

FORWARD CONTRACTS (REGULATION) BILL

The Minister of Commerce and Industry (Shri T. T. Krishnamachari): I beg to move:

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

Hon. Members, I have no doubt, have read the Report of the Select Committee and also the minutes of dissent appended to it by other hon. Members who are Members of the Select Committee. I have no intention of taking the House through the Report in detail. The amendments made by the Select Committee excepting in regard to one particular clause—clause 18—have been more or less of a non-controversial nature to a very large extent.

In clause 4, sub-clause (e), we felt that the Commission should be enabled to undertake inspection on its own volition without having to wait for the direction from the Central Government. That makes the work of the Commission in regard to inspection more or less a routine measure. It need not necessarily get a complaint and the Central Government need not ask the Commission to go into the accounts of any particular association. They can do it as a matter of routine. In one sense it helps. At times when an inspecting body goes and inspects the accounts of transactions of an association, a scare is raised that something is wrong with it and as these associations which deal with forward contracts have got to tread on delicate grounds, such a scare might hamper its normal work. So if inspection is more or less made a routine affair, very possibly the scare, or the gravity of the scare might be minimised.

Then clause 8 is more or less a consequential amendment to clause 4, but so far as the scope of clause 8 is concerned, it now makes it obligatory for all persons having any business with the association also being liable to produce their books because clause 8 (3) says: Where an enquiry in relation to the affairs of a recognised association or the affairs of any of its members has been undertaken under subsection (2) all persons mentioned in sub-clauses (a), (b) and (c) are asked to furnish information, and every other person or body of persons who has had dealings in the course of business with any of the persons mentioned in clauses (a), (b) and (c). This is very necessary because in a matter

like the work of an association which controls forward contracts, a large number of other people come in and the Commission must have powers to look into their books and ask them to produce records. Clause 10 is more or less of a formal nature. What has been done by the Select Committee is to put in a proviso in regard to suspension. It says:

"Provided that where the period of suspension is likely to exceed one month, no notification extending the suspension beyond such period shall be issued, unless the governing body of the recognised association has been given an opportunity of being heard in the matter".

It may lay the obligation on the forward market and also on the Government to get the governing body to offer an explanation within a limited period of time.

Then I come to clause 18. I shall deal with this a little later because that is the main clause. I will take up the minutes of dissent which have been appended by hon. Members. Mr. C. C. Shah—whose advice to the Committee, I think the Committee has got to be grateful for—being a person who knows about the working of these forward markets and also a person who is disinterested, to the extent that he is only Legal Adviser to many such Associations—and he is not himself a person interested in trade—I think his guidance should be appreciated by the House and by the Committee. We felt that the Bill did not go far enough and he wanted an amendment or an addition of a clause after clause 14 on the following lines:

"No person shall organise or assist in organising any association for the regulation and control of Forward Contracts except for the purpose of obtaining recognition under Section 5".

That is only under preliminaries he can do that. After that he must obtain recognition. The provision really resolves into this. If these provisions are accepted, no forward trading could be conducted except by permission given by Government and the association should not provide any kind of facilities for speculation. These suggestions were really considered by the Expert Committee and paragraph 11 of its Report indicates that these suggestions were considered, but the Committee felt that where a blanket prohibition of this kind would be administratively difficult, Government could not possibly undertake to take up this task.

