public inquiries appointed. The Public Accounts Committee reported to this Parliament, not once but repeatedly upon certain of these cases which had been referred to by my friend the Leader of the Communist party. What prevented Parliament on those occasions to take the fullest possible notice of the unanimous recommendations and reports made by the Public Accounts Committee? Parliament was not able to assert itself on those occasions. The Prime Minister also, as some of our friends would like to have it, did not feel like appointing a public inquiry. On this occasion, Parliament made its mind very clear indeed and the Prime Minister responded to it rightly. My hon. friend was talking about 20 days' delay. Twenty days—I do not think it was a matter of delay. It was the quickest possible action that any civilised Government with responsibility to Parliament could have taken, and it has been taken by the Prime Minister.

Having said that, I would like to congratulate and pay my high tribute to Justice Chagla. He has vindicated the prestige of the judiciary of this country. He has shown that in this

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country anyhow there are High Court Judges and Chief Justices of High Courts who can discharge their duties without any fear or favour of the Government and its leaders however powerful and popular they may be. That stands to the credit of our Parliamentary democracy. Who has given that power to the High Court Judges and Chief Justices? It is our Constitution. In that way, I feel proud of our own Constitution which has placed on the highest pedestal the judiciary in our country.

Shri S. A. Dange: And also the stock exchange.

Shri Ranga: I am not interested in the stock exchange. My hon. friend has a little more knowledge about the stock exchange than I have ever had.

Mr. Deputy-Speaker: The hon. Member shall have to continue in spite of interruptions.

Shri Ranga: I wish also to congratulate the out-going Minister. It has been suggested by one of our friends that he did not take time by the forelock and offer his resignation at an earlier stage. At the earliest possible opportunity, I learn, he has offered to resign. As soon as the public inquiry was ordered and certain facts which were not within his knowledge till then had been brought to the notice of the whole public in this country, he felt that his ministerial responsibility got itself involved in that and therefore, he offered to resign. If anybody was responsible for the delay in the final offer of his resignation and its acceptance, it was the Prime Minister. The Prime Minister delayed it for a very good reason. He wanted to wait until this report came up before the public. Today we know all the facts that came to be known to the Chief Justice Shri Chagla and in the light of this we also feel that the Prime Minister was justified in accepting the resignation. We also feel that the Minister was justified in reacting properly to the facts that were placed

before Chief Justice Chagla and therefore offering to resign. I do not think any blame can be attributed to Shri T. T. Krishnamachari.

My hon. friends wanted that Shri Patel should be hanged in a non-violent manner. Why Shri Patel? Why not somebody else, somebody else somebody else? Let us look at it from a constructive point of view. One thing comes out. One of the strongest Ministers, as he was known to be, even Shri T. T. Krishnamachari was kept in ignorance over many weeks, if not months, about some of the most important and relevant facts. That was possible within the present set up of ministerial responsibility on the one side and secretarial responsibilities towards the Ministers on the other. Something has got to be done in order to strengthen the Ministers *vis-a-vis* their powerful Secretaries. That is there. Some constructive thought has to be bestowed in the next few months so that the working of our Government could be kept on an even keel. We have come to know with very great surprise that these officers can carry on the administration through a kind of *esprit-de-corp*s among themselves and keep not only the Ministers ignorant of what is going on but also manage to keep Parliament ignorant of what is going on. Members of Parliament ask for information. The Ministers pass these questions on to their Secretaries and right down to various other officers also. There comes back a reply. The Minister is helpless. He has only to dole out the reply in this House. When serious consequences follow, the Ministers are obliged to be taken aback. Why should it happen? Why has this thing been happening?

It has been suggested that Shri Patel was chosen as the Principal Secretary by Shri T. T. Krishnamachari. It was possible? I do not know. I would like to know whether each one of the Ministers is free to ask for the transfer of any Secretary that he is dissatisfied with and straightaway get compliance

from the Home Ministry. I would like to know what amount of canvassing he has got to do with the Home Minister in order to be able to get a Secretary who would agree with him and who would carry out his own decisions willingly, obediently and loyally. That has got to be investigated. I would also like to know where the Prime Minister's responsibility or power or influence comes in in the choice of these Secretaries and their transfer from one Ministry to another and so on.

Another fact that has got to be considered is, for how long are these officers who are brought here from the various States, to be kept here at the Centre. It has been happening ever since the British regime. Once a man goes over to Delhi, very rarely he is sent back again to his respective State, with the result that the man plants himself, shoots his own roots, gains a kind of clientele for himself, builds an official empire for himself and in that way he is able to withstand any kind of influence or power from the Ministers. Therefore, this point will have to be considered by the Home Ministry as well as the Prime Minister in the next few months.

I am one, and I am sure the whole House will be one, in agreeing with the Prime Minister that the morale of the services should be maintained. We are all anxious that this should be maintained. But, at the same time, we have also to devise ways and means by which these services can be competently and efficiently controlled. That today they are not being so competently, efficiently and satisfactorily controlled is brought out by Justice Chagla's report. That is an important fact which ought to be taken to heart by every Minister in this Cabinet.

There is the other thing. How are we to manage all these semi-governmental corporations? Are we to manage them through the I.C.S. or I.A.S. officers or by recruits from the

private sector? I personally am not in favour of either of these two. For years, long ago when Shri Shyam Prasad Mukerjee was the Minister for Industries and Supply, the Government came forward with the assurance to the then Parliament that they were going to constitute a separate economic secretariat. For all these years they have slept over that idea and that assurance also. I think it is high time indeed that Government began to think on those terms and began to constitute an economic service with as high integrity, status and stability as the Indian Civil Service itself. If we work on those lines, then there would be some hope of getting good results from this proposed devolution of power that the Prime Minister has talked about. Otherwise there would be the other danger. We will be creating all these semi-autonomous or autonomous corporations and Parliament would be denied its power to influence, examine and control their activities. We do not want to run that risk at all. Parliament's responsibility and control over all these corporations ought not to be in anyway weakened and we can have some assurance that it would not be weakened in case such an economic service comes to be created. They would be given sufficient power of autonomy not from Parliament, not even from the Ministers, but from the Civil Service itself and their interference.

They have talked about these man-eaters. My fear is man-eaters are not in the private sector alone. It would be the duty not merely of the Cabinet, but of the whole of this Parliament to be on the look-out and catch hold of these man-eaters wherever they are, while they are on the prowl in public life, in Parliament, in the private sector, in Government and in administration.

Having said all this, I would like to congratulate in conclusion the Government for having come forward

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with this resolution placed before Parliament. I would have thought that my hon friends from the Opposition would have been too ready to say what they have said just now, because after all, it is not as Government that they have come forward with this resolution. It is as the representatives of this Parliament that they have come forward with this resolution. This resolution not only vindicates Justice Chagla's findings, but it also vindicates this Parliament. It also credit to the Government, because the Government has the courage to accept these recommendations and offer to us to the satisfaction of this House as well as of those people who have taken part in this episode and the public that there should be a further inquiry, a further probe into all those other things which have not been inquired into, that have not been unravelled and Government propose to do this. Therefore, I am all in favour of this resolution that has been moved by the Leader of the House and I sincerely hope that my friends on the Opposition also would agree with us in supporting the resolution wholeheartedly.

Shri Dasappa (Bangalore) I rise to support the motion placed before the House so ably by the hon Prime Minister. True enough when the motion stood as on the agenda paper, there was some room for the friends of the Opposition to table amendments or substitute motions and speak in support of their motions. But when the Prime Minister placed before the House his own substitute motion, I thought every aspect of the case was covered by it and made acceptable to the whole House. We see that the hon Members of the Opposition who have spoken have not ventured to find fault with the substitute motion that was placed before the House by the Prime Minister and there was nothing in it that was criticised by them. I think, therefore, it is fairly obvious that when they have tried to speak at great length, it was not with a view to

counter any part of the motion that was before the House, but to pick holes in the administration here and there, which obviously went wrong in this particular case. It was the case of the Prime Minister that the procedure and the manner of the deal was a thing which would not commend itself to the Government. They accept the finding of the Chagla Commission. What more, I ask Mr Dange and my venerable friend Kripalaniji: want Government to do?

The other parts of the resolution are also extremely non-controversial and deserving of acceptance at the hands of the House. It is wrong on the part of the Prime Minister to have said that he was going to examine the various suggestions made by the Commission? So, we find that by their tacit feeling and their not being able to find fault with the substitute motion of the Prime Minister, they are in entire agreement with the resolution.

It is true that the whole inquiry, the whole episode, is a thing which must be viewed from the larger aspect of the working of democracy. I am sure that the world at large does appreciate the stand that the Government has taken in this matter. There is not the slightest doubt about that and I am glad Acharya Kripalani referred to it. We are the biggest democracy in the world. How it functions, how it safeguards the rights of the people, how it provides opportunities for the representatives of the people to keep their vigilance over the activities of the Government, how when some activities of the Government go wrong, it is made possible for Parliament to exercise the necessary corrective—these are the things by which we must judge the working of our democracy. Therefore, I think we have really added a feather to our cap and every section of the House must be proud of the stand that the Government took in regard to this matter.

It was rather amused, when of all people, the leader of the Communist

Party here offered not merely those criticisms but hurled attacks at the Government. It looked as though the country which has the ideology of the leader of the Communist Party would have done something immensely better than what we have done. I ask, what would have been the way in which that nation pursuing his ideology would have done in similar circumstances? I do not want to pursue that matter, and it is somewhat strange that it should emanate from Mr. Dange. He presumed certain things which were altogether unwarranted, even though I think he must have known the facts very well. Shri S. A. Dange was present in the House when the motion was initiated by my hon. friend, Shri Feroze Gandhi. The two questions which started the whole show were framed by Dr. Ram Subhag Singh, and yet my hon. friend, Shri Dange, wants to take the credit for himself by saying that the Congress Party only joined in initiating the debate and inquiry. This is rather strange. I would very much appreciate if he is true to facts and then proceeds to make his comments as much as he likes.

I want to ask whether the hon. Prime Minister, when he referred to the functioning of the Secretaries and to the fine record they have built for themselves, was trying to justify the action of the civil servants in this deal? Did he not by the very acceptance of the findings of the Commission subscribe to the view that there was something wrong? And does not the motion itself say that the procedure etc., of the deal was wrong and objectionable? When the Prime Minister says definitely that in this deal the conduct of the officers was open to objection but adds at the same time that, by and large, the civil service has a good record for itself and has been discharging its duties very efficiently, is it right for Shri Dange to say that the Prime Minister gave good chits to the particular officers concerned in the deal? I say

this is a very wrong attitude to take. So you see how the very foundation of his arguments gets vitiated and poisoned at the very source.

I do not want to dwell at great length on these points. I think from this deal a great good has come out. As Shakespeare has said:

"There is some soul of goodness in things evil

Would men observingly distil it out".

Has this inquiry not resulted in putting everybody alert with regard to his responsibilities and activities? In the first place, it is not denied that some good has come out of this inquiry. The Prime Minister himself says that. Primarily, it affects the Government, the Cabinet and the Ministers, then the civil service. I am pretty sure that this is going to work a great reform in the whole attitude and approach of the civil service hereafter to their business, likewise in regard to the public life of the country as well as the activities of the public and private sectors.

So we see that this Commission has brought to light a great many of the defects that were holding the field. Now that they have thrown the searchlight of their inquiring mind into the particular activities of the Corporation, I think it is not only the Life Insurance Corporation that stands to gain but every other corporation is also sure to be placed on a firm footing.

Then there are certain things to which I would like to refer. Acharya Kripalani only endorsed the findings and reasonings of the Chagla Commission. It is not the case of Government or of the Congress Party that things were done in a proper manner. It is true that the deal itself should not have been entered into with a person of Mundhra's type. That is obvious and we are all agreed on that. It is true that the Investment Committee should have been consulted. It is also true that it should not have been done in such a hurry. It is again

[Shri Dasappa]

true that the autonomy of the Corporation should not have been interfered with. Who says that these parts of the deal were to be justified? That is not the case of Government. Therefore, there is no difference of view between what Acharya Kripalani said and the attitude of Government.

I shall now refer to certain aspects which emanate from this Report. We find that the policy with regard to the investments of the L.I.C. funds is not yet quite clear. There is, on the one hand, the idea of Shri H. M. Patel, who thinks in terms of stabilising the share market and trying to save a certain situation. On the other hand, there is the view of the ex-Finance Minister who says that the investments should always be made in the interest of the L.I.C., and investments should be only on 'blue chips' as he chooses to term them. It is necessary that Government should apply their mind and state the policy more exactly than we find it now. This is one of the things which has emanated from the Report. I think it is a very important matter. I am not here to say as to what exactly should be done. There are certain arguments in favour of the stand which the ex-Finance Minister has taken. There is no doubt about it. Also, it may be argued that there is some case for the stand which Shri Patel took

Take, for instance, a new company that is floated relating to a vital industry in the interest of the nation. There may be preference shares there. Now, would you expect the L.I.C. funds to be invested in those shares? It is agreed that when the former Finance Minister—I am referring to Shri C. D. Deshmukh—referred to the question of using these funds for the advancement of the Second Plan, he seems to have some such thing in mind. How can the life insurance funds help the Second Plan unless it be in one of the following ways, namely, in trying to promote a new industry in the interest of the nation, in

which case we are not sure exactly what the dividends will be—unless of course, preference shares which guarantee dividend are taken. Then there is also another aspect, to which I think Shri C. D. Deshmukh referred, and that is that these funds, as elsewhere, say, in the United States of America, are utilised for certain big social purposes such as housing for labour, for low income groups and so on; and very rightly so, because we cannot carry on these activities with the ordinary revenues that we have. I may say with some experience, of the Mysore administration that the Mysore Government was able to build certain industries with these funds which were available because Government itself had its life insurance.

Once I even pleaded that apart from this life Insurance Corporation at the Centre, the States may also have life insurance corporations, and there would be nothing wrong because these State life insurance departments used to run successfully in competition with 200 or 250 other insurance companies.

The question of defining the policy of investment is, I think, one of the most important things that we have got to do. Of course, there are other things relating to the relationship between autonomous corporations and Government and so on. Those are matters which the Prime Minister has already been pleased to assure us he will certainly examine.

This Commission has rendered a signal service to the country, and I think the motion that has been moved by the hon. Prime Minister should be accepted, as I am pretty sure it will be accepted, unanimously by the House. I would appeal to the leaders of the Opposition to see that the great cause of the country does not suffer by their trying to advance all sorts of extravagant demands.

Just now Shri Dange was pleased to say: nationalise banks, nationalise Jessops, nationalise everything. It is more easily said than done.

Shri B. S. Murthy (Kakinada—Reserved—Scheduled Castes): Nationalise all, but not the Communists.

Shri Dasappa: The Prime Minister has been saying so often that it is not a matter which can be done right-away since we have not got all the trained personnel for that job. For our public sector alone, which is not very big now, we are unable to find the proper personnel. Is it not foolhardiness, I ask, for us to think indiscriminately of rationalising everything, and will it not lead to aberrations of the type which unfortunately we have had to witness today.

I very strongly resent Shri Dange saying that this Government is more or less in league with the man-eaters and is trying to do things only in a bourgeois way. I believe he has got into the habit of using certain expressions. There is no speech of Shri Dange without reference to Karl Marx or the bourgeoisie.

We have seen what big responsibilities the Government is undertaking, how it is going from step to step, how it is building up the necessary personnel for the purpose and taking the country forward. So, in these days when democracy is more or less on trial in some parts of the world, when we are laying the foundations of democracy, I want every person here to exercise that sense of responsibility which a democratic nation calls for and co-operate with the Government in building up this great democracy.

Shri M. R. Masani: I rise to speak in support of an amendment, notice of which has been given this morning by Shri Jaipal Singh, Shri Barrow and myself on behalf of the Independent Parliamentary Group. That amendment, which has not yet been circulated, is an amendment to the revised motion moved by the hon. Prime Minister this morning. It says that paragraph 3 be deleted and the following be substituted:

“But regrets that Government have failed to accept the principles recommended by the Commission for adoption by Government and the Corporation.”

The Prime Minister was right this morning in claiming that despite the unfortunate features of this incident, a great deal has been done about which this country may well feel proud—the initiative of a private Member of Parliament in drawing attention to this matter, the appointment by Government of a public enquiry, the public interest in that enquiry. I think there was nothing morbid about that interest. If it had been a murder trial, or interest in an aberration of some kind, that interest would have been morbid, but when the funds of a large number of policy-holders, small people's savings, are believed to have been squandered recklessly by those put in charge of them in trust, then certainly the widest public interests can only be considered healthy and not morbid. At the same time, many of us share the Prime Minister's doubts about the wisdom of having loudspeakers in a public square. We in this country certainly do not want mob justice; we do not want that travesty called “people's justice” in Communist China which is used by a dictatorship to liquidate its political opponents. We do want a quiet and dispassionate atmosphere.

Then again, the attitude of the Attorney-General, the attitude of the Commission itself, the acceptance of the Commission's findings by Government, and the acceptance of the resignation of the Finance Minister are all things on which this country can congratulate itself for holding high standards in democratic functioning and in respecting the rule of law.

Shri Jaipal Singh: Partial acceptance.

Shri M. R. Masani: That I will come to when I speak on the amendment.

Shri Jaipal Singh: Where is the acceptance?

Shri M. R. Masani: The broad acceptance by the Government of the material findings of the Commission except the point to which I shall refer while speaking on the amendment moved by Shri Jaipal Singh and myself.

I have heard people from other parts of the world comment in the last few days that India is perhaps the only country in Asia outside Japan where things could have taken the course that they have taken, that in almost any other country in this part of the world they can envisage things being hushed up and suppressed in a way that has not happened in this country. I think, therefore, that the Government of this country, this Parliament and the people, who have also had a part to play in this, may all feel satisfied that the right things are broadly being done.

Having said that, let us consider the responsibility for what has gone wrong. Here I do not propose to enter into personalities. I think we have seen the spectacle of unfortunate men being caught in a situation. I think the House will agree that, so far as the Minister and the officials are concerned, they were men above the average in ability and in record, and yet we had a somewhat pathetic spectacle when these men came to give evidence before the Commission. I would like the House to consider who was responsible for this situation.

I have no hesitation in saying that the party that is in the dock today is not the individual Minister or the individual official, but the present Government because of the faulty policies that they have carried out in regard to the operation of State enterprises generally in this country. It is that faulty policy that has placed

these unfortunate men in the position in which they found themselves.

I am not saying, as some people might imagine, that the faulty policy lies in rationalising a particular industry. That is another issue; we can discuss it separately and hold our own respective views about it. What I am saying is that the way in which nationalised industries are run is generally defective, and since we all wish that, once an industry is nationalised, it should be made success, it is our duty as Parliament to see that at least the right lessons are learnt from this debacle in State enterprise and that in future such scandals are avoided. That is an attitude which all democratic socialists should support.

I believe that there are sound management principles that apply to an enterprise, whether it is in the public sector or the private sector. These management principles are the same whether an insurance company is in the one or a steel corporation is in the other. Like human nature and corruption, things do not change because they are nationalised. Human beings are the same, and the principles of management remain the same.

I would like to consider what are the sound management principles that should have been applied and were not applied in the case of the L.I.C. I would list them as three, and they have been referred to in paragraph 3 of the Commission's Report.

First, responsibility should be clear and blurred; hence ministerial responsibility for the acts of officials; hence also the resignation of the Finance Minister, which has quite rightly been accepted.

Secondly, devolution of authority, decentralisation of authority to enable efficient management to take place on

business lines unaffected by political pressures; hence, the need for autonomous corporations which we have broadly accepted in the Statute; and lastly, the safety of the policyholders' funds.

15 hrs.

Now, to what extent have these principles been respected in the administration of the L.I.C.? First of all, let us take up the issue of autonomy. The Commission has found that section 21 is an ideal compromise between autonomy on the one hand and parliamentary control on the other. Two things are clear from these conclusions. The first is that Government directives are restricted to general policies and could not possibly have been made to apply to the decision as to whether to buy a particular share or not to buy a particular share; in other words, even if there had been a written directive.....

An Hon. Member: There was no directive.

Shri M. E. Masani: ... it would have been *ultra vires* of the Act and should not have been obeyed. Secondly, there was no written directive. Yet, in spite of this, the Commission has found that the persons primarily responsible for the deal were the Minister and the Principal Secretary. How has it happened that, in spite of the law, people who were not authorised to do so took this responsibility and this action? I say this happened because the present Government has generally reduced the autonomy of State Corporations to a myth or a farce, and that this is the position in regard to most State Corporations, apart from the L.I.C.

The Finance Minister, in his evidence, referred to certain fictions in law. One of these fictions obviously in his regime was the autonomy of the Corporation under the Finance

Ministry. What are the facts? The facts are that the negotiations and decisions were dominated by Government through the Minister and the Principal Secretary.

The Commission has come to the conclusion, after hearing all the evidence, that:

"That transaction is also open to challenge on the ground that it was not really a transaction effected by the corporation in the exercise of its statutory duty and discretion. The evidence is clear beyond doubt that the transaction was brought about as a result of interference by Government and the transaction may be characterised as a dictated transaction. I have already referred earlier in this report to the danger of an order from Government masquerading as a mere advice, and the transaction I am considering brings out, in full force, how Government can dictate to the corporation although in form it may appear as mere advice".

This is an indictment, not of an official, nor even of the Minister, but of the Government of India as today constituted.

The commission goes on again to say the same thing, when at another page in the report, it says:

"The Finance Ministry had come to look upon the LIC as a mere wing or branch of itself."

We have the evidence of Mr. H. M. Patel, the Principal Secretary. He said he thought he was giving effect to Government's policy. He said Mr. Kamat, the chairman of the L.I.C., could have exercised his own discretion. If Mr. Kamat had wanted to go into mere details, he would not have said "no".

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The question that the House has to face is: Why did Mr. Kamat not ask for more time? Why did he not apply his own intelligence, or why did he not say no.

The answer is twofold, first because as I said, Government have over the last few years consistently been violating in practice the autonomy given to corporations by statute.

Only the other day, I came to know that one of the latest controversies in the Bhakra-Nangal Dam project, of which this country is justly proud, was a long drawn out controversy which was decided by Government as to whether or not paper cups should be supplied for drinking water at the taps installed there. This is an example of the farce to which autonomy has been reduced when a matter of this footing nature is left to Government for decision.

The second reason is that ICS officials are being appointed constantly at the head of Corporations. We now learn from this a lesson, and we hope that in all corporations these persons will be withdrawn and replaced by some more suitable people. But today, the fact remains that the Secretary of one Ministry is the chairman of the Hindustan Steel Ltd, and the Secretary or official of another Ministry is the chairman of the State Trading Corporation; and we should not be surprised if in these conditions, similar violations of propriety continue to take place.

The Principal Secretary here evidently got so used to the combination of his function as Chairman on the one side and as Secretary on the other that, even if after he ceased to be the Chairman of the Corporation, he continued to behave as if he was one and his successor who was nominated to that place was a mere deputy. Mr. Kamat was the second Chairman,

who succeeded Mr. Patel. As the Commission points out, a man in his place obviously regards his appointment as "merely one rung in the ladder of promotion." He looks to the present Minister and the present Principal Secretary to have a good regard for him so that he may have a better appointment in future. In this situation, the Commission finds that he surrendered his own judgment to the judgment of his chief. As the commission says,

"Though the hands were the hands of Mr Kamat, the voice was Mr Patel's voice".

I do not think it is fair for this House to blame good officials like these. The Government that has created a situation where it puts officials in a position where they cannot but be driven to function in this manner must take responsibility for this.

We have seen in the last few years what might fairly be called a process of bureaucratic imperialism, of the bureaucracy spreading out its tentacles into every walk of life and trying to dominate it. And if you put power in the hands of people, they will certainly make use of those opportunities. What is called for is to have independent men with a business background and experience, who can serve, as they served before, the enterprises where they were placed.

I ask this House: Can we imagine this situation having arisen in Air India International, where we happen to have a non-official independent chairman of high character and business background? To put the question is to answer it. If any secretary to Government had dared to tell the Chairman of Air India International about what he should do or not do he would have had his resignation the very next day. And that is how it should be. The chairmen of boards in Britain, that is, of nationalised boards, have resigned over and over

again, when the Minister dared to try to interfere with their autonomy.

But how can you expect a subordinate civil service official, a limb of Government, to threaten to resign because he is given one more order like all the orders he has received in the rest of his life?

The Prime Minister referred to one official, the managing director of the corporation, who did not come from the civil service. He was quite right. The evidence of the Managing Director was even more pathetic than the evidence of the Chairman of the Corporation. He admitted in his evidence that he was loyal to his chief, but not to the Corporation. And he said he was not surprised that he was not consulted. But the fact remains that the same official, before he became a Government official, when he was still in a normal industrial corporation like the Oriental Life Insurance Corporation, was known throughout to be an independent officer who asserted himself and who freely expressed his opinions, because he was in an environment where his opinions were entertained and listened to. When he became a limb of the bureaucracy, when a hierarchy was set on top of him to give orders, he became a good bureaucrat, and so the same man who is a good functionary in one set of circumstances can become a poor functionary in another.

Now, the Commission finds that both these officials, bowed to "higher authority and better knowledge", as they understood it. Again, I ask: Why? Why did they not use their own intelligence? One is reminded of what Mr. Jaya Prakash Narain has more than once referred to as the cult of personality that is rampant in this country. These officials were doing nothing more than copying what they knew to be the behaviour of Cabinet Ministers and politicians who also subordinate their judgment to "higher authority and better knowledge." And when these examples are set at the

top, they trickle down and a climate of what may be called the cult of personality develops. I do not think, therefore, that we are in a position, as politicians, to throw a stone at others who have merely copied the tone that we set in this country.

Many many years ago, when we were still under the British, Gandhiji used to say: "This country has got to learn to say 'no'." Can we really say that we have now learnt to say 'no' to authority? Do we see that in our daily life, whether it is in Government or in our public life? It seems to me that Gandhiji's wish that this country should learn to say 'no' still remains to be fulfilled.

Now, I come to the public funds and the manner of their investment. We are happy that Government have accepted this major part of the Commission's report. The administration of public funds is important; in this case, it has been described as a trust. And it has now been stated that Rs. 10 lakhs become available for investment every day at the hands of the LIC. Here, again, I feel that it is Government policy that is to blame. Let us consider the record.

When life insurance was nationalised, the then Finance Minister, Shri C. D. Deshmukh, referred in Parliament to the sacred trust that was being embodied by the savings of the policy-holders. But in Select Committee, the same Finance Minister refused to allow those to whom the moneys belonged, that is, the policy-holders, to nominate one-fourth of the board of directors. That would have stopped this kind of thing happening. But the same Finance Minister who said it was a trust was not prepared to allow the people to whom the funds belonged even to nominate 25 per cent of the controlling board.

Then, again, Mr. Deshmukh promised that Government would give general directions about investment of these funds. As far as I am aware

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—and I speak subject to correction—no such general directions were given by Government and the LIC was left completely to go hang and do what it liked with the investments.

Thirdly, the then Finance Minister said that the policy of investment would be the maximum yield for policyholders consistent with the safety of the investment. Hence, an Investment Committee was constituted. But, in spite of that, section 27A was never applied.

And, finally, we have this spectacle of the Finance Minister and the Government introducing and passing a Budget that destroys public confidence and then misusing the funds of the policy-holders in an attempt to bolster confidence which they themselves have destroyed. This is really the culpability of Government in creating a situation to which these officials and Ministers contributed.

Now, we find here a mixture of motives for investment. The official story—the Principal Secretary's story—was that of correcting the trend in the market, bolstering the market. Was it a genuine and good reason? I would like the House to consider whether it is a good reason. I think that when the Finance Minister promised that the funds would be invested to fetch the highest return consistent with the safety as criterion, bolstering the market which has been depressed by a Budget is not part of that policy.

I would like this matter to be investigated. I am told—I do not know how accurate it is and I only mention it so that the Government may investigate—that the LIC follows certain other policies with equally mixed motives. The LIC took over some general insurance companies as subsidiaries and is running them as such. The allegation is that the LIC invests in the funds of those companies which in turn promise to give their general insurance business, not

to other companies, but to the companies that are subsidiaries of the LIC. If this is true, it is improper.

Shri Asoka Mehta (Muzaffarpur): Mr. Mundhra himself has given Rs. 15 lakhs worth of business.

Shri M. E. Masani: My friend Shri Asoka Mehta says that Mundhra himself has offered Rs. 15 lakhs premium as business to the LIC subsidiaries. So, what I thought was an allegation evidently turns out to be a fact. This is utterly improper and a violation of the Trust Government possesses. It has no business to do a barter, buying a scrip which may not be first class, which may not be blue chips, because the agency of the general insurance business comes to them and not to another insurance company. If any private enterprise did this, it would be considered an immoral practice. Here we have a public trust, a public corporation which, if it has been resorting to this practice, should be stopped forthwith. And I hope Government will investigate this and satisfy the House that this practice either does not take place or, if it does, will be stopped immediately.

The Leader of the Communist party made out that instances such as these are part of the so-called capitalist way of life. For his benefit, may I quote an eminent communist Miloven Djilas, former Vice-President of the Yugoslav Communist State and who is serving imprisonment for ten years for the crime of having written this book, the *NEW CLASS*. It is very interesting that the Mundhra scandal happens in communist countries also.

Shri Narayanankutty Memon (Mukandapuram): He wrote the book after his imprisonment.

Shri M. E. Masani: It was written before but was published after.

Mr. Deputy-Speaker: Then he must have become wiser.

Shri M. E. Masani: This is what Djilas said about waste of public funds in communist countries. He

has written both of Russia and Yugoslavia about which he knew such a lot from inside:

"In Communist systems thefts and misappropriations are inevitable. It is not just poverty that motivates people to steal 'national property', but the fact that the property does not seem to belong to anyone. All valuables are somehow rendered valueless, thus creating a favourable atmosphere for theft and waste. In 1954, in Yugoslavia alone, over 20,000 cases of theft of 'socialist property' were discovered."

"And now this seems to apply to the present case also: The Communist leaders handle national property as their own, but at the same time they waste it as if it were somebody else's. Such is the nature of ownership and government of the system."

Mr. Dhillon refers to the State Capitalist system on which we seem to be launching in India.

The real curse is not the capitalist system or the socialist system. Both can be good, and both can be bad. But the real curse is concentration of power, concentration of power without responsibility. One of the reasons given for nationalisation was that there was concentration of power in the insurance world in the hands of a few directors.

There were 500 to 1,000 directors democratically elected by the shareholders and policyholders at annual meetings. That was supposed to be concentration of power. Now, let us see how you have democratised life insurance. In the place of these 500 to 1,000 elected directors looking after the shareholders' money and the policyholders' money, you have a Board of Directors of 15. Eight of these are officials. The Board of Directors appoints an Executive Committee at its first meeting and hands over to the Executive Committee its authority to make investments. This Executive Committee consists of 5

persons, of whom 3 are officials. The executive committee also like good bureaucrats, pass a resolution delegating to the Chairman and the Managing Director alone the authority of making investments which was given to them by the Board. So, we have two people in place of the 500 to 1,000 directors who were formerly looking after the policyholders' interests. This is democratisation and fighting concentration of economic power. Is it surprising that when these two gentlemen have on top of them a higher civil servant and a Minister, ultimately, either two senior people, the Minister and the Principal Secretary, or two junior people, the Chairman and the Managing Director decide the fate of millions of policyholders irresponsibly as they have done in this case?

Sir, a word about the amendment and I have done. The amendment we have moved welcomes the first two parts of the Prime Minister's motion. The third part is where it says that Government will give proper examination to the 7 principles laid down by the Commission. It may be said: Where is the hurry? Proper examination will be given and action taken. But I want to ask what is so complicated and complex and difficult to understand in these 7 principles that Government, who have had this report now for several days, were not able to come before this House and say: The seven principles are here; we either accept the whole lot—as I believe they should and, I believe most Members of the House should like it—or they may say, out of the 7, 6 are immediately applicable and we bow to the six; and as regards the seventh, we shall go into the matter in detail. Why is not this being done? Let me read the 7 principles and let any hon. Member point out what is so complicated about them that this Government could not make up its mind and agree with the general principles in the course of a few days:

"1. That Government should not interfere with the working of autonomous statutory Corpora-

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tions; that if they wish to interfere they should not shirk the responsibility of giving directions in writing."