With regard to the second suggestion, we have, in clause 18, sub-clause (1), given effect to it in another form. Very possibly the hon. Member did not make any reference to it because he felt that the argument will lose its strength if what has been done is recognised and eliminated from his original suggestion. I need not go into it very deeply because I may explain the various difficulties. But, I think the House will recognise that so far as the Central Government is concerned, this is the first measure of its kind and we have, more or less, to find our way. I think this observation of mine would, perhaps, help hon. Members to realise that the Government is not willing to go as far as they would like it to go. Bombay has undoubtedly some experience of this particular type of contracts, because there is a Bombay Act. I have no doubt that the hon. Member who has appended a minute of dissent, when he gets up and rises to speak, will be able to tell us a lot more than I, assisted by my expert advisers can say in this matter. Frankly I do not mind admitting that I am completely a layman. Having a person of that nature at the head of this Ministry, Government feel that they should not undertake commitments which they cannot administratively fulfil. Our object now is very limited. We propose to choose the places where we want to make the Act applicable. We also propose to delineate very clearly the types of contracts which we propose to control. We do not want unnecessarily to prohibit what is perhaps normal course of business, namely, non-transferable specific delivery contracts as between two parties unless these contracts are misused in places where the associations are recognised and operate. I did mention to the Select Committee at that time my difficulties. Neither have I the organisation, nor have I the competence to cover the entire country which it will mean if I had accepted the suggestion of the hon. Member, Mr. C. C. Shah. I also told him at that time that I am prepared to give an assurance, subject to the worth that these assurances have in the minds of hon. Members opposite, that as time goes on and as we get more and more competent to handle this rather difficult set of businessmen, who come within the mischief of this particular enactment when it is enacted, we are certainly prepared to extend the area of our operation. Very possibly, two or three years hence, Government may be able to accept perhaps in some modified form a liability such as the one that has been envisaged by the hon. Member, Mr. C. C. Shah. For the time being, I feel the Government has to go very slow in the

matter, and only deal with areas where there is a possibility of organised associations operating within a particular set of rules applying the enactment as far as one would expect them to do in the circumstances, and Government would not be inclined to extend the area of its operation.

There is another fact also. The Bill indicates to the House that there is a certain amount of financial commitment. We do not propose to levy a cess on the transactions. Nor do we propose to levy a subscription from these associations so that our administrative cost will be met. Until we know exactly what our commitments are from the experience that we would gain in course of time with this limited measure, I am afraid it would not be fair to this House and to the tax-payer that the Government should enlarge its activities and then ultimately find, having put in a particular provision in the statute book, that that provision is a dead letter, because the Government cannot enforce it. That much for Mr. C. C. Shah's minute of dissent.

1 P.M.

The next one is a powerful one. It is one of those big long range pieces of artillery and I propose to deal with it at the end. There is another minute of dissent given by Mr. Mukund Lal Agarwal. May I take it up after Lunch, Sir?

Mr. Deputy-Speaker: Has the hon. Minister got much to say.

Shri T. T. Krishnamachari: May be another 15 or 20 minutes.

The House then adjourned for Lunch till Half Past Two of the Clock.

The House re-assembled after Lunch at Half Past Two of the Clock.

[MR. DEPUTY-SPEAKER in the Chair]

Shri T. T. Krishnamachari: When the House adjourned for Lunch, I was dealing with the minute of dissent appended to the report by Mr. Tulsidas Kilachand, with which Mr. G. D. Somani had associated himself.

The gravamen of the charge against the Select Committee in this minute of dissent is that it has gone back on a decision which was made by the previous Select Committee in altering the scope of clause 18. Hon. Members who have read the minute of Dissent of Mr. Tulsidas Kilachand will realise that paras 1, 2, 3, 4, 5, 6, 7, 8 and all that follows is merely a padding to their objection to the Select Committee's alteration of the terms of clause