Am I to think that there is any difficulty about it? This is what the statute says actually.

"2. That Chairmen of Corporations like the LIC which has to deal with investments in a large way, should be appointed from persons who have business and financial experience and who are familiar with the ways of the stock exchange."

I understand that the Chairmen of these Corporations, ICS people, are going to be withdrawn. If that is so, it is a good thing. Why not accept it?

"3. That if the executive officers of the Corporation are to be appointed from the Civil Services, it should be impressed upon them that they owe a duty and loyalty to the Corporation and that they should not permit themselves to be influenced by senior officials of Government or surrender their judgment to them. If they feel that they are bound to obey the orders of these officials, they must insist on these orders being in writing."

What can be more simple and elementary than this? Don't be intimidated; if you are, at least take it in writing. But even this requires evidently considerable examination before it can be accepted.

"4. The funds of the LIC should only be used for the benefit of the policy-holders and not for any extraneous purpose. If they are to be used for any extraneous purpose that purpose must be in the larger interest of the country. The public is entitled to an assurance from Government to this effect."

That assurance the Government is refusing to give us today. This House

wants them to give this assurance. What is the difficulty about giving the assurance that funds will be properly used and not misused?

"5. In a Parliamentary form of Government, Parliament must be taken into confidence by the Ministers at the earliest stage and all relevant facts and materials must be placed before it."

Is Government not prepared to state that Parliament should be informed at the earliest time?

Then, the 6th principle is:

"That the Minister must take full responsibility for the acts of his subordinates. He cannot be permitted to say that his subordinates did not reflect his policy or acted contrary to his wishes or directions"

This was accepted by the Prime Minister in his statement this morning. Why not say so again?

Then, there is the seventh:

"That the Government should immediately apply to the Corporation Section 27-A of the Life Insurance Act of 1938 modified as circumstances require to carry out the solemn statutory assurance given in the Life Insurance Corporation Act."

Sir, I think hon. Members will agree that in not agreeing to these seven principles which are broad general principles, the Government is offering a mere platonic acceptance of principles which, after the way they have behaved about the autonomy of Statutory Corporations, I do not think they are entitled to ask Parliament to trust them with .

Shri T. N. Singh (Chandauli) Sir, I think we shall not be serving the full purpose of the debate if we confine ourselves mainly to flinging remarks against this or that individual. I am glad the supremacy of the House has been established as a result of

this inquiry. We have learnt a number of things which are desirable in the present context especially in regard to national undertakings and their management. All this labour by a high-power commission and the efforts that this House made to pry into these affairs will have been wasted if we do not apply our minds as to how we are going to control the management of national undertakings.

The Government have accepted most of the recommendations of the Chagla Commission. They relate to many things about which there are no two opinions and it will be wrong on my part to go into that question in any great detail. I feel that we should apply our minds a little to the national undertakings, how they are today governed and controlled by Parliament and to what extent they should be so governed.

We have passed a number of laws as well as approved a number of undertakings run by the Government. In regard to them, I am afraid the House or many of us have not indicated clear thinking. We should have at least applied our minds to these undertakings in greater detail. We have got national undertakings which are run as departmental concerns. We have got national undertakings which are run as public or limited companies. Then there are also a sort of mixed national undertakings. In some we have controlling shares. In other we have got an arrangement with private enterprise. Thus there are all kinds of permutations and combinations.

Now, let us see what is the practice in other countries. There have been cases in other countries too where national undertakings have erred just as the LIC seems to have erred on certain matters. There have been cases in Britain, in America, in Canada, France, Germany and in other countries of a similar nature. I was just reading an interesting report of a Committee of the House of Commons on nationalised industries in Britain. They started with

the principle that the Government or the House should not interfere in the national undertakings. Their argument was that most of these national undertakings were financed by raising loans mortgaging the properties of these very undertakings. As they were not financed by the tax-payers' money, they felt that the House or Government should have nothing to do with their administration and management.

Here in India, we have differed from that. Every time the House has felt that its general supervision and control is necessary. One of our Committees with which I have been very intimately connected for a number of years has shown deep interest in the progress of the nationalised undertakings. From time to time, we have considered their accounts and their reports and examined their representatives and gone into a lot of detail on things which have not seen the light in the House itself.

I can tell you that either directly or through its sub-committees we have been very vigilant about the national undertakings, whose failings or successes are ours; let us realise that. I dislike it when any one of us gets up and speaks in a manner as if he is not at all responsible for these undertakings. That is a wrong attitude to take. This is not the way to build up these very important institutions.

When I was hearing to some of the speeches, especially the speech of the Leader of the Communist Group, I was wondering whether this excellent occasion for the House to discuss certain things is being utilised to consider the real national problems that emanate from the system of national undertakings. Are we really applying our minds to that? It is no use blaming this or that political party. These national undertakings are no individual's property. They are the concern of each one of us and all of us. All Members of Parliament here

[Shri T. N. Singh.]

are in the position of shareholders of these national undertakings and therefore, they should take keen interest as if it were their own concern.

I would refer again to the House of Commons report. There was a question as to how to regulate and control State undertakings. When difficulties arose or defects were noticed here we had to appoint a tribunal or commission to go into this question. I think the Prime Minister rightly observed that the procedure in such matters has not yet been fully thought of. We have not prescribed the right procedure as to how to deal with such a situation.

In Britain from whom we are daily learning and will continue to learn a lot of things so far as democratic methods and procedure are concerned, there was a great deal of argument as to whether there should be a permanent committee of the House to go into this question and look into the irregularities and set matters right as and when they arise. There were two opinions. One was that if there was a Parliamentary committee sitting almost daily and going into these affairs, it would be bad and the State undertakings' independence and autonomy would be infringed. Another view was that they could not allow these undertakings to become entirely independent of parliamentary control. There must be some body to look after them. After all the ultimate responsibility of Parliament was there. The point made out was that—because they were financed by loan capital, by public loans floated by mortgaging the properties of these concerns, the responsibility of Parliament could not be taken away. It implies that the tax-payer is responsible. If somehow the undertakings were not able to honour the obligations to pay those loans, what would happen? The tax-payer will have to meet the obligation. Therefore it became necessary to have a committee of the House. That is what they did ultimately. This

committee in U.K. is bringing out reports about various things. They are very interesting reports in which all kinds of irregularities have been noticed and suggestions have been made.

So, in regard to the very important point raised by the Prime Minister in his letter to the Finance Minister, I may say this: In regard to the procedure to be adopted in such matters, I would suggest for the consideration of the Government the appointment of a Committee of the Lok Sabha which shall keep a regular and systematic vigilance and supervision over our national undertakings. This is a very important thing, and I think that it will save us from unnecessary heat and all kinds of differences that arise, probably to the detriment of the undertakings themselves and also to the detriment of proper parliamentary control. If you get lost in party rivalries and prejudices then these undertakings will never prosper. That is one of the suggestions which I want to urge very strongly. I was really sorry that some friends were concerned more in flinging stones at a party, for the party which today happens to be in power.

Dealing with the nature and functions of such a committee the report of the House of Commons' committee says:

"We feel, however, that some of the work of the proposed committee must be of a financial nature, and would be more fittingly done by a Committee of the House of Commons."

They do not want that Committee to be a Joint Committee of both Houses. Then they say:

"Nationalisation arose as an act of policy and, for certain industries and services, has been carried into law on the initiative of the representatives of the people in the House of Commons. It can be said that the general public

are now the owners of the Nationalised Industries. It seems entirely appropriate to us, therefore, that any Parliamentary Committee set up to examine, and obtain information about, these industries at this stage of their development should be an exclusively House of Commons Committee."

Then they go on to say:

"In the first place, it should, we consider, take over the right which the Committee of Public Accounts at present has to examine the Accounts of the Nationalised Industries, and which that Committee is unable at present fully to exercise. The proposed new Committee should consider all the published accounts and auditor's reports of the public corporations, and make representations about such matters as seem to require consideration by the Boards or debate in the House."

Now, one of the things that has been in practice here in our own country has been that Parliament exercises control through questions and discussions. This case which we are now considering is an example of the exercise of that right of the House, where questions were put, a debate was held and that was followed by a Commission of Inquiry. That is how our procedure has functioned in this case. But, probably, when such a Committee is formed these things will not be necessary.

And, I should like to say here that one of our own Parliamentary committees, one of the committees with which I am associated, whatever its shortcomings—we have failed in many respects, I have no hesitation in accepting it—has tried to do its duty. We have from time to time drawn the attention of the House to various defects, and it is really something very pleasing to note that in that Committee Members of all parties discuss questions very objectively, go into

details in a very dispassionate manner and not as we had to witness here only a few hours ago. The same party members probably apply their mind more judiciously there. It is this aspect which I wanted to emphasise especially for the attention of the House.

Coming now to certain other decisions of the Commission, I think, Sir, many of these recommendations, as the Prime Minister rightly pointed out, are unobjectionable. For instance, Government should not interfere with the working of autonomous statutory corporations. As it is, it is unexceptionable. But, at the same time, as I said, we cannot take away Parliament's control. And, how to make a synthesis of these two aspects, has to be considered. Shri Masani just now was saying that it was so easy to accept all these recommendations, or to say that some we have accepted and some we have rejected. But let us go into all these points in rather greater detail. I say that it does require thinking. It is not so easy for anybody in a week's time to say that we accept this part and that part and the rest we are considering. Take any of these points in the report. I feel that in the context of parliamentary democracy, the method which should be adopted to enforce parliamentary control, State control and all that has to be thought out a little more deeply than is ordinarily assumed to be the case.

This is my humble suggestion, and I think the Government have been well advised not to take a hasty decision about the manner in which all these things are to be implemented. They should give a little more thought to it; it is an intricate problem. It is said that we are dealing with a set of industries which have to be handled very carefully and after full thought. We have also to ensure that democratic control is maintained and the initiative and enterprise which is necessary for the success of these concerns is also not affected. All

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These points of view have to be synthesised properly.

Now, Sir, I think I have not got much time, but there are one or two more points which I would have liked to discuss here. One thing however I wish to say about investments of L.I.C. We ourselves also have to make up our minds clearly. Take, for instance, this question of investment of the insurance fund generally, I am talking of the principle. What percentage should be invested in private enterprise and what should be set apart entirely for public undertakings, public loans etc.? Now, that is a difficult problem. Shri Dange was saying about our commitments for the Second Five Year Plan, the Third Five Year Plan and so on. But the point is, the Plan of ours with which everyone seems to be in agreement envisages certain accelerated investments in the private sector. Let us consider its implications objectively. The insurance fund was one of the sources from which private enterprises were financed in the past. Now what shall be their ratio? That is a problem to be considered. We cannot say definitely that the L.I.C. funds will not at all be invested in private enterprise. We can lay down rules under section 27(a); that is perfectly legitimate. We can think as to how to do it, or if the House in its wisdom so decides let it decide that no money from these funds shall be allowed to go to the private sector. That is also one view to take. But the real thing is. In that case we should not bank on the private sector doing certain things which it should have done ordinarily so far as the Second Five Year Plan is concerned. We should have no grievance on that account. Let us be clear on that account also simultaneously.

But, as I was saying, there are other points about these investments which have also to be taken into consideration. I understood, as I was on the Select Committee of L.I.C. Bill, that

Section 27(a) was to be applied immediately, or as early as possible. In that respect I do think that the finding of the Commission is quite correct.

There is also the question of some of these other persons in the drama whose cases are there before this House, I can only say that whereas it is true that we should not do anything which will demoralise the services, at the same time, it is the duty of all of us, every Member in the House, to speak out wherever anyone, whether it be an official or a non-official, errs. I have never been able to understand why, whenever any criticism is made about any individual, a departmental head or a subordinate of that department, a cry is at all raised that this will demoralise the entire services. In that way these have been bigger things that have been happening in other countries and the services there have not been demoralised. I shall just refer to a case known as the ground-nut case in England, where a Secretary had a part to play. That Secretary appeared before the U.K. Public Accounts Committee. There was no *mala fide* or anything involved. He came before the Public Accounts Committee—in those days there was only the Public Accounts Committee—and said, "I am responsible as the head of the department, and here I hand over my resignation" That is the standard of conduct which is found in some of the very high class officers. I do not see why this should not be the standard here also.

Our Finance Minister has resigned. He has set a fine example. Just a year ago, the then Railway Minister, Shri Lal Bahadur Shastri, resigned. That was a noble example. I say what is the use of trying to fling mud at this or that party. This party, the Congress Party here in this country, has set very fine traditions and examples which can be copied by anyone in any country whatsoever. Instead of trying to run down this or

that, individual and making a party gain, let us see what has been done here. Instead of throwing up our hands in disgust and saying that things are going wrong, we must realise that it is here in this country that such traditions and examples, which make a nation strong, are set. This is what we in the Congress have been doing. I assure you that if this kind of tradition is followed and pursued, we shall continue to grow from strength to strength, whatever the criticisms that are sometimes very irresponsibly made.

Dr. Sushila Nayar (Jhansi): Mr. Deputy-Speaker, Sir, I rise to support the motion moved by the hon. the Prime Minister this morning. I wish to say with all the emphasis at my command that I have not a shadow of doubt in my mind that this Commission of Inquiry and the Chagla Report are a brilliant instance of the triumph of democracy in this country.

I have carefully gone through the Chagla Report and I have very attentively listened to some of the speeches that have been delivered on the floor of the House since this morning. I wish to make it clear that in democracy, there is a duty that devolves on the people, a duty that devolves on the representatives of the people and a duty that devolves on the Government. So far as our Prime Minister is concerned, and his Government is concerned, I am not aware of a single instance in which the wishes of the representatives of the people have been flouted.

But the difficulty is that hon. Members of the Opposition seem to think that they alone are the representatives of the people and that the other Members who happen to far outnumber them do not have a representative character. They, therefore, throw up one instance after another and say there have been a number of scandals, this, that and the other, and that were flouted; that no action was taken on them and now, because of the accumulation of all that, the Government's hands have been forced by them.

Shri Dange went so far as to claim credit for demanding an Inquiry Commission. That is a most amazing thing. He said the Congress Party joined in that demand. Everybody knows it was an hon. Member of the Congress Party who first of all started it by asking a question; another hon. Member started the debate and the whole party took part in it, and then the hon. Members of the Opposition did join it. But now, for them to try to say that they were the party who really started this and that we joined them, is far from truth. They found the wind taken out of their sails when they saw that the Congress Party was so sincere about their professions which we have often made, namely, though we are not perfect and we have our shortcomings, if we find our fault we are not afraid to expose ourselves to the full public gaze and to take judgment, the object being to learn a lesson for the future and to avoid the mistakes.

Mention was made about a jeep scandal. I believe the matter was discussed and I believe it was in accordance with the decision of the majority of the Members of this House that that matter was dropped. Mention was made about the fertiliser scandal and of Mr. Munshi. Now, I personally feel that it would have been better if that mention was left out, because, as I have looked at some of the old records and proceedings at that time, a question was asked. That question drew the attention of the Government to certain misdeeds that were happening and, as a result of that, action was started against certain officers, and they were brought to book.

This whole business, namely, the question, of ministerial responsibility is a very important question. I agree it is not possible for any Minister to be fully aware of each and every little thing that is happening in this department and that for any little thing that goes wrong at any stage as a result thereof the Minister should

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take the responsibility and he should quit. I think that is taking the thing a bit too far.

There are generally four types of ministerial and executive responsibilities. One is, where the Minister has given clear-cut orders in writing, naturally, the Minister is responsible and the Minister must cover his subordinates. Secondly, the subordinates have to take action, but it falls within the broad purview of the Government policy and there again the Minister has to take the responsibility. The third is where there may be a slight error of judgment on the part of the subordinates which may not really do much damage. In that case again the Minister will cover his subordinates. But if a subordinate goes out of the way, does something outside the policy, something which is dishonest or corrupt, the Minister cannot be held responsible for the actions of such subordinates and the Minister cannot be punished for that.

Now, I come to the instance of Mr. K. M. Munshi. I was not a Member of this House, but if I am correctly informed from those proceedings, it was an instance of the last type which I mentioned, where there was dishonesty on the part of some of the officers and with great difficulty those as a result of the action taken by the Minister, officers were brought to book.

I join the Prime Minister in paying a tribute to many of our officers who have shown honesty, integrity, ability, in the discharge of their duties at a very difficult time after the British had left this country, and have taken full part in the implementation of a number of policies and plans that have been enunciated in free India.

At the same time, I would feel that a little more consultation, apart from the officers, with other people outside would be more desirable and more advisable. The Prime Minister has made it clear that he is sorry that the

Investment Committee was not consulted. It should have been consulted. If it was consulted, probably much of this pain and agony might have been spared. Somehow, I am sorry to say that I have noticed very often that committees are appointed not really to take their advice, but merely to get their approval and agreement. It might be said, and I would agree with that, that it is necessary for the members of these committees also to assert themselves and make their point, to see that their point of view is taken note of. But very often the atmosphere is such that anybody who stresses a point too much is considered really a trouble-maker and an unpleasant kind of person and one says, "What does it matter? It is not my money; it is not my affair. Let it be; why should I expose myself, put my head out and get a bad name?". The responsibility is on both sides. I would plead with the Government that a little more heed, a little more attention given to their advice, a little more effort made to seek the advice of those people who are appointed in those committees would protect us and help us a good deal.

It was made clear again that there are two sides. One side is that one might like to take advantage of the L.I.C. incident in order to attack all our economic policies, the policies of nationalisation and so on. It is ridiculous for anyone to try to do so. The Government has, after full deliberation, decided upon the policy of socialisation, a policy of nationalisation and the Government is proceeding in the direction; it must inevitably go forward in that direction. At the same time, the Government has to be careful—and it is being careful and it is taking things, in hand step by step—to have them done well, to have them managed well and not to give an opportunity to anybody to criticise and to say that the public sector cannot function as well as the private sector can. In the private sector, it is

the private individual whose money he is interested in and therefore day and night he is vigilant. Sometimes it does happen that that amount of vigilance is not kept when that money is not belonging to any private individual or whatever it may be. It is very necessary that every penny of public money is considered by everybody concerned as his or her own money or equipment or machinery. That is a sense of responsibility which each one of us has to develop.

The Prime Minister has also said that training of personnel for some of these jobs is very necessary. There with great hesitation and in a way trepidation, I would like to say that the Minister is a layman very often and he does not know expert things about a particular department. The Secretary, an I.C.S. officer, is a general administrator and he may not have the expert knowledge of that particular department. I do not think this idea that an I.C.S. officer can be shifted from one department to another and he will learn the thing helps us in the peculiar situation in which we are today. More and more nationalised concerns are being taken up and it is necessary that the Minister or the Secretary, at least one of them, should possess expert knowledge of the department they are handling. The Prime Minister has pointed out that they are trying to create more and more facilities for training of personnel for the handling of the various schemes, plans and so on. It is very necessary. I take this opportunity to emphasise once again what I had once before said when I spoke on the Five Year Plan, namely, there is a great need for us to emphasise personnel planning. We must plan our personnel, train them accordingly and utilise them, because it often happens that on the one hand we do not have trained personnel and on the other very often we are not in a position to use the personnel that we train at considerable cost and considerable trouble to ourselves.

The Prime Minister's resolution accepts that the deal has been improper and in that impropriety the whole thing is covered. We find that mistakes have been made and we want to correct those mistakes for the future. At the same time, the Minister has gone. The Minister did perform a very outstanding duty during the tenure he had as Finance Minister. So far as the difficulties that had been created earlier are concerned, for some of them he might have been responsible as Commerce and Industry Minister, as some hon. Members have pointed out. But he did try to overcome and rectify those difficulties to the best of his ability and he had met with a good deal of success. It would have been very nice if he was there to complete the process of correcting difficulties for which he is held responsible by many people to a large extent. Unfortunately, in the setting in which the whole thing came about, his resignation came and it had to be accepted.

Now, what about the others, the officers? They cannot be naturally left alone. The Minister goes and the officers are not touched—that cannot be, because obviously from Mr. Chagla's report, there were people who were responsible and whose responsibility should be further determined. The motive force behind the hurried deal, the motive force behind the doing away with all those formalities and all those precautions that are normal in such deals, should be uncovered and the guilty parties should be brought to book. Therefore, the second portion of the Prime Minister's resolution says that proper proceedings will be started.

Some of the hon. Members of the Opposition tried to make out a case that we were not prepared for a further probe, because some of our highly-placed people were involved and so on. Now, the truth of the matter is that when there is that probe and proceedings which are ensured to the services in our service rules are taken up, naturally there will be an

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opportunity for those officers to say whatever they might have to say in their defence. If there is any proof that they involve any of our party members, however high or mighty they may be, they will be at liberty to produce that evidence or that material and we are not afraid to take the consequences, because if we were, why should we in the first place, have appointed this Inquiry Commission at all? We did and having done that, we are prepared to go further. There is no question of any regret on anyone's part. The hon. Members opposite had said that the Prime Minister's letter had produced that impression on them. He has explained that some of the procedures were not defined earlier, and he has, by quoting from the House of Commons, showed how it is difficult to find a right procedure in this case. You may try one procedure and you find some loopholes. You try another procedure and there are some difficulties there also. We are a young, evolving democracy and we are trying our level best to find a way out. The fact which should be taken note of by everybody is that there is that burning transparent sincerity that we want to know the truth, even though the truth hurts us badly.

I would like to say here one word. The Prime Minister said that some of our civilians were employed by these business firms afterwards. I wish the Prime Minister and his Cabinet could lay down a rule that this would not be done in future, that this would not be permissible. Because, there are many difficulties and there are many practices, undesirable practices, which can result, and have resulted as a result of this. It was discussed in this very House at the time of the TELCO discussion. Some of the people in the Railway Board, who were dealing with TELCO, had become directors of TELCO later on. Therefore, I would say that this business of retired service men of very high positions going and finding jobs with private concerns should be put an end to.

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Similarly, I would strongly urge upon the Prime Minister that there should be some rules as to what the high-placed Governors and Cabinet Ministers can do afterwards and what they cannot do. Because, it is rather unfortunate that this kind of controversy should have arisen as a result of Mr. Munshi taking up some of the cases that have been mentioned on the floor of this House. The respect and dignity of our ex-Governors and ex-Ministers should not be made the subject of controversy and public criticism afterwards.

If there has to be real autonomy for these corporations, naturally there has to be a very careful placing of the personnel in charge of these bodies. At the same time, there has to be effective association of public opinion also with them because in democracy the public is the watchdog. The representatives of the people must act as liaison, carrying public opinion to the Government and carrying the policies and views of the Government to the people.

So, it is very necessary that these corporations, which will grow in number in the future, should evolve such procedures and such methods of working by which we can, on the one hand be spared the difficulties and the pitfalls that are there and that will be there in our way, and on the other perform the task in an efficient and able manner, so that we can go ahead with the policy of nationalisation and reach our goal of socialisation, which the Prime Minister and the party have adopted and have emphasized again and again.

Shri U. C. Patnaik (Ganjam): It is well-admitted on all sides that the Chagla Commission Inquiry suffered from certain disadvantages, because there was no investigation, no prosecution and no proper cross-examination in regard to the veracity of the witnesses. Anyway, the Chagla Commission report is there, and on the

issue of ministerial responsibility our Finance Minister has given a statement and resigned.

In this connection, I beg to refer to the responsibility of officers also. Because, Parliament controls the officers through its Committees. The officers are also responsible to Parliament, as they are being paid out of Government revenues. They have got to guide and advise the Ministers. Can the officers take shelter behind the constitutional responsibility of the Ministers, give half-truths or untruths to the Ministers, do not show them the papers and then get some orders, oral orders sometimes, to enable them to go ahead with their work? In this context I would refer to several reports of certain committees of this House with regard to certain officers figuring in the L. I. C. enquiry.

In this case, though the Chagla Commission has not pin-pointed the responsibility on any particular officer, it has referred to the responsibility of the Principal Secretary for the hurried way in which the transaction was put through. There have been several reports of the Public Accounts Committee—2nd Report, 9th Report, 14th Report and 19th Report—where we have a number of cases, not of a few lakhs of rupees but involving hundreds of crores of rupees, in regard to purchase of bad weapons, and the officer concerned in those cases is the same officer who was instrumental in rushing through this transaction.

I would like to bring to the notice of the House certain common features, certain peculiar family likenesses, between this transaction and numerous scores of transactions that took place earlier, many of which have been very adversely commented upon by audit and very adversely reported against by the Public Accounts Committee, who recommended from time to time that due enquiries should be made.

But, as you know, unlike in England, where evidence given before the committees is placed on the Table and published, in our country this practice was discontinued some years ago; consequently the Secretaries who appear before the committees and give statements before committees tell their Ministers something else, with the result that Government itself comes out with a statement that the whole thing has been discussed at such and such level and so no action is called for.

I have requested the Hon. Speaker to place all the evidence taken before the committees on the Table of the House, so that the House and the public will be in a position to know the evidence on which the committees have reported, and the Ministers will have an opportunity to know what statements and commitments their Secretaries had made before the Committee. Under our rules, unlike that of U.K., the evidence taken before the committees are kept confidential. The result is that Ministers come out with statements which are contrary to the evidence tendered before the committees by the officials, and the result is that committees which this House has appointed to exercise proper control over the Government are not able to function well.

This transaction can be compared to the several transactions which have taken place earlier, which have entailed our country in losses of hundreds of crores during the last few years. Taking advantage of the troubled times through which India was passing, taking advantage of the fact that enemy forces had come and occupied Azad Kashmir, taking advantage of these unfortunate circumstances, the same official entered into these transactions. This LIC transaction has a family likeness to the transactions I mentioned just now.

In the first place, the normal prescribed procedure is always departed

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from. The transactions are rushed through with amazing speed. The persons with whom the transactions are concluded are not persons with whom one would deal in the normal course of business. The persons with whom these deals were made, in most of the cases, are upstarts with questionable character. In every one of these cases the same officer displayed a serious indifference to the price to be paid. In some of the cases, when some other authorities interfered and tried to bring us cheaper bargains, the same officers backed out of those transactions and said "Nothing doing; we do not want these things." In most of these deals, the price to be paid in respect of complicated machinery, plants etc. was not considered at all.

In every one of these cases, records were not maintained and, if maintained, records were of a very scrappy nature. In most of the cases, transactions relating to hundreds of crores of rupees were put through on oral orders. In everyone of these cases, pliant and subservient people were placed in key positions to facilitate these deals. The question arises whether the common features of all these deals are merely instances of simple coincidence or whether there is something else behind them. A full and comprehensive enquiry into all these cases is urgently called for. Now that the Government have accepted the principle that there should be enquiries into such deals, I suggest that all the deals which afford a background of the approach of certain officers particularly involved in this L.I.C. deal, should be enquired into.

I will give only two or three very serious instances. In one particular deal, we wanted a particular weapon, some lakhs of items along with accessories. The price is about £ 4 per item. The quotation was originally £6 per item. The Ordnance Consulting Officer was urgently sent for to come here. A meeting took place in

closed doors and the price of each item was calculated at £ 7-17-0: a lass of about £ 8 to 10 lakhs in one overnight discussion in New Delhi. That is one instance.

Shri Tyagi: Which year?

Shri U. C. Patnaik: 1950-51. Strim grenade.

There is another feature. "There is another peculiarity. The purchase was not made direct from the manufacturer. As soon as our requirements were finalised in Delhi, so many lakh items of this particular weapon, so many fuses, so many other things, suddenly, a company crops up, consisting of three or four retired British Officers with a capital of £ 100 or 200. They say, "we understand India wants these particular items, we are prepared to offer them at such and such price." What is the price? That is the price which was calculated here: about £ 2 over the original price or about £6 over the actual price. That group of middlemen are appearing in all our deals on the continent.

In another big deal, the same Defence Secretary went to see the performance of a certain weapon; this same Secretary who is concerned here

An Hon. Member: Which deal?

Shri U. C. Patnaik: I submit that our weapons and armaments purchases are known in western countries through books and journals. For some reason or other, our Government has adopted a policy of making them secret. I would not answer my hon. friend because I respect my Government's making it secret.

This other weapon, I was telling you about. The Defence Secretary went to the continent to see the performance of the weapon. He was highly satisfied. He went not alone. That Ordnance Consulting Officer went with him. The middlemen who are always

in the picture, these three or four retired British Officers with £100 and £200 capital companies, also accompanied him. He was so satisfied that he placed an oral trial order for that weapon, about £ 6000 on the middlemen. Later on, it was to be followed by a bulk order. In the mean time, the trial order was there. But, the trial order was oral. So, later on, a telegram was sent from here. The D.G., S and D gave a formal order after the delivery of these trial goods had been taken by Government of India to regularise the oral order on which supplies had been made.

Our Ambassador in France interfered. He said that he could get all the weapons for about 10 per cent less, and, if bulk orders were placed, it will be much less. Then, the same Secretary sends an order that that weapon is not to be purchased in bulk. Had it been purchased through these intermediaries, then the bulk order amounting to some lakhs of pounds would have been placed. Because our French Ambassador interfered and got a reduction in the price, although the weapon was considered effective, the order canceled.

Similarly, another weapon was purchased through the same intermediaries, these retired British officers with £ 100 and 200 capital. The weapons were bought. They were reported by the Technical Development department to be defective. The weapons had a certain crack and they might injure the user, not the enemy. But, that Technical Development Director was demoted and sent away. Some other officer was sent who gave a report that the weapons can be used for trial purposes, at least. The weapons were retained in the country.

Another instance. There are many other instances on the continent, particularly in France. We purchased aircraft. We were about to go into trouble about some of them. Apart from these continental purchases—

purchases in France where our Ambassador was not consulted, where the Military Attache to our Ambassador in Paris was not consulted, but an Ordnance Consulting Officer at London was taken all the way and these retired British officials who formed several companies in different names were also taken when these purchases were made—we come to Switzerland.

Mr. Deputy-Speaker: Then hon. Member is paying more attention to those other transactions....

Shri U. C. Patnaik: I am sorry. In Switzerland, we entered into a number of contracts. We entered into them through a contact man who was always accompanying the Defence Secretary. That contact man got us into contracts regarding the building of certain factories for some crores of rupees. That company which agreed to produce certain munition in some of our factories, could not do so under the Zaharoff Cartel on the continent, could not manufacture that particular type of munition, and had never the know-how of that particular type of munition. Still, they were brought in to manufacture certain munition which they had not yet produced because they are incapable of producing these things under the Zaharoff Cartel.

The same company set up another factory. There also we entered into a contract to get their machinery, their parts, parts purchased by them from other concerns for which we were paying them commission. There was no list of the parts that we were to purchase, the things they were to supply to us. Still, we began paying the whole amount. It is not a small thing.

From the same firm we purchased some munition. Some newspaper reports were there that they are dud munitions. We are told that the Government of India also appointed a high level committee to go into this question. We do not know what is the report of that committee. But,

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one committee was going into it three or four months back examining whether they are dud or not. We would like the Government to examine all these deals.

Another instance—any number of instances can be given—where we wanted for our troops in Kashmir who were shivering with cold, blankets. We did not place the order on the U.K. Government itself. The U.K. Government was prepared to give us these blankets. We purchased from a private firm and all the blankets were found moth-eaten and useless for our requirements.

Shri Braj Raj Singh: They were not available in India?

Shri U. C. Patnaik: They did not try that because Indian goods are not good in the eyes of our officials.

Apart from these, I would like to show a sort of family likeness between these deals. The Defence Secretary had to go every three or four months to make purchases, to make contracts, to meet the contact men, to meet the retired British officials, to take them for weapon demonstration and to meet other contact men in Switzerland. Our Defence Secretary had to go once three or four months. No written orders; mostly oral orders; papers not available; if the papers are available, they are of the most sketchy kind. There was the Ordnance Consulting Officer....

Mr. Deputy-Speaker: The hon. Member has to devote his time to the present inquiry.

Shri U. C. Patnaik: I am pointing out the family likeness between these purchases and the other....

Mr. Deputy-Speaker: It is not the conduct of a particular individual that we are discussing. So far as his conduct is concerned in this inquiry, that is admissible. The whole conduct of a particular individual....