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18. I have no doubt that when my hon. friend is on his legs, he will reinforce the arguments which he has brought forward in his minute of dissent. I have equally no doubt that when my hon. friend gets up, he will tell the House that this Minister, in moving for committing the Bill to the Select Committee, had supported the provisions of clause 18 as it stood when the Bill was committed to the Select Committee. When hon. Members take advantage of truth and interpret it to be on their side, one cannot take exception to it. It is undoubtedly a fact that in making the original motion, I did refer to the provisions of clause 18. I also mentioned the bare facts in justification of the provisions as they were. In this I am not a free agent. I think my hon. friend who has added this minute of dissent would concede that I was myself probably slightly taken aback at the quantum of opposition to this particular provision of clause 18. I might at once concede that at the time I introduced this Bill and scrutinised the provisions with the limited amount of knowledge and experience that was at my disposal, I was not very happy about the wording of sub-clause (1) of clause 18 for the reason that it imposed an obligation on Government to find out the places where non-transferable specific delivery contracts could be excluded from the mischief of that particular clause. The inclusion of non-transferable specific delivery contracts within the scope of clause 15 was complete, but it gave to Government the power—not merely gave power, the words used are "Government shall"—and at least it would be necessary for the Government to tell this House that they had gone round and found places A, B, C, D and X where associations were functioning, were recognised, and that they have excluded non-transferable specific delivery contracts from the scope of the working of the association. It is a queer wording in one sense, and when it first suggested itself to me that the wording could have been altered before the Bill was presented to the House, it was pointed out to me that that particular clause was the subject of a considerable amount of discussion in the previous Select Committee, that a responsible Select Committee had chosen the wording and I should be taking upon myself a serious task for which I was incompetent if I chose to alter the terms of clause 18.

That being the background, notwithstanding the fact that I had sought to explain the provisions of clause 18 at the time I introduced the Bill in the House, I had to give serious consideration to the objections raised to the

provisions by the Members of the Select Committee. And I was assisted in that task by my colleague the hon. Finance Minister and my colleague the Minister of Commerce. So, even in accepting the position—you might as well say: "You had no alternative except to accept it when the majority of the Select Committee felt differently"—even so, while accepting it and trying to put in a different form those provisions in sub-clause (3) of clause 18, I did so with the knowledge of all the consequences that will flow from it.

To go back to the objections of the hon. Member who has appended a minute of dissent, I will very briefly summarise his objections. He said in his minute of dissent that in normal times there could only be two methods of transacting business—or rather such business—one is by ready delivery contracts, secondly by forward contracts. And the next point was that the Bombay Forward Contracts Control Act of 1947 had recognised only these two categories, and the Act has worked satisfactorily; that evidence was furnished to the Select Committee in 1951 as regards the manner in which non-transferable delivery contracts were abused, and that in the last Select Committee no fresh evidence is brought forward to rebut the facts that were proved by the witnesses in the previous Select Committee.

Mr. Deputy-Speaker: Is the previous evidence before the House?

Shri T. T. Krishnamachari: Sir, it is available. I can bring it forward. As a matter of fact, it is in the Library.

The other contention was that the existing provision empowering Government to bring such contracts under control, in the event of their abuse, is not adequate, and that as the clause stood originally as amended by the Select Committee of 1951, the control of recognised associations over non-transferable delivery contracts was to be limited to the particular area, no hardship would be caused to *bona fide* traders wishing to enter into such contracts outside the area. I am very grateful that the hon. Member had conceded there is a possibility of some class of people conducting their trade and making *bona fide* non-transferable specific delivery contracts.

So far as the Bombay Act is concerned, my hon. friend is on firm ground. The Bombay Act does really divide contracts into two categories. But at the same time it is my recollection that certain powers are still

there for the Bombay Government to go further into the definition.

Then I would refer to the question of the Expert Committee's Report. We always choose the wording in a particular report, if it suits us. It may be that the hon. Member might say the same thing in regard to the Government, because the Government have not accepted all the recommendations of the Expert Committee. It is true that the Expert Committee in paragraph 5 of their Report have distinguished between three types of contracts—future hedge contracts, transferable specific delivery contracts, and non-transferable specific delivery contracts. Even so, a certain minute of dissent has been appended to that Report in respect of transactions as regards jute by certain members who came from Calcutta and had a knowledge of the jute market. The stand taken by those who appended that minute of dissent was based on the fact that this nomenclature 'non-transferable specific delivery contract' was a creation of the Defence of India Rules in a situation which was necessitated by the exigencies of war and the conditions that obtained at that time, and that in normal times these things were not necessary. But it does seem that some of those provisions of the Defence of India Rules have been incorporated in the Essential Supplies (Temporary Powers) Act, and a certain amount of forward trading is being done under the provisions of this Act. The bye-laws of the East India Cotton Association contain different bye-laws framed for dealing with hedge contracts, delivery contracts, and the forms of contracts for these two types of transactions are also different. A similar distinction between hedge contracts and delivery contracts has also been made in the bye-laws of other associations. In the United States, where regulation of commodities exchanges has been enforced for several years, forward contracts which are entered into, not for purposes of speculation, but only for deferred delivery of specific commodities in specified amounts and on specified dates are exempted from the Commodity Exchange Act. The wording of section 2 (a) of that Act specifically provides that "the term future delivery" as used herein shall not include any sale of any cash commodity for deferred shipments or delivery. In a well-known book on *Commodity Exchanges and Future Trading* by Messrs Baer and Saxon, the scope of the Commodity Exchanges Act has been explained as not including "the sale of commodities on the physical markets for deferred shipments or forward delivery". The point really is—as I did labour to point

out at some length at the earlier stage of the Bill—that there is a distinction sought to be made in regard to certain types of contracts, where a physical delivery is contemplated as against a type of hedge contract where a physical delivery may or may not come into being, and oftentimes it does not. Therefore, the distinction made between the different types of forward contracts does not involve a violation of established practices or usages of trade, according to the information that I have in my hands.

Mr. Deputy-Speaker: That is called ready delivery contracts.

Shri T. T. Krishnamachari: A ready delivery contract does not necessarily mean that; a ready delivery contract and a contract where the physical delivery is stipulated on a deferred date are slightly different.

Mr. Deputy-Speaker: The time that is taken is only for the purpose of transporting the commodity from one place to the other.

Shri T. T. Krishnamachari: It is not always so. In fact in normal business where there is no association regulating it, there are non-transferable specific delivery contracts possible, and such transactions do obtain in the case of certain types of business, where the speculative element is not brought in, the purpose merely being to ensure a steady supply of goods at certain specific prices.

Dr. Lanka Sundaram (Visakhapatnam): May I interrupt the hon. Minister? The Bombay Act is very clear on this point, and reads like this.

Shri T. T. Krishnamachari: I have conceded that the Bombay Act is different. I accept whatever the hon. Member has got to say in advance.

Dr. Lanka Sundaram: But where does the difference lie?

Shri T. T. Krishnamachari: The provisions of the Bombay Act are unfortunately intended to deal with a particular area only; so far as bullion and cotton are concerned, they apply to the city of Bombay, and so far as oil-seeds are concerned, it has been extended to Greater Bombay. The practice there is that these two definitions enable them to carry on their business—I am told that the practice works hardships on people. The overlapping is not there, but still they are able to carry on their business. Anyhow, I shall come to Dr. Lanka Sundaram's point ultimately.

I quite agree that the different categories of forward contracts have not

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been specifically mentioned, and the hon. Member might refer to the definition of the term 'contract' in section 2 of the Bombay Forward Contracts Control Act which reads:

"provided that the Provincial Government may by notification in the Official Gazette direct any contract or class of contracts to be excluded from the provisions of this Act....."

The word 'shall' is not used. The terms of the sub-clause (1) of clause 18 of the present Bill have not been imported there. Then the provision reads:

"...subject to such conditions as the Provincial Government may deem fit to impose."