Shri U. C. Patnaik: I am dealing with only one thing because the question in this L.I.C. inquiry is, who is the driving force behind the deal, who is the person really interested, who did it with amazing speed without settling the prices, who is the man that might have misled the Minister or the Government and overawed the other officers. For the examination of that question, it is necessary to go into all the deals by the same officer. There is another family likeness also. That is that the baby is always passed on to somebody else. In the many purchases, the baby was passed on to the High Commissioner there or to somebody else. Here the baby was being attempted to be passed on to another Minister who was concerned.

So the question is: what are all these things? I will close with reference to only one or two people. There was the selection of a junior Captain of the Army with the local rank of Brigadier who was associated with all the deals. In 1952, when the Second Report of the Public Accounts Committee was published, he resigned his post on the ground that he was going to Canada. Canada refused to accept him for political reasons. I would not go into it. It is a personal, domestic matter. The then Defence Secretary wanted the gentleman concerned back, and because it was exposed, it did not take place. At this end, he put an irrigation engineer in charge of ordnance factories, who was going with him to finalise the other deals.

So you will find that there is a likeness between these deals and those deals. When Government are inquiring into this Mundhra deal, in order to know the background of the concerned officers, in order to know their past performances, where secrecy in defence has prevented a probe into all these things, I would request Government to look into all those files and to examine them and compare them with the present deal and to take suitable action.

Dr. Krishnaswami (Chingleput):
Mr. Deputy-Speaker, Sir, I have to commence on a note of regret. The findings of the Commission have led to the resignation of a very able Minister who was something of a pugnacious character and, therefore, made an appeal to many of us.

Parliament can claim a major share of credit for having focused the attention of the public on the affairs of the Life Insurance Corporation. The Government and the former Finance Minister in particular, deserve to be congratulated on having considered the demand for an inquiry. Indeed, one feels that the terms of reference were sufficiently clear to facilitate the Commission appointed under the Commissions of Inquiry Act investigating and reporting on this whole affair. The evidence was heard in public and the Chief Justice took great pains to find out that the evidence was given to him by people who were willing to disclose their names.

While, it is not open to Parliament to lay down the procedure to be followed by a Commission, it may, none-the-less, be pointed out that, in retrospect, some aspects of the procedure adopted were deficient. Probably the work of the Commission would have been facilitated if the contradictions in the evidence of the former Finance Minister and of the Principal Secretary had been resolved by recalling both of them for purposes of re-examination. All the same, the fact remains that an eminent Judge, on the basis of evidence tendered in public, has arrived at two sets of conclusions. The first set of conclusions dependent on the evidence that has been given, are conclusions which Parliament cannot demur, however much some of them may not be palatable to us. But the second set of conclusions which have been given by the Chief Justice are conclusions on which there can be a very great difference of opinion.

I wish to point out that these are important issues bearing on economic

policy which we in Parliament have to examine very carefully. As the Commissioner pointed out, these are lessons which we should draw. These are the lessons which really cause a great deal more of controversy than has hitherto taken place.

I want to point out that there is one major issue which is basic to this whole sorry episode and which has tended to be completely overlooked—more or less completely—in public discussions so far. When one talks of autonomy of a corporation, what is one talking about? I was at a loss to understand what the Commission itself is talking about, because autonomy has nowhere been clearly defined. Clearly, State corporations cannot be completely autonomous as long as they are using public funds and as long as their functioning has a bearing on economic policy. There can be no doubt on that point, and if we talk of complete autonomy, we would be perpetrating a constitutional monstrosity.

I suggest that when we talk of autonomy, what we are having in view is freedom from interference in day to day work. But this implies that there is a policy to be implemented and that the policy is known to those in charge of the corporation and it is open to discussion in Parliament. All this confusion has arisen—and I say it with great respect to my hon. friend, the former Finance Minister—because even after two years of nationalisation, there was no clear policy in regard to investments by the Life Insurance Corporation. It is not good enough to say, as the Commission says, that in the absence of such a policy, section 27A of the old Insurance Act should be deemed to apply. I want to point out that this is one of the matters on which I have to differ from the Commission altogether, and I would like to place my views before the House.

The Commission points out that section 27A of the old Insurance Act had been suspended and no rules

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were substituted in its place. The Commission suggests that section 27A should be made applicable to investments to be made by the Corporation in future. But may I ask, what is the value of this section? The time has come when we should discuss its limitations. What is good for a life insurance company need not be good for a monolithic Life Insurance Corporation. The protection which the insured derive from the operation of section 27A is no greater than the protection given to a policyholder that behind the Insurance Corporation there are resources of the State, if need be.

Surely, the investment policy of an insurance company is bound to be different from that of a Life Insurance Corporation, which has the sole monopoly of all life insurance business which has control over funds running into hundreds of crores of rupees, whose investible funds every week are more than half a crore of rupees and whose investment policies are bound to affect market trends. It may interest the House to know that the Life Insurance Corporation funds which can be invested run to the extent of Rs. 36 crores to Rs. 40 crores, and that every week we have a surplus of over Rs. 50 lakhs. These figures have only to be stated to show that they have a direct bearing on the price policy and the type of policy that should be adopted.

From this, it follows that the Life Insurance Corporation cannot take the market prices as given. It must, in certain circumstances, accept the responsibility of giving a lead to market prices. In all current discussions, it is regrettable that this aspect of the matter has not been brought out very clearly; nor was it brought out very clearly when the then Finance Minister piloted the Life Insurance Corporation Bill. Some of us suggested that this question should be taken into account, but at that stage when we nationalised it, we were not aware of the absolutely great control

that we had over these funds and of the very great change in position that was bound to take place.

The truth of the matter is that the investment operations of the Life Insurance Corporation are bound to be qualitatively different from the individual operations of 200 and odd insurance companies. What the Life Insurance Corporation does or does not do will affect the market much more directly because in a sense, the Life Insurance Corporation is in the position of a price leader in an imperfect market. This makes it all the more necessary that our idea should be clear as to the purposes for which insurance funds are to be employed. The criterion laid down by the Commission and suggested by Shri Deshmukh, a former Finance Minister, is extremely narrow since the control of the LIC funds is a potent instrument which a Government is quite entitled to use in furtherance of its broader economic policies. The only qualification, and it is a major qualification, to this rule is that in this process the interests of the policyholders do not suffer either by way of loss of yield or impairment of security.

A lot of irrelevant, and indeed misleading, argument has centered round the fact that the investments in question were made in the private sector. Let it be understood that the resources of the Corporation represent private savings and, provided the interests of the policyholders are protected, there is no reason whatsoever why they should not find an outlet in productive activity in the private sector. In fact, this distinction between the private and public sectors is in the present circumstances illusory or virtually obliterated. It is clear that Richardson and Cruddas, and Jessops, to mention but two names, are kept busy mainly because of the demands of the public sector. The real trouble has arisen, and I suggest it with great deference to my friends opposite, because the Life Insurance Corporation was not given a policy in terms of

which it had to operate. Probably the policy was not clear even in the minds of those supposed to frame it. Now that we are reviewing the Chagla Commission's report, and taking to heart the lessons from what has transpired, the time has arrived when we should find out what exactly the policy was and how it should have been followed. I suggest that this is a very important matter which has to be taken into account.

There is a great deal that has been written about the Executive Committee and the Investment Committee, but what does all this amount to? This paraphernalia of an Executive Committee and an Investment Committee was virtually functionless because the policy had not been laid down. Once the policy has been laid down by the Government and Minister in charge, the mechanics of implementation of that policy would arise, and then the Investment Committee and the Executive Committee would come into their own. On the other hand, all this confusion about the so-called blue chips policy which the Finance Minister accepted was his, or this policy of supporting the stock exchanges to prevent a crisis in the market which the Principal Secretary carried out with the knowledge and concurrence of the Minister according to the Commission, would not have occurred had we known what the policy was being followed. I therefore suggest that for the past two years we have not been able to find out the importance of having nationalised the life insurance business. We had in our hands tremendous resources, but we did not have the knowledge to use them properly. We stumbled into some policy or the other. Sometimes we followed a policy of blue chips as termed in the Commission's report, but the policy of blue chips could certainly have its disadvantages unless and until it was backed by considerations of other economic forces. For instance, one can easily realise that the policy of blue chips might have driven the

bears away from the approved securities to the unapproved securities on the market and created a greater strain on the stock exchanges than usual, but then it is a regrettable fact and it is a sad commentary on our Cabinet Government that apparently Cabinet approval was not sought for whatever policy was supposed to be carried out. It also shows up, let me state this with great deference to you Mr. Deputy-Speaker, the lack of control which Parliament has today over policy-making even in respect of such an important issue as the investment of the Life Insurance Corporation's funds. Virtually Parliament was reduced to a state of impotence, and it certainly found its position and got into the picture only when things went away and when skeletons in the cupboard were exposed to public gaze.

This absence of a clear-cut policy also cuts at the root of a healthy relationship that should subsist between the permanent services and the Ministers. Either a civil servant must adopt a policy of doing nothing at all in the absence of clear instructions given in the normal secretariat manner, or he must execute policies which he thinks have been laid down by the Minister. In doing so he runs the risk that he may have misunderstood the ministerial policy or that ministerial policy may itself have fluctuated in the meanwhile and it is extremely difficult to find out what the policy is. But out of all this misfortune which has entailed the loss of office on the part of a Minister, certain lessons have emerged which I suggest we should take to heart.

We have abundant resources at our disposal to control economic activity without sacrificing the interests of the policyholder, but knowledge of its potentialities has been denied us until the present. Stumbling in the dark, confused, sometimes formulating an inchoate doctrine liable to be understood or misunderstood by the Principal Secretary, we have blundered and paid the price by the resignation of a Minister. Let us hope that

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in the near future a policy will be evolved and presented to this House, taking into account all the economic potentialities of the Corporation's funds which are huge and which are at our disposal, for its approval. I very much hope that it will be possible to present this policy to us in the near future. Until then, one cannot say that one would accept the seven lessons which have been recommended by the eminent Commission. After all, it is the responsibility of Parliament to formulate the policy, and while eminent people, eminent Judges have got the right to propound suggestions, the ultimate responsibility must be that of Parliament. I suggest that the seven lessons which have been propounded by the Commission are merely *obiter dicta*, and not necessarily those which have a binding force on us, but since they have come in the wake of an enquiry, let us by all means examine them, but let me also point out that we have to take into account all the realities of the Corporation's position in evolving a rational policy. Do let us remember that the funds that we have at our disposal are likely to affect the markets much more appreciably than the funds in the hands of 200 different companies. We are in the position of a market-leader, and possibly one of the historic functions which we might have to perform and which might have a greater repercussion on equalisation of economic opportunities in our society, is to make the stock market more perfect than ever before. It would present many difficulties, but certainly once this policy is evolved, the mechanics of implementation can be left to the Executive Committee and the Investment Committee, and if they really make a mistake about implementation, we as Members of Parliament would have an opportunity of controlling them.

I have never been a believer in a purely monolithic corporation. While accepting the principle of nationalisation of life insurance, I ventured to

suggest that a single monolithic corporation would have its disadvantages and that we should have four or five corporations operating, so that as a result of competition we might have greater advantage, but since we are in the initial stages and since it might be necessary to evolve a policy, let us at least now evolve a rational policy relating to investment of funds, and then it will be time to think of how far we can have better relations between the permanent services and the Ministers. My own view is that in all this tragic tale, the real reason for there being so much misunderstanding between the Minister and the permanent services is due to the fact that we were confused, that we had no policy and that we just fumbled, and since we fumbled along, we met with very-near disaster.

Shri Morarka (Jhunjhunu): I wish to begin my speech by referring to two points which the Leader of the Communist Party made this morning. Apart from the various political slogans which he enunciated here, so far as this report is concerned, he made two grievances

One was that the Prime Minister's remarks on the file in the month of September were there before the commission and that the Prime Minister should have made certain statement explaining what those remarks pertained to, and what the occasion to make those remarks was. In this connection, I would like to draw the attention of the hon. Member to the fact that when the ex-Finance Minister went before the commission, he handed over the entire file containing the Prime Minister's remarks to the commission, only with this further statement that the file contained many confidential documents. From that file, the commission read out such portions as it considered relevant to this inquiry, and it did not read out the other matters which were not strictly relevant. Therefore, to say that the Prime Minister should have made a statement before the commis-

sion as to why he made those remarks, and in the absence of any statement, the matter remains unexplained shows that the hon. Member has not cared to read the evidence, because it is in the evidence which has appeared in the newspapers that the whole file was there before the commission, handed over by the ex-Finance Minister, and the commission read out such portions as it considered proper and relevant.

The second grievance which he made was that the Prime Minister said that the ex-Finance Minister's responsibility in this transaction was the smallest. Now, I would say that the entire record of this inquiry runs into approximately two thousand folioscap typewritten pages, including the exhibits etc., and if one cares to go through the part played by the ex-Finance Minister, one will see that it hardly occupies a page. But, unfortunately, the hon. Member opposite did not even care to go through that portion. Otherwise, he himself would have realised that even if we took into consideration the evidence given by all the witnesses against the ex-Finance Minister the only thing that it would come to would be that at some stage, casually or generally, it was mentioned to him that these shares worth a certain amount were being purchased from Mr. Mundhra. That is not disputed even by the ex-Finance Minister. He himself has said that, and the judge has mentioned it in his report and also the implications of that.

Coming to the substitute motion in the name of the Prime Minister, I wish to say that this motion has three parts. The first part is to the effect that it is accepted by Government that this transaction was not entered into in accordance with business principles and was also opposed to propriety on several grounds.

It is quite clear, in the first place, that this transaction was entered into by the persons who were not at all entitled to enter into or negotiate this transaction. It is now a matter of

public knowledge that the principal finance secretary negotiated this whole transaction. In this connection, you must kindly remember that there are three transactions with Mr. Mundhra. The first set of transactions was in March-April, 1957; the second was in June, and the third was in September. It is surprising that all these transactions were negotiated by the same person, the March-April transaction over a telephone from Delhi, the June transaction by personal discussion in Bombay, and the third transaction by a letter from Delhi in September.

Then again, it would be interesting to know that the reason given by the Principal Finance Secretary for the third transaction, namely the September transaction, was that since they wanted to have a seat on the directorate on some of these companies, they thought it proper to have some more shares. But as it is now known, it was agreed as early as June that whenever the Life Insurance Corporation wanted to appoint any director, Mr. Mundhra would see that a director is appointed. This fact was mentioned in Mr. Kamat's letter dated 16th July, to Mr. Kaul. It also transpired that Mr. Kaul had brought this fact to the notice even of the Minister later on, that if the Life Insurance Corporation wanted to appoint a director, then Mr. Mundhra had given an undertaking to get the director appointed.

This transaction was also improper on the ground that the shares were not purchased in the open market and through the brokers. Such a big lot of shares were purchased from one individual by private negotiations, and the manner in which the price was fixed was highly objectionable. It transpired in the inquiry later on that on the particular day, two brokers had manipulated the price in such a way that the prices went up, and at these increased rates, the corporation was compelled to buy those shares. It is interesting to note these two brokers were the brokers of Mr. Mundhra. Later on when the Calcutta Stock

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Exchange came to know that these prices had been manipulated in this way, they struck off those prices and restored the original normal prices which were much less than the prices at which these shares were purchased.

There is another interesting ground on which this transaction can be called improper, and that is, that when some of the shares which were purchased could not be delivered, Mr. Mundhra was allowed to substitute other shares in place of those shares. In other words, the corporation was prepared to accept whatever shares he was prepared to give, as long as the amount was kept intact. That is also improper.

Another point which has also been mentioned by many hon. Members here that neither the Investment Committee nor the board of directors of this corporation was ever consulted. Constitutionally and legally, the board of directors of this corporation was the only competent body to make any investment. But, surprisingly enough, this body has been completely side-tracked, and neither the Investment Committee consulted nor this board was allowed to make this investment.

Now, it has been said that there was no harm in buying these shares, of Mundhra controlled companies because they knew that Mr. Mundhra was not interfering in the management of these concerns. But it would be interesting to note that at the time of purchase, nobody cared to examine the actual position of the companies, the shares of which they were negotiating to buy. If they had taken care, they would have discovered that in Jessops alone, Mr. Mundhra had removed Rs. 65 lakhs for the purchase of Richardson & Cruddas's shares which shares he never delivered. What is the use of saying that a person is not interfering in the day-to-day management, when he took the very life out of the concern and crippled the concern. He might not have interested himself in producing this thing or that thing or on any other

technical matters. My submission is that if proper care had been taken to study the facts before actually this transaction was put through, certainly, these facts would have been known. On these grounds, I feel that this transaction was unbusinesslike and highly improper, and so, the Government's decision to accept the finding of the commission is perfectly justified.