That allows it a certain flexibility. My hon. friend here might say that that flexibility is not imported into actual practice. But Government is authorised to import that flexibility, should it be necessary. All this shows that the Government seem to have been aware at the time the Act was passed that it might be necessary to distinguish between different types of contracts. The position is that even if it is conceded that the power to make a distinction that is vested in the Bombay Government by the definition under section 2 of that Act has not been exercised, it does not necessarily mean that what happens to Bombay within that very limited area of the Bombay City and Greater Bombay should apply all over India. I quite concede that with the experience that the hon. Members here might possess of the Bombay market, they are in a position to supply that authority. I was not a Member of the last Select Committee of 1951, and very possibly the witnesses all came from Bombay, and perhaps the Chair might know about it better. What I am really concerned with here is to point out that the present Bill is to apply to the whole of the country in many parts of which trading conditions are materially different from those prevailing in Bombay. Hence it would not be correct in principle to apply the Bombay precedent to the rest of the country without an examination. Even in Bombay in 1949-50 the Bombay Government appointed a Committee to consider and recommend whether the application of that Act should be extended to the mofussil areas of the State and, if so, under what conditions. In the case of cotton—whether the Act will apply to the whole of Bombay—the Committee in paragraph 10 of its report has made specific mention of a

complaint made by the Karnatak representatives of the cotton trade that their cotton did not receive a fair value in the Bombay market. I do not want it to be said that I accept these objections and therefore, on the future working of this measure—if it should be enacted by this House and the other House—these objections could be brought up and have to be accepted by me. I am quoting this with that reservation. I am quoting these views merely because they indicate that the Bombay Act was not satisfactory from the point of view of the people resident in Bombay State but who are not doing business in Bombay City. Probably Bombay City people might also have a different tale to tell if they were here represented adequately with the amount of strength that some of those protagonists of clause 18 as it originally stood possess.

So a complaint was made by the Karnatak representatives of the cotton trade that their cotton did not receive a fair value in the Bombay market. The Committee therefore recommended the establishment of an association for transferable contracts in cotton at Ahmedabad and associations for non-transferable contracts at places like Hubli and Jalgaon. As regards oil-seeds, the Committee similarly recommended that an association should be recognised for transferable contracts in Ahmedabad and for non-transferable contracts at places like Jalgaon, Sangli and Hubli. It is therefore clear that although the Bombay Forward Contracts Control Act did by itself make a distinction between different types of forward contracts, the need for making a distinction between hedge contracts, transferable contracts and non-transferable contracts, if and when the Act was to apply to places outside the City of Bombay, was clearly recognised by the Bombay Mofussil Forward Markets Enquiry Committee. That, I hope, would at any rate be an answer to the objections raised by the hon. Member in his minute of dissent, that the Committee has decided without any knowledge of conditions obtaining there.

Now I come to the provisions as they stand today. As I said, the original provision in clause 18(1) while making chapters III and IV applicable to all non-transferable specific delivery contracts more or less laid an obligation on Government: "shall by notification define the area in which a recognised association may regulate and control non-transferable specific delivery contracts in respect of such goods or class of goods...and the provisions of this

Chapter and of Chapter III shall apply to non-transferable specific delivery contracts only in such area and only in respect of such goods or class of goods". It does not mean that as the Select Committee altered this particular clause, they have completely denied the validity of the argument put forward by my hon. friend in his minute of dissent. We have recognised it. The recognition has been given in a different way. The recognition comes in sub-clause (3) which says:

"Notwithstanding anything contained in sub-section (1), if the Central Government is of opinion that in the interest of the trade or in the public interest it is expedient to regulate and control non-transferable specific delivery contracts in any area, it may, by notification in the Official Gazette, declare that all or any of the provisions of Chapters III and IV shall apply to such class or classes of non-transferable specific delivery contracts in such area and in respect of such goods or class of goods as may be specified in the notification, and may also specify the manner in which and the extent to which all or any of the said provisions shall so apply".

This, I respectfully maintain, concedes the point at issue. If it happens that in Bombay this type of contract in respect of oilseeds trade must be brought within the purview and control of the associations recognised, well here is the power by which the Government may act in the manner in which it will be desired. I do not mind admitting that the Bombay Government were very much interested in this particular provision, naturally, because they felt the existing practice was somewhat different. They did write and ask me about it. I can state here,—subject to the validity of assurances given in this House, the degree of which may be realised by some hon. Members in one way and by some in another way—that this provision, sub-clause (3) of clause 18 is there to be used—not to be ignored—and if a responsible Government of a State after adequate enquiry, after listening to all sides of the case—interests that want non-transferable specific delivery contracts to be included, interests that want them to be excluded, interests which feel that that will harass *bona fide* businessmen, interests which also could prove that that would be abused, to the satisfaction of the Bombay Government—asks me, I shall, without any hesitation whatever, without any delay invoke the provisions of sub-clause (3) of clause 18. And my hon. friend and others who

think in the same way would, at any rate, concede that when I plead that the provisions of 18(1) as they originally stood imposed an obligation on me which I did not find competent to discharge, that I cannot go about the place and say: 'Here, there and somewhere else the non-transferable specific delivery contracts shall be excluded from the purview of associations which have been recognised'. But in cases where there is a positive demand for such inclusion, I shall invoke this provision in this sub-clause. I hope hon. Members will be charitable enough to concede that there is at any rate in this particular instance, some intention, some good faith, so far as Government is concerned, and business interests would not be unduly affected by the recalcitrance of Government which normally they believe to be the case.

Shri Nambiar (Mayuram): Good faith of the Government in introducing this Bill?

The Minister of Commerce (Shri Karmarkar): That is admitted.

Shri T. T. Krishnamachari: The trouble about it is that 'faith' is an extremely elusive commodity. An elusive person can never catch hold of an elusive commodity. Two elusive objects generally do not go together. I might in this connection...

Mr. Deputy-Speaker: They may meet occasionally, accidentally.

Shri T. T. Krishnamachari: Yes. Heavenly bodies also come together sometimes.

I might in this connection refer to the amendment tabled by two hon. Members on that side in regard to sub-clause (2) of clause 18. I am afraid sometimes we see ghosts where they do not exist. It might even be a matter of faith; oftentimes it is a matter of superstition. Here, sub-clause (2) of clause 18 has been specifically put in, as hon. Members would recognise, in order to cover a position that obtains in Calcutta. The position in Calcutta is that the jute trade is carried on certain accepted lines and we might perhaps interfere with the entire contour of that trade if we do not put in that sub-clause. It is intended, as things are today within the knowledge of Government, only to refer to the jute trade. And, therefore, it is a very necessary thing. Otherwise, hon. Members reading the dissenting minutes in the Expert Committee's Report will find that a class of cases has to be excluded. There are undoubtedly speculative transactions in jute and that will go on in spite of all the enactments that we

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make in this House. What you call 'kerb trading' is a thing which you cannot prevent. 'Kerb trading' often-times leads to inability to enforce contracts. The legislative authority that we propose to grant with regard to contracts which are entered into within the umbra of an association does not obtain in "kerb trading". So, speculative transactions where both parties take risks of non-fulfilment, we cannot deal with. My hon. friends have tabled amendments; if they want to move them they can. But I am anticipating the argument by saying that it is a very necessary provision. Otherwise, the whole of Calcutta will object to the entire Bill.

3 P.M.

I do not want to keep the House any longer on this question, because there are one or two other minutes of dissent. Mr. Mukund Lal Agarwal has some objections to the company being punished. It is an accepted principle in law that when a company offends, we catch hold of the person and we also punish the company. Only, the person may be punished with imprisonment and the company will be fined.

A dissenting note as regards language is made by Mr. A. K. Dutt. I would assure him that the words "due performance" are adequate for the purpose. After all, if any association is wound up, there are outstanding contracts. You have to make provision with regard to the 'due performance' of those contracts. The manner and the mode does not really come in; once the question of due performance is conceded, other matters follow as a matter of course.