Coming to the second part of the motion, which deals with initiating appropriate proceedings on the basis of the findings of the commission against the officers responsible, I think there is a lot which requires to be done. If one were to read some of the things which came before the commission, one feels really surprised. For example, in one of the letters which Mr. Mundhra wrote to Mr. Patel, he says that Mr. Patel should use his good offices to ask the bank from which Mr. Mundhra had borrowed money, either officially or unofficially, not to press for the payment. I shall read out the relevant part from that letter which is dated 24th June 1957:

"I would also like to request you, till I am in a position to reduce my borrowings from the banks by either selling some of my concerns or by reducing it from loans which I might be granted, as per my request, from the Life Insurance Corporation, to please issue necessary advice to the banks with whom I have dealings, either officially or unofficially not to press me for paying them money, until such time I am in a position to reduce my borrowings by methods already proposed to you. I am sure Sir, you will agree to arrange accordingly."

This, Sir, is a very strange request to make to a Principal Finance Secretary of the Government by an individual. One could not make such a request unless one was on terms of much intimacy with the Finance Secretary. Besides this I think, there are many other things which require

explanation from these officials. And that is why I feel that the second portion of this motion is highly commendable, viz. that proper proceedings should be initiated into the conduct of these officials.

Similarly, the conduct of Shri Vaidyanathan. After all, the Principal Finance Secretary or the Minister or anybody, whoever it may be, has left the matter of fixing the price entirely to the Managing Director. I say some of the things which are highly objectionable are done at this stage. The prices have been fixed in an amazing manner without any regard to the prevailing market price. There is no definite understanding as to what the prices are to be. It is something in the minds of Shri Vaidyanathan and it is something else—quite different in the mind of Shri Patel. Shri Patel meant the prices ruling on the 21st and Shri Vaidyanathan understood it to be the prices ruling on the 24th. All these things require a thorough probe as to why this unsatisfactory method of investing such huge funds was adopted.

In this connection, I would also like to mention that while the Government has given us information about purchase of shares in the 6 companies in which Mr. Mundhra had a controlling interest, there are some shares which have been purchased from Mr. Mundhra in companies in which he did not have a controlling interest, about which the Govt. has not given us any information, for example, the Indian Cables Ltd.; we find that shares worth about Rs. 5 lakhs were at one time purchased from him.

Similarly, there was a question here of some shares of Elgin Mills purchased from him. The Government must also enquire about the total amount that was put at stake so far as Mundhra is concerned i.e. his shares are concerned.

An Hon. Member: It is a subsidiary of the BIC.

Shri Morarka: But yet the amount paid to Mundhra for Elgin Mills was different from the amount paid for BIC shares. So, all these things must be brought out.

The third point is about the recommendations of the Commission, the 7 principles enunciated by the Commission. Whether all these are accepted or not, I would strongly urge the Government to accept at least one immediately that is the application of section 27A. It is a salutary provision and its application would cure most of the things automatically. These present difficulties arose because this section was not applied.

An assurance was given on the floor of this House by Shri Deshmukh and then it was also made a part of the Life Insurance Corporation Act that that section would be made applicable as soon as ever possible. Sir, more than 18 months have passed and that section has not been applied at all. I repeat all these difficulties arose because of that. Had that section been applied even in the modified form, I think, this damage could have been avoided. Even if there were some defects they could not have done much damage as has been done in this case.

Finally I would like to say a word or two about the non-official directors. It has been said that this Corporation must be administered by persons who are non-officials and who are of outstanding financial and business ability. It is very good. But, in this particular case, you will please see what has happened. Out of 15 directors, 7 were non-officials and men of independence, who were not government servants and who had nothing to do with Government, in the sense, who should not have been afraid of Government and who should not have been paralysed by the presence of the Principal Finance Secretary in Bombay.

These directors even after this transaction was put through, or even

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after it was raised here in this Parliament, none of them, the non-officials, ever raised their little finger of protest or resentment. Why not? There is no explanation as to what happened to these non-officials. In all fairness, I think, they should also tender their resignation. If there is one body which has abdicated its function, it is this Board of Directors. The Board of Directors is primarily responsible for all the investments and, if they abdicated their function, they should no longer continue to serve this Corporation. The Minister has resigned and gone, the officials are going to be suitably dealt with but what about these non-officials? I cannot understand why these people are not asked to resign. They should go simultaneously with the officers and other people. If we allow this type of lapse on the part of the non-official then directors in our big Corporations, like the State Bank of India, the Reserve Bank of India and others would become nonentities and they would become careless and take no interest in the affairs of the Corporation on which they are appointed.

Therefore, I strongly urge upon Government that these non-officials should also be made to realise their responsibility which the Parliament has laid on them.

Shri Anthony Pillai (Madras North): I would like to charge the Prime Minister with as much responsibility for the L.I.C. deal with Mr. Mundhra as is shouldered by Mr. T. T. K. What are the basic features of constitutional responsibility? In the strictly legal sense, the Minister is ultimately responsible for all the actions of his permanent officials, irrespective of whether he knows the action or does not know the action. But, we are concerned here not with the legal aspect of this question but with the moral aspect, the question of personal responsibility.

It has been said that if the action of an official is in line with the general policy laid down by the Minister,

irrespective of whether the minister knows about that action or not, he must hold himself responsible for the action of the official. On the other hand, if the action of the official is at variance with the policy laid down by the Minister, even then, according to Justice Chagla, if he acquiesces in that action through a failure to chastise the officer concerned, undoubtedly, he would be held responsible. If we apply this particular criterion as to whether the Prime Minister too acquiesced in the Mundhra deal, then, I am afraid, he too must bear the burden of the responsibility.

In the closing part of his evidence before the Commission, Shri Feroze Gandhi, who apparently seems to have a great deal of admiration for Mr. Nehru, stated that the vigilant Prime Minister on September the 19th, had ordered the Finance Ministry to take action against Mr. Mundhra and directed that before taking such action, the Life Insurance Corporation should be consulted. It would clearly indicate that the Prime Minister, during his stewardship of the portfolio of Finance, when Shri T. T. K. was away, was fully aware of the L.I.C. deal with Mundhra. Otherwise, the remark that the L.I.C. should be consulted would not have been indicated in that note. If, therefore, he was privy to the transaction, he must be deemed to have acquiesced in it by failing to take immediate action against either the Minister or the officers of the Finance department. What is sauce for the goose must be sauce for the gander. And, since he has accepted the resignation of Mr. T. T. K., it would be in keeping with the highest traditions of constitutional responsibility if the Prime Minister himself tenders his resignation to the President. Now, I would

17 hrs.

like to repeat it. After all the theory that this House has accepted is that if a Minister has acquiesced in an action, even though that action may be at variance with whatever policy he may have laid down and if that

acquiescence is proved through failure to take action against the permanent official, the Minister must be held responsible for that action, and that is the basis on which Mr. T. T. K. has resigned and the Prime Minister has accepted his resignation.

17.01 hrs.

(Mr. SPEAKER in the Chair)

Why cannot he accept the same stand as far as he is concerned? The Prime Minister clearly states in a note that action should be taken against Mr. Mundhra. He also states clearly in that note that the L.I.C. should be consulted. He knows there is some connection between the L.I.C. and Mr. Mundhra.

Shri B. S. Murthy: Because of that note he should not resign now.

Shri Anthony Pillai: Secondly, in his explanation offered by Shri T. T. K. yesterday with regard to the letter that was written by an officer in the research section of the Reserve Bank to an official in the Finance Ministry, he referred to the note calling upon the Principal Finance Secretary to look into the matter as it did not make good reading. Before a reply could be received as to what action has been taken, Shri T. T. K. had left the country, and the charge was passed over to the Prime Minister. We must, therefore, presume that whatever enquiry was conducted at this stage would have been continued during the period that the Prime Minister held the portfolio of Finance. If according to Shri Feroze Gandhi, he is as vigilant as he is deemed to be, he should be presumed to have information about the L.I.C.-Mundhra deal and therefore, my accusation is that he too has acquiesced in this matter and he has waited till it exploded in Parliament for the setting up of a commission of inquiry.

Next, I would like to deplore the action of the Prime Minister during his conduct of this enquiry. Just a few days before the report was finally

written, a well-timed and calculated statement was made by the Prime Minister praising certain individuals and also suggesting that whatever may be the conventions of constitutional responsibility in the U.K., we in India might not be bound by it. In my opinion, this is rather a well-timed attempt to influence the Chagla Commission and should be condemned by this House. There should be praise for the independence and impartiality that has been exhibited by Mr. Chagla in submitting his report. Such display of independence is indeed a welcome phenomenon ...

* * * *

It is pertinent to refer to the shortcomings of this investigation. There are very serious shortcomings in the investigation, in my humble opinion. The decision to make it a public enquiry was good, but at the same time it would have been better, if a little restraint had been observed so that what was to be a judicial probe did not degenerate into a public pillorying. The glare of publicity imported an element of drama into the proceedings, with the regrettable consequence that some of the persons were tempted to play to the gallery, while on others it had the effect of making them reticent. As the enquiry proceeded, one got the feeling that the main characters, Messrs. Patel, T. T. K., Bhattacharya and Iengar were speaking as though they had pre-determined roles with Mr. Patel cast in the role of a self-immolating sacrificial goat.

Shri Jawaharlal Nehru: In what character is Mr. Iengar coming into this picture—at any stage or at any time? Is it anywhere in the report? Where does the hon. Member get hold of the name in the proceedings?..... (Interruptions). He said that one of the main characters is Mr. Iengar. I should indeed be grateful if he enlightened me how Mr. Iengar becomes the main character or a minor character or any character at all.

Shri Braj Raj Singh: You were pleased to say that the evidence might be placed before the House. It comes in the evidence.

Mr. Speaker: We have been following the proceedings in the newspapers. As far as I remember, when somebody wanted to have a counsel on behalf of Mr. Iengar, Mr. Chagla himself said that he would not refer to Mr. Iengar or to the Reserve Bank. Nothing would occur and no reference would be made in the proceedings. Therefore, he need not worry. These were the very words which I read in the papers. The other day the hon. Prime Minister said in answer to this request that the proceedings as had been taken down did not seem to be as satisfactory as that had appeared in the newspapers. Otherwise, it would have been allowed. It was possible to the Members to go through the papers. Let us not go into the matters which are not referred. Various things are referred to during the course of the evidence. Unless there is reference or any adverse comment has been made in the Report, talk of high officials ought not to be brought here.

Shri Jawaharlal Nehru: Sir, I do not wish to persist in interfering, but I think the hon. Member is in error. I am really pointing out his error that he is referring to it because he has perhaps got a number of names without realising who is what, and I think he might be a little more precise. I should like to know, apart from any legality altogether, what part Mr. Iengar played in the whole transaction. He said he was the main character. I said "main, minor or any character". I should like to know from him.

Shri Anthony Pillai: I would like to educate the Prime Minister because, apparently, he has not read the proceedings in the newspapers. I have read them carefully (*Interruption*).

Mr. Speaker: Order, order. It is unfortunate. So far as Mr. Iengar is concerned, is there any reference in the report, any adverse comment about him in the report?

An Hon. Member: Reference is there.

Shri Nath Pai: He came in for the most handsome compliment from so big a man as the Prime Minister.

Mr. Speaker: Order, order. A reference is made in some letter or somewhere and some evidence about Mr. Iengar is there. Is he one of those persons concerned in the L.I.C., or is he one of those persons against whom any adverse comments have been made in the report?

Shri Jawaharlal Nehru: Any comments.

Mr. Speaker: Any comments for the matter of that, adverse or otherwise. Let us be clear on that.

Shri Anthony Pillai: The Prime Minister wanted me to educate him on this point. I am ready to undertake it.

Mr. Speaker: It is unnecessary. We need not go into these matters with respect to which comments, adverse or otherwise, are not made in the report. Let us confine ourselves to the report.

Shri Anthony Pillai: Sir, I would like to make one point.

Shri Nath Pai: Sir, on a point of information.

Mr. Speaker: Order, order please.

Shri Nath Pai: Sir, we have been struggling to say something. We should be given a chance.

Mr. Speaker: Order, order. I will have to ask the hon. Member to withdraw from the House. He does not observe the rules of decorum in

House. I mean Shri Nath Pai. He is going on talking (*Interruption*.) Order please. When I asked Shri Anthony Pillai to speak why should he interrupt?

Shri Nath Pai: I sought for your permission, Sir, to ask for some information. You can throw me out if you so desire; I would submit to it.

Mr. Speaker: Order, order. That is not the right way. When an hon. Member is speaking there should not be interruptions. After he closes his speech I will call other Members.

Shri Nath Pai: I sat down, Sir, when you said so. I did not persist.

Mr. Speaker: Order, order. He did not perceive what he was doing.

Shri Nath Pai: May I know, Sir..

Mr. Speaker: I am not going to allow any interruption.

Shri Nath Pai: I seek an opportunity, Sir, and you do not give it.

Mr. Speaker: An interruption is an interruption.

Shri Nath Pai: We seek an opportunity, Sir, and you are making an allegation that we do not observe rules.

Mr. Speaker: The hon. Member is not on his legs. He is not making an allegation.

Shri Nath Pai: If we are on our legs you say that we are rude.

Mr. Speaker: I am not going to allow this kind of interruption.

Shri Nath Pai: Very well, Sir, I submit to it.

Mr. Speaker: Shri Anthony Pillai.

Shri Anthony Pillai: No doubt Mr. Iengar holds a very important post, He is the Governor of the Reserve Bank, and when we criticise him or discuss him, undoubtedly, we have got

to exercise restraint and we speak with a sense of responsibility.

Shri Jawaharlal Nehru: Where is the reference in the report. I still ask (*Interruption*).

Shri Nath Pai: Sir, the Attorney General.....Sir, will you give me a chance?

Mr. Speaker: Order please. What I would say is this. One hon. Member is on his legs. He refers to a particular person. Some objection is taken that no reference is made. Should not the hon. Member who made the reference explain it? Why should all the other hon. Members get up and say that they will explain. Are you holding a *vakalat* for him. Let him speak (*Interruption*). Order please. This is not the way to get on with the debate in the House. An hon. Member rises in his seat and makes an allegation. He refers to a particular statement. He is bound to explain it. If he does not explain, other hon. Members may note it down and wait. If it is such a serious mistake, when it comes up I will allow an opportunity to other Members later on. It is not as if all can speak at a time. If he is unable to speak he must close his speech and sit down. There is no meaning in every hon. Member, all the 500, going on saying: "I will answer for him".

Shri Jawaharlal Nehru: It was Shri Anthony Pillai who offered to educate me. I am prepared to be educated by him and not by everybody (*Interruption*).

Shri Nath Pai: I will never take such an impossible task here.

Mr. Speaker: It is not necessary to educate anybody here.

Shri Anthony Pillai: As I was saying, Mr. Iengar appeared as a very important witness in these proceedings. Mr. Patel deposed that he had discussed this particular deal in his presence, and in the report there is the discussion with regard to the conflict of evidence. Therefore, Mr. Iengar's

[Shri Anthony]

evidence is of importance and Mr. Iengar role, whether major or minor, is a matter which it is necessary to scrutinise. I would like to make only one submission. From the record it is clear that Mr. Iengar received a copy of the letter addressed to Mr. Patel dated 21st June. He received the letter on the 22nd June in which he is addressed as 'Dear Iengar'. There is also reference to a previous discussion. Now, is it not one of the important duties of the Reserve Bank to advise the Government with regard to these matters? Both before and after this deal various reports from the Reserve Bank have been sent to the Government advising them with regard to the nefarious activities of Mr. Mundhra and the possible effects on the economy of the country. Here the highest man in the Reserve Bank, the Governor, receives a copy of a letter in which there is a proposal for the L.I.C. to enter into a deal. Is it not his elementary duty to warn the L.I.C. and the Government that this proposition should not be touched, to use Shri Feroze Gandhi's favourite phrase, with the tadpole's tail? Is it not his elementary duty to warn also the L.I.C. that these transactions would result in disaster? He has failed to perform this elementary legal duty cast on him. Is not that a fair comment to make about him?