My hon. friend Mr. Trivedi objects to the provisions being made cognisable. The Select Committee did not accept his contention because they felt, particularly in a legislation of this sort, where evasion is more the rule than the exception, that for evasion of law the penalties and the manner in which those penalties have got to be enforced have had to be fairly drastic. This matter was raised by him in the Select Committee and the Select Committee would not accept his contention that legal conscience of lawyer Members of this House should be given due weight to even in matters where evasion is more the rule than the exception. That deals more or less with the minutes of dissent.

There are a number of amendments. It would be wrong and unparliamentary for me to say what the House should do in regard to these amendments. But I will express the difficulty that I have in this matter. The amendments tabled are of various categories.

While the bulk of them refer to clause 18, the others contemplate a certain change in the structure of the measure.

[MR. SPEAKER in the Chair]

Mr. Chacko and Mr. Heda have given certain amendments which are good in themselves. There is absolutely no denying that. They change the structure. The central clause in this Bill is clause 15. Mr. Chacko would change that. He might be quite right but, on this side, I find it a little difficult for me to go into the structure of the measure and accept amendments of this nature because the Select Committee have gone into it at length and have agreed to the present structure. And it is also a fact that in a measure like this, as I said in my speech when the Bill was referred to the Select Committee, the Government have merely put in a measure which has introduced a certain amount of control, and we have still to find our feet. We have followed, in some measure, the advice of the Expert Committee and also of the experts who have gone into the various aspects of this particular measure. We are fairly convinced in our minds that as the Bill stands now, as it has emerged from the Select Committee, it might be workable. If I am asked to change my conception and accept certain changes in the essential clauses of the Bill, then I do not know where it will end ultimately. I find myself completely incompetent to envisage conditions that will follow if any changes are undertaken in the main clauses of the Bill. So, I have merely indicated at the present moment that I have that difficulty, in accepting amendments which seek, more or less radical changes, in my view, of the measure. It is largely due to my own inexperience, lack of knowledge of the working of forward markets and also my incapacity to envisage all conditions that will occur when this Act is being enforced. I can assure my hon. friends that in this matter the Government will keep an open mind. It is no question for the Government saying, "Well, we have introduced this measure; therefore we will not accept any amendment". It is not at all my intention to say that to the House. We have brought forward this measure, we have subjected it to scrutiny by a very competent Select Committee, which practically went into every detail. It has recommended certain changes which we have accepted and I will ask the House to give it a trial. If in actual working, there are certain strains and stresses revealed, certain blatant transgressions and evasions, I can assure the House that I shall not hesitate to bring in an amending measure remedying those defects. No sense of

prestige will stand in the way of Government telling that they are not able to envisage what things will ensue and therefore an amending Bill is necessary. I do hope that the House will accept the motion.

Mr. Speaker: Motion moved:

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

Pandit Munishwar Datt Upadhyay (Pratapgarh Distt.—East): Just now the hon. Minister was trying to persuade the hon. Members who have appended dissenting minutes to this report of the Select Committee to accept that these non-transferable specified delivery contracts should be allowed to remain outside the scope of this Bill. I do not think that this fact requires any sort of persuasion on the part of the Minister because the demand of the Members is unreasonable. The hon. Member proposes that even those contracts in which the parties are fixed, the delivery is fixed, the price is fixed, the place is fixed and everything is fixed should be treated as normal transactions and included within the scope of this Bill. The concession that the hon. Minister said was made in sub-clause (3) of clause 18, was too much because that provision keeps a sword hanging over the head of this sort of transactions. At least there is a chance of an enquiry being held. Those people are always in fear that there might be somebody against them who might bring in some sort of complaint and enquiries might be held. That sort of sword is always hanging over the heads of those persons who are entering into such contracts. So, even that provision is too much and now to say that there is a chance or possibility of including such transactions also within the scope of this Bill, I think, would be highly unjustifiable.