Shri Jawaharlal Nehru: This, I think, is Mr. Pillai's conclusion and not Chagla's. Of course, he is substituting himself, for the moment, for the Commission.

Shri Anthony Pillai: It is not my duty here to give an elementary paraphrase of Mr. Chagla's Report in words of one syllable. It is my duty to comment on the report, and I am performing that duty of commenting on the report. If the report has left out anything it is my duty to point out the errors of omission.

Mr. Speaker: The hon. Member must conclude now.

Shri Anthony Pillai: I have just started, Sir.

Mr. Speaker: I have given him 21 minutes already.

Shri Anthony Pillai: I must be given adequate time, Sir, because I have just started. I was interrupted all along the line.

Mr. Speaker: He will have two more minutes.

Shri Anthony Pillai: Sir, I would like to make another comment with regard to this report. There is no assessment of responsibility. It ends up with a final conclusion that we must be concerned about only ministerial responsibility. There is no attempt to assess the responsibility of Mr. Patel. In fact Mr. Patel has been let off very lightly. All that is said in the report is that he is "concerned with the transactions". Those are the exact words of the Commission. There is no assessment of the responsibility of Mr. Kamath. There is no assessment of the responsibility of Mr. Vaidyanathan.

I will give an instance. Mr. Kamath is a permanent official and I presume he will be defended by the Members on the other side. He is a gentleman who is totally colour-blind, and he is asked to implement the 'blue chip' policy. In his letter of 12th July to the Minister he includes the BIC shares as 'blue chip' shares when BIC has not been able to pay a dividend of even one per cent during the last three years. Now, are we to allow an official who cannot distinguish a 'blue chip' from a 'black chip' to continue as the head of an institution where the investment capacity is Rs. 10 lakhs a day? And, here is a gentleman who admits before the Tribunal that he does not know the rules and regulations of the Corporation which he is supposed to administer. Here is a gentleman who says that it did not occur to him that there was a possibility of the share prices being manipulated. Could innocence and gull-

bility go any further in an institution where every day shares to the tune of lakhs are purchased. This one instance of gullibility has cost the Corporation and the policy holders Rs. 9 lakhs.

Take again the responsibility of Mr. Patel. In confining himself to the question of ministerial responsibility, the question as to whether Mr. Patel was correctly advising the Minister of Finance has not been dealt with at all. It is admitted on all sides that the rationale for this deal is both flimsy and fallacious. He has not been shouldered with the responsibility of developing this tradition of not consulting the Investment Committee while he himself was Chairman of the Life Insurance Corporation. He is not saddled with the responsibility of inducing the LIC officials into a transaction which is patently not a good investment. In these respects, Sir, I find the Chagla Report inadequate.

Another comment that I would like to make about the Enquiry generally is this: that there has been no cross-examination of witnesses. There is a self-imposed inhibition. Mr. Chagla said in reply to an application made by some policy-holders: "the men appearing before this Commission are men of status and I would not like any question to be put to them without proper substantiation". The net result is that depositions were made and there was no cross-examination, and instead of a cross-examination a whole weight of suspicion is thrown upon them afterwards. It is both unfair to the public and unfair to the witnesses who appeared before the Commission.

I will cite one particular instance. In his opening address, Mr. Setalvad says that undoubtedly there is an important linkage between the State Bank and Mr. Mundhra. In a letter written by Mr. Vaidyanathan, it is stated that there are instructions that he should not pay to Mr. Mundhra before consulting the State Bank. But when Mr. Vaidyanathan appears in the witness box, when Mr. Bhatta-

charyya enters the witness box, they are not cross-examined about these points. This suspicion is left there in the air for anyone and everyone to build any edifice upon, but these gentlemen themselves are not asked as to whether the State Bank had any interest in the LIC deal or not.

Mr. Bhattacharyya assists at these discussions, and it would appear—at least a suspicion is created in the minds of the people—that the baby is being passed from the State Bank to the LIC because the State Bank has perhaps been overlending money and there was a danger of the monies lent to it being affected by the fall in the prices of shares of the Mundhra concerns. These are suspicions which occur to any man with common sense, reading the evidence.

Therefore, my submission is that this self-imposed inhibition that men of status should not be cross-examined undoubtedly leads to that final conclusion of Mr. Setalvad that right through these proceedings "we have a feeling that the truth has not yet been told to us." There is undoubtedly some powerful motive which was not unearthed; but it was the duty of Mr. Chagla and Mr. Setalvad through cross-examination to discover these motives and to discover the true facts of the case. And that is why today there appears to be a necessity for a further probe into this proceeding, because the manner in which these proceedings are conducted do not guarantee the whole truth coming out. There was courage displayed by Mr. Chagla and Mr. Setalvad, but that courage was limited. There was a fear that beyond what had been deposed there might be further fish to be caught. There may be several other big fish that may be dragged into the net and they thought that one big fish was enough.

Mr. Speaker: The hon. Members time is over.

Shri Anthony Pillai: I may be given one more minute.

Mr. Speaker: No. I have given him 25 minutes. Shri Thanu Pillai.

Shri Thanu Pillai (Tirunelveli): Mr. Speaker, Sir, we have taken into consideration the report made by Mr. Chagla, and I am sorry to participate in this debate after losing the services of an able Minister whom we were able to congratulate only a few months back. I wish to say that whatever the outcome of this report, which the hon. Members opposite have taken opportunity to criticise, and ridicule us, we are proud that we took this decision.

I would like to submit that the Finance Minister has sent his resignation not as an outcome of the findings of this Commission, but because, even with a little doubt, about his integrity, a man of his stature and holding that high office did not want to continue in that office. It is his own making that he resigned. The Prime Minister was reluctant to accept it for a long time, but then, for whatever this report is worth, the Prime Minister has ultimately accepted his resignation.

My hon. friend Shri Anthony Pillai has said that if one result flows, as a consequence the other must flow. Therefore, I submit that the Finance Minister has not resigned as an outcome of this report but by myself to show his integrity and his prestige and honour.

Coming to the Inquiry itself, we have been digressing too much from the report and many other matters were imported. The hon. Member, the leader of the P.S.P., whom we all respect very much for his age and his past associations, said something about the private sector giving money for Congress elections. I am prepared to accept an enquiry as to how funds are made available for the Congress, the P.S.P. and the Communist Party and all other political parties....

Shri Naushir Bharucha (East Khandesh): All right; let us have it.

Shri Thanu Pillai... and I am sure our position would not be worse than somebody else's. On the Madras elections, Acharya Kripalani has said

that Shri T. T. Krishnamachari was assisted by the funds to influence the elections. I say that the private sector funds were made available against him and not for him. I am prompted to say that, because tons of money came from some forum—the Forum of Free Enterprise. I am told that Madras was flowing with money, but the result was otherwise. The motive behind this and the stage for this was not set today, and it is not with the Mundhra deal but long, long ago.

Every Finance Minister who begins with something new, who sets up some dynamic action, sees the grave of his career in this chair of Finance Minister. That has been the past record. Mr. Deshmukh came. He is not there. Mr. T. T. Krishnamachari brought wealth-tax and expenditure-tax and he is not here.

Shri Nath Pat: Shri Deshmukh is out because he fought for justice.

Shri Thanu Pillai: This is the experience. There is something very difficult and dangerous about the chair of Finance Minister. The Finance Ministers come and sit there and come here and say good-bye and go. That has been the experience. So, we are not sorry that Shri T. T. Krishnamachari has gone.

Shri Feroze Gandhi (Raj Bareilly): Shri Bhagat is the sole survivor.

Shri Thanu Pillai: He is not going to sit there for long even if he comes. If the hon. Member comes, he will also go. That is a dangerous place. What I say is, the whole set-up is vitiated by this.

Now, I am reminded of an old story, a small story.

Mr. Speaker: Leave it. Please come to the Chagla report.

Shri Thanu Pillai: I would explain that with the story. A person fell ill. His attender was always attending on him and people were enquiring of him. He was an important person and a big employer. His personal servant was daily attending on him

and was sleeping there in the room. Now, everyday one person used to come and knock at the door and enquire how the man was faring. One day the servant was worried, because he was disturbed very much. He got angry and asked that man: "Why don't you go and see for yourself? Why do you come and disturb me in the early morning like this?" Then, with that angry face he went to his master. His master asked him "My servant, why are you worried? Is it that I have given you much trouble?" The servant replied: "No Sir; I am not worried about that trouble. I am prepared to serve you for ever. But some man is knocking at my door everyday. I was angry with him. That anger was still there in my face when you saw me." Then the master told him, "you please note down his name, address and everything when he comes to see you tomorrow morning. Also ask him what he is after." The next day when that man came, the servant asked him his name and profession, he replied "I am a trader." "What trade" asked the servant. He replied "I am a coffin seller."

Now the very approach in this inquiry was that some people wanted to put the whole Government on coffin. Some wanted to put individual Ministers into the coffin. Something like that has happened. Each one looks at it from his own angle and says: this is right and that is wrong, this man is responsible or that man is responsible.

Coming to the report itself, each one had a motive behind his argument. My friend, Shri Dange, attacked the whole policy of the Government. He wanted to make use of the coffin. Some people in the private sector wanted to see the end of the public sector, and so they wanted to make use of the coffin. There are individuals who are angry with Shri T. T. Krishnamachari, whose anger has degenerated into hatred. Because of that anger, they have said many things. Because of that, for them man has become man-eater. They wanted

to make use of it to make a coffin for the Government.

This is the result of something wrong somewhere. Our Prime Minister also made some remarks about the whole thing; he has made it clear, not once but several times, that the whole approach has been vitiated. Therefore, he is feeling sorry that something was wrong. From the evidence that was made available to us, we find that there was no proper looking into the evidence. The Attorney-General, whom we sent to defend our case, became the prosecutor of the Finance Minister and, incidentally, of the Government.

Pandit K. C. Sharma (Hapur): That is not correct. He did justice.

Shri Thanu Pillai: It is not so.
(Interruptions.)

Mr. Speaker: Order, order. Is there only one view of the report? There are several views expressed by various hon. Members. Why not allow other hon. Members to express their views? Why should they become impatient? The hon. Member feels that the Attorney-General acted as the prosecutor of the Finance Minister. That is his view. Other hon. Members may take another view
(Interruptions.)

Shri Thanu Pillai: I would like to substantiate my statement. While referring to the private sector he mentioned about the back-door policy of nationalisation. It was a remark which was passed by him. Is it a remark which a representative of Government can pass about the Government? Therefore, I say, our defender became our prosecutor. He made strictures. He passed strictures on the policy of the Government.

Coming to the affair of Shri T. T. Krishnamachari, I feel he is more sinned against than sinning. I find that some remarks have been passed against him, which are not justified. He was not given an opportunity; a

[Shri Thanu Pillai]

counsel was not given to him. The Attorney-General, who represented the Government—Shri Krishnamachari was a part of the Government—would not defend him.

Shri Bimal Ghose: That is not true.

Mr. Speaker: The hon. Member has as much right as any other hon. member to say what he feels. This is his inference from the report.

Shri Bimal Ghose: This relates to the factual position.

Mr. Speaker: It is not as if only one hon. Member who knows everything.

Shri Thanu Pillai: On that day, Shri T. T. Krishnamachari was a part of the Government.

Mr. Speaker: If any hon. Member misinterprets another hon. Member's speech, it is open to him to get up and say that. I will allow him to do it. He can do it by way of a personal explanation. In this case, there is a report before us. One hon. Member refers to it and gives his version. It is open to the other hon. Member, when he gets a chance, to say that the other hon. Member's reading is not correct. It is not a question of cross-examination here. So, except in the case of personal explanation, I request hon. Members not to interrupt the other's speech.

Shri Bimal Ghose: If on the basis of a report, one hon. Member says something which is not factually correct, then . . .

Mr. Speaker: Who knows what is the fact? Even the existence of an individual may not be a fact to some. According to them, man may be a delusion.

Shri Thanu Pillai: I was saying that the Attorney-General was representing Government. Therefore, he was representing Shri T. T. Krishnamachari. That was the view taken by

the Presiding Officer, the Chairman of the Inquiry Commission. But the Attorney-General refused to appear for Shri T. T. Krishnamachari, because he has already indicted him. In the summing up he has held him responsible for the deal and has found fault with him.

Now, Shri T. T. Krishnamachari was dismissed by the Attorney-General even before his resignation was accepted by the Prime Minister. That is the position. He was not given an opportunity to explain his case before the tribunal, before the Chairman of the Inquiry Commission.

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I would like to know from the Government whether they will institute an inquiry into the whole case. Because, justice should not only be done but should appear to be done. If in the case of a man, who is responsible limb of our Government, the Finance Minister, who is being indicted, no opportunity is given to present his case and interested people are having access to the presiding judge, it is not healthy democracy.. (Interruptions.)

Shri Nath Pai: It is an aspersion on the judge. You may give your ruling on this

Mr. Speaker: So far as we are concerned, we are considering the report and examining it. There is nothing wrong in a member giving his opinion about the report. Any hon. Member can say that there was a misjudgement of facts and opportunities have not been given to some people. Then, this is not mere usual evidence. There is extra judicial evidence. Therefore, it is quite relevant, because the report is under discussion. This has nothing to do with High Court Judges.

Shri Jaipal Singh: This is a very serious indictment. An accusation has been made against the Commission that some people have access to him, whereas others have no access to him.

Shri Thanu Pillai: I did not say that.

Shri Jaipal Singh: I think the House will bear with me when I hold that the hon. Member said that certain people had access and others have no access. It is on record.

Mr. Speaker: The hon. Member has misunderstood him. He said what is expected of a judicial inquiry. Here, without hearing all the evidence, he allowed certain other persons to go and see him, and they had discussions with him privately. He has related not only what has happened in the court, but outside the court also. That is what he says. Let him go on.

Shri Jaipal Singh: I think we are entitled to know whether he has said that or not. If I have misheard him, I am entitled to know what is in the Hansard. Let us hear it.

Mr. Speaker: Not now. It will be placed in the Library. The hon. Member may look into it.

Shri Thanu Pillai: My submission is that when this House discusses this report and gives weight to this report and places its faith in the report, all aspects which have gone to contribute to the drafting of the report have to be taken into consideration. Not that one aspect of it is suitable and accepted. The Prime Minister's amendment today has made it clear that we will accept it so far as it goes into these affairs. The points of reference are also there. There was a discussion whether constitutional responsibility is a matter of reference or not. All that has been discussed there and in that atmosphere which was not absolutely clear, something had happened. We have a doubt whether it has been coloured to that extent. Why should hon. Members quote this report and say, the Government is all wrong and so on? Why should I not be permitted to say that all is not well there and if our Government or the Prime Minister had to say something which was absolutely reasonable, absolutely perfect that things were not going on

in a proper atmosphere, in a proper manner and to the extent of impropriety we cannot accept the responsibility that is the outcome of that; nothing more than that—why should there be disturbance?

My hon. friend **Shri M. R. Masani** quoted that Gandhiji said India should learn to say 'No' But, there was talk of the Plan and all that. There is too much of 'No' in the country today. Down with this, down with that, down with that is the slogan everywhere. To live and prosper is not the slogan. 'No' is said by the vested interests to the public sector and all ridicule is placed on it. We are not belonging to the people's democracy nor belonging to the other blue democracy of the other side like the blue chips. We are trying in our own way to shape a future economy and a democracy in keeping with our standards, our ability, intelligence, culture and tradition. To that extent when we apply our minds to this also, let us not forget our high traditions that righteous anger should end there and not develop into hatred to disastrous ends.

Shri Jaipal Singh: Mr. Speaker, Sir, I have to disappoint the House. By my antecedents I am supposed to speak an opposition language but it is going to be different today.

I rise to support **Shri Jawaharlal Nehru** except for three minutes of his speech where I think he had a lapse. But for that lapse I feel I am in full accord with him. Because of these 180 seconds, I request him that he should accept the amendment that is standing in the names of **Shri M. R. Masani**, **Shri Barrow** and myself in list No. 4. With that condition, I have no hesitation whatever in supporting **Shri Jawaharlal Nehru**.