Altogether the structure of this Bill is objectionable, because a sort of monopoly is being created in favour of associations. Only one association is to be formed in respect of each commodity, and nobody is to be allowed to have any sort of contract which will come under the scope of this Bill except the persons who are either members of the association or are persons operating through those members. The position of the associations is still further made secure because a good deal of power is given to them. It is they who will frame the rules for the constitution of such associations. It is they who will frame rules with

regard to the admission of members to the associations. It is they who will frame rules regarding the governing bodies of the associations. It is they who will frame rules regarding the registration of partnerships which can be included in the associations. Therefore, already a big power is being given to these associations. They are becoming powerful monopolists in the particular commodities concerned. If you now put even these ordinary transactions under these associations, then it would be perfectly unjustifiable.

As a matter of fact, although forward trading has been going on in every part of the country in respect of many commodities, we have been indifferent to it. We almost ignore it. We think that it is a sort of gambling. It is a sort of *satta* and good and decent people do not look at it. But they forget that it is a part of the economic life of the country. Sufficient importance is not attached to it. That is why the hon. Minister also is not very much acquainted with the working of the markets and the working of this sort of association and at times he has to admit that the opinion of this hon. Member or that hon. Member, or this association or that association may be correct. That position has arisen simply because we think that it is a sort of gamble and we do not like to probe the subject a little further. I might submit that in fact this forward trading is the creation of the working of the law of supply and demand. I do not want to go into its history, but from the earliest days this sort of trading has been prevalent in some form or other. Although forward trading did not exist, the growers of cotton depended in the old days upon the mercy of the merchants—sometimes Japanese merchants—who as soon as the harvest was reaped knew that the cultivator could not keep the produce with him and he had to sell it. Therefore, they could offer him some price and get the cotton. Now, on account of the introduction of forward trading, we find that there are a number of competitors with small capital investments coming forward to purchase this cotton from the growers and they also can demand a price, and at times when the clever growers are there, they can very well see the trend of the price and grow the cotton according to the price trend in the market. So, this forward trading plays a very important part in the economic life of the country, and yet we have been ignoring it. The result is that when certain suggestions are made, we have to submit to them. My point is that the suggestion which has been made in the minute of dissent is highly unjustifiable and should not be accepted in any case.

[Shri Munishwar Datt Upadhyay]

As regards the exclusion of the small investors, I want to point out that they play a very important part in forward trading. It is not merely these big capitalists who check the fluctuation of prices, but the small investors who come forward with their small investments and take heavy risks also play their part in checking the fluctuation of prices. To oust these people would be highly unjustifiable. The formation of these associations on the proposed lines would exclude these small people almost wholesale, and a number of big commercial magnates will control the associations. They will frame their own bye-laws and rules, and they will only admit those whom they like and exclude those whom they do not like. This is nothing but the creation of a monopoly. I do suggest that attempts should be made to break this monopoly and the scope of the Bill should be extended so that the smaller investors may also have an opportunity of becoming members of these associations. If possible, a number of associations may be created, so that there may be a chance of competition between these associations, and this might prevent the exclusion of the small investors.

And then I find that the option in goods has been excluded or prohibited. This prohibition really excludes a number of small investors. It is said that these people are speculators. It is said that they come forward with small investments and take heavy risks. Sometimes, it is ruinous to them and it creates a very unhealthy market. Granted all these things, I want to ask you: are we not going to create an efficient machinery to control and regulate this whole matter? We are going to spend a lot of money over it. We are going to have a good, major Department to regulate and control forward trading. When that is so, I see no reason why we should prohibit this option in goods. I submit that these small investors should also have a chance. They also play their part in checking the fluctuation in prices, and this is the very object of this Bill. Exclusion of these small investors would not be justifiable or helpful. If they are excluded, you will find later on that the big capitalists create a situation in which the growers of the commodities and even the consumers would have to suffer. They would derive no benefit at all. In between, the traders will make a lot of money. Therefore, my submission is that they should not be excluded.

The other point that I wanted to submit was that another advisory committee is being created under this Bill.

That advisory body has all the functions of the Commission. My submission first of all is that this advisory body is really unnecessary, but then if this advisory