I do not do it with a view to being different. I feel that the decorum he endeavoured to introduce into this debate has been vitiated by the whole affair being converted into a political platform. I am not concerned with who has to be hanged, who has to be

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shot non-violently as Shri S. A. Dange suggested. I have heard of shooting, but I have never heard of non-violent shooting.

Shri S. A. Dange: That is the Congress way of shooting.

Shri Jaipal Singh: May be the Congress way. I do not know what Shri S. A. Dange's way of non-violent shooting is. I am yet to learn; I am willing to learn.

I think the very first thing we have to appreciate is, are we functioning as a Parliamentary democracy or not. If we are functioning as a Parliamentary democracy, the very first thing we have to accept is,—and once we accept it, we bury all other questions on the floor of the House—who is responsible. Somebody has to be responsible and in Parliamentary democracy, one person can be responsible and that is the Minister. We have to leave out everybody else. It will be for the Treasury Benches to take the other steps. Somebody has to be responsible.

Yesterday, we had a dismal spectacle here. The outgoing Minister tried to convince us and if there is one person in this House that he has not succeeded in convincing, that is myself.

An Hon. Member: There are many.

Shri Jaipal Singh: He knew nothing, he knew nothing: that is a position I am not prepared to accept.

I am not going into the antecedents either of the out-going Minister or of the officers concerned. One particular civil servant has been mentioned in most of the speeches that have emanated from this side. I do not think there is any hon. Member in this House who has known that particular civil servant longer than I have. We have been fellow students together, and if dirt has to be thrown on him, I can provide more dirt. But, that is not the issue. The issue is the question of responsibility. I do not think

we have to worry very much about what is happening. I think what is more important to this country and the future of this country is, what is to happen hereafter in the light of what has been unearthed. I think that is of greater importance to us. We will get somewhere if we are serious about it. Not in trying to hang about half a dozen people; that cannot help.

I would willingly agree with my hon. friend Shri S. A. Dange that there should be a further probe into this particular matter, a probe into the Leader of the House, his daughter; of light blue chips. I am talking of his grand children, his son-in-law, Shri Morarji Desai, the whole lot and every Member of Parliament. Let there be a probe. What is wrong with that sort of thing? That attitude is all very well. But, as far as this particular judicial enquiry is concerned, where does it get us?

Some unfortunate statements have been made about Mr. Chagla himself. Mr. Chagla, I am proud of him. He is a fellow Oxonian. He has done a first class job. People have talked of light blue chips. I am talking of dark blue chips here now. He has done a first class job within the limitations of the terms of reference, and it was very wrong of Shri Jawaharlal Nehru to say what he did. Today he confessed he did not mean what he said. But the fact . . .

Some Hon. Members: He is from Cambridge.

Shri Jaipal Singh: Light blues will talk like that. I am tendering advice to the light blues that it is not enough to make a confession later on. Language has to be understood in a particular fashion. A great deal of unfortunate feelings were generated by something which the hon. Leader of the House was honest enough to admit, he did not mean it that way. But, unfortunately, people have to understand language in the way they hear it. However, that is not the point.

I think what we have got to bear in mind is that we must adhere to the noble convention that has been set in the past of not attacking people who are not here to defend themselves. It is a very very necessary thing. It is a very healthy thing. I know those very Members who are sitting there, when they were sitting on this side, were cursing them black and blue. Today they are there because of these very people. I know there have been some bad characters in that. I do not dispute that. But, I like to see my friends occupy those Benches and see whether there is any change.

An Hon. Member: Let us try.

Shri Jaipal Singh: Yes. They have been tried. They have been honest enough to demand a probe into it.

An Hon. Member: Will you go that side?

Shri Jaipal Singh: It would be my turn one day. It may be your turn one day if you are honest about it. But, the fact is, you must stand by the permanent executive.

The whole issue is this, that the Minister is and cannot but be responsible for all the civil servants that are under his control. It is no good trying to run away from that, saying I do not know, I do not know.

An Hon. Member: He is absent.

Shri Jaipal Singh: That is the point I think once we have that very clear in mind, all this cheap attack that we are making on the civil servants will disappear.

We must talk with a sense of responsibility. I am not opposed to other further probes or to their hanging, dismissal or whatever else we like to call it, except that I cannot conceive of non-violent shooting—that I have not been able to understand. The point is this: how are we going to run the administration? Please do not take mean advantage of something that has been unearthed. It did not need unearthing. Everybody knew about

it, and we have to thank Shri Feroze Gandhi for having brought it here, not only Shri Feroze Gandhi, but my fellow Jharkandi, Dr. Ram Subhag Singh, who initiated it. (*An hon. Member: We thought he was a Congressite*). He is from Jharkand. If people are ignorant about the geography of this country, I cannot help.

I mean it very seriously. The whole purpose of this debate will lose its meaning if we do not pinpoint the responsibility, whatever has happened on the Treasury Benches. They are responsible for everything, whether they knew about it or not. I think if we do that, then we need not go into this civil servant or that civil servant. To my mind, that is very very important because your predecessor in that Chair had in the past again and again laid stress on this particular matter. I have to stress this because in the debate that I have been listening to today, again and again the same thing has been brought in in a very clever way. To my mind that is very unfortunate.

The amendment that stands in the names of two others and myself seeks to ask this House to let the Treasury Benches see reason in accepting the Chagla Report. It has been said by the Leader of the House that they were hustled into it. It sounds a very lame excuse. I really do not know. It may perhaps be that they had other things to do may be bigger things, may be smaller things, may be things which did not matter at all to the country. At any rate, they were not able to devote enough time to this particular question, and when the thing was there before them, when there was pressure from within the Party itself and, of course, from this side—that can always be taken for granted—they were hustled into it. Something was done. I am not prepared to accent that sort of statement. For the outgoing Finance Minister to say that he appointed this Commission and then subsequently to say that the terms of reference were not quite what they should have been, is something I cannot understand. Well, who is responsible?

Shri Jawaharlal Nehru: I do not think anybody has suggested that the terms of reference were wrong—not that I am aware of. What I ventured to say was that, normally speaking, a preliminary investigation would have been helpful to the Commission. It had nothing to do with the Commission's work. Such a preliminary investigation, as was done in England, would have been helpful to the Commission and to others too. That was all that was said.

Shri Jaipal Singh: That is all right. But in this hustle, they forget about the preliminary investigation also. It is all right—something *in camera*, later on something in public, back to *in camera*, then in the Cabinet, 'complete camera'. Whatever the picture painted before us, the point is this: let us not seek shelter behind something that has not happened. It can still happen. Government can still have that choice in another further probe into this matter and other matters. Make the terms of reference so comprehensive that this shortcoming will be completely absent.

In conclusion, may I point out that I feel very disturbed that Government somehow or other refuse to learn from experience? That is my main worry, not only because of this Commission of Inquiry but because of other things also.

You have been good enough in the past to permit me to speak on many debates, and on debates like that on DVC and others. I have again and again pointed out why certain things were happening because of the particular pattern that the present Government were pursuing. In this particular case, we find a repetition of the same story, one man with a dual personality. In one case, he is the boss, in the other, he is the subordinate of the same boss. I really do not understand how the administration can be carried on with any detachment. Detachment is what is wanted.

We talk of autonomy. I have seen autonomy when it comes to the auto-

nomous districts of Assam. We are seeing here the same type of autonomy. It is no autonomy at all. This inquiry and the evidence that has been tendered before this Commission, show it very very clearly that we do not even know the basic meaning of the word 'autonomy'. I concede that Government can never abdicate its supreme power and authority in the sense that policy has to be dictated. But what is this day to day interference about? Did we not find in the case of the DVC, the Secretary here in disagreement with the Chairman of the DVC and hence the holocaust? Did we not find it in other matters also?

So it is not merely a question of what has happened in this particular unfortunate incident. I think Government must shake itself up and be brave about the future, that is to say, some overhauling has to take place. There is a broad goal that we have set before ourselves. That goal has to be achieved. Now, when incident after incident happens, whether it comes into the open light, as it has done in this particular instance, or whether we talk about it in the Lobby, as the Leader of the House mentioned this morning, or in the streets or in the cities or in the hills, if people talk about it, I think it is time Government did not turn a deaf ear to that, because it is not merely loose talk. There is something that people expect Government to do when something is going wrong somewhere.

It is no good the Leader of the House telling us that we are an irresponsible bunch on this side, that anything that we say has no foundation—those are the three minutes I have referred to earlier. I would request not only the revered Leader of the House but his colleagues on the other side also to realise that when we open our mouths, there are some of us who are as well-placed as they are in regard to knowledge. And I think the sooner—my hon. friend, the Chairman of the Public Accounts Committee stated and I hope that what he stated has gone home to the Treasury

Benches that side—that in matters of this sort we function not on party lines but as a whole House, the better for all. Every speech that I have heard from the other side has been on party lines. What is the good of accusing us that we are speaking on party lines when everybody on the other side is talking about it on party lines? Set an example to us. If we do not know what to do, for heaven's sake, set an example. What are you doing? Only yesterday there was a question here on this subject, and you yourself, Sir, said that you thought the Opposition was united. Where is the united voice on the other side? I raised this point even yesterday.

18 hrs.

I do not want to take any more time. All that I say is this, that we are all, like the Treasury Benches, very perturbed; and perhaps we are jubilant, on the other hand, that this has come to the surface, that there has been a judicial probe. It has shaken us up on this side, that side, everywhere in the country that we are not self-righteous, that there is something wrong, that we have to go ahead and look at things from a different angle, not from the angle of complacency that everything was all right. I am not prepared to accept what the Leader of the House says that if we compare our civil service, our democracy, ourselves, with the rest of the world, we are better than anybody else. I am not concerned with whether we are better. We should be the very best that we can be. Nothing is good enough for me except the very best.

Shri Khadilkar (Ahmednagar): Let me at the outset congratulate the congress friends Shri Feroze Gandhi and Dr. Ram Subhag Singh for focusing the attention of this House as well as the people at large on the administrative apparatus of the present Government. I have been watching the later developments and the proceedings of this enquiry from day to day, and now we know what action the Government proposes to take on it.

While watching all this, I am reminded of an old game which is very popular in our State among the children, where it is the skill for escaping responsibility that is tested, and ultimately if the responsibility is fixed on a child, he is supposed to be 'a culprit' who is made to pay the penalty.

In this whole process of the enquiry and investigation, we find after going through the report, that the truth is missing. The final responsibility for this deal has yet to be fixed, and all of us are trying to find out exactly where the responsibility lies.

Moreover, this has a vital significance to us all because the Life Insurance Corporation, along with the State Bank and the Reserve Bank, are probably the most important or basic financial institutions in the hands of the Government. If they are properly managed they can certainly help to build up the public sector and effectively control and discipline the private sector as well.

Mr. Speaker: The hon. Member may stop at this and may continue tomorrow.

The following are the selected substitute motions/amendments to the motion regarding the Report of the Commission of Inquiry into the affairs of the Life Insurance Corporation of India which indicated by the Members to be moved subject to their being otherwise admissible: 5, 6, 9, 12, 14, 16, 17, 18, 19, 20, 21, 22, 23, 24.

Shrimati Renu Chakravartty: One further amendment has been sent in just ten minutes ago jointly by Shri Dange, Shri Surendranath Dwivedy, Shri Khadilkar and Shri Siva Raj.

Mr. Speaker: I shall get it circulated tonight. That also will be treated as moved.

Shri Braj Raj Singh: I beg to move:

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

"This House having considered the Report of the Commission of

[Shri Braj Raj Singh]

Inquiry into the affairs of the Life Insurance Corporation of India, is of the opinion—

(a) that keeping in view the joint responsibility of the Cabinet, the whole cabinet should resign;

(b) that enquiries be instituted with regard to other autonomous corporations established recently; and

(c) that this House places on record the appreciation of the services of Shri M. C. Chagla."

Shri Vasudevan Nair (Thiruvella): I beg to move:

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

"This House having considered the Report of the Commission of Inquiry into the affairs of the Life Insurance Corporation of India, recommends that a permanent All Parties Parliamentary Committee to supervise the working of autonomous corporations and state undertakings be set up."

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

"This House having considered the Report of the Commission of Inquiry into the affairs of the Life Insurance Corporation of India, recommends that in view of the fact that the entire truth has not been revealed, an All Parties Parliamentary Committee be set up to further probe into the Life Insurance Corporation of India Mundhra deals and all allied and relevant matters."

Shri Ghosal (Uluberia): I beg to move:

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

"This House having considered the Report of the Commission of Inquiry into the affairs of the Life Insurance Corporation of India, while approving the findings of the Commission within the terms of reference submitted to the Commission for inquiry into the

affairs of the Life Insurance Corporation is of the opinion that, as all the relevant facts pertaining to Mundhra deal have not come to light, there should be a further probe in the matter so as to bring the guilty men to book behind this deal."

Shri Siva Raj (Chingleput Reserved Sch. Castes): I beg to move:

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

"This House having considered the Report of the Commission of Inquiry into the affairs of the Life Insurance Corporation of India, accepts and adopts the Report."

Shri Jawaharlal Nehru: I beg to move:

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

"This House, having considered the Report of the Commission of Inquiry into the affairs of the Life Insurance Corporation of India, approves of the statement made on behalf of Government that:

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

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

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

Shri Vajpayee (Balrampur): I beg

o move:

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

"This House having considered the Report of the Commission of Inquiry into the affairs of the Life Insurance Corporation of India, is of the opinion that as it has not been possible for the Commission to arrive at the whole truth and to clearly say that there was no trace of anything in the nature of bribery, corruption or personal dishonesty there should be a further, probe in the matter so as to ascertain the 'compelling reason, the motivating force' behind the deal and to bring the guilty men to book."

Shri Surendranath Dwivedy: I beg to move:

That in the substitute motion moved by Shri Jawaharlal Nehru,—

in lines 4 and 5 for "approves of the statement made on behalf of Government" substitute "is of opinion".

Shri Surendra Mahanty: I beg to move:

That in the substitute motion moved by Shri Jawaharlal Nehru,—

in part (2),—

(i) for "appropriate" substitute "judicial"; and

(ii) add at the end—

"also in respect of the Income-Tax Commissioner of Calcutta, for withdrawing order of attachment of the sale proceeds of the Mundhra-scrips, which had been issued earlier, and also in respect of the purchase of Jessops scrips, prior to June 24, 1957 by the Life Insurance Corporation; and"

Shri Jaipal Singh: I beg to move:

That in the substitute motion moved by Shri Jawaharlal Nehru,—

for part (3), substitute—

"but regrets that Government have failed to accept the princ-

ples recommended by the Commission for adoption by Government and the Corporation."

Shri Naushir Bharucha: I beg to move:

That in the substitute motion moved by Shri Jawaharlal Nehru,—

add at the end—

"and particularly—

(a) the nature and extent of Ministerial responsibility including the extent of a Minister's responsibility for the actions of his officers;

(b) the approach and procedure generally to be adopted at such inquiries;

(c) relations between Government Ministers and autonomous statutory Corporations;

(d) nature, character and cadre of services necessary for manning such autonomous Corporations; and

(e) principles and policies generally governing investments by Life Insurance Corporation and other autonomous statutory bodies."

Shri S. A. Dange: I beg to move:

That in the substitute motion moved by Shri Jawaharlal Nehru,—

after part (3), add—

"and recommends—

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

(b) that a permanent All Parties Parliamentary Committee to supervise the workings of autonomous corporations and state undertakings be set up; and

(c) that Messrs Jessop and Co. Ltd. be taken over by the Government and nationalised and effective Government control be established in all concerns

[Shri S. A. Dange]

in which the Life Insurance Corporation of India has invested substantial funds."

Shri Surendranath Dwivedy: I beg to move:

That in the substitute motion moved by Shri Jawaharlal Nehru,—

after part (3), add—

"and recommends that Government institute a further inquiry into all investments made by the Life Insurance Corporation since its inception."

Shri S. A. Dange: I beg to move:

That in the substitute motion moved

by Shri Jawaharlal Nehru,—

after part (3), add—

"and recommends—

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

(b) that a Standing Parliamentary Committee should be set up to supervise the workings of autonomous Corporations and State Undertakings."

18.05 hrs.

The Lok Sabha then adjourned till Eleven of the Clock on Thursday, the 20th February, 1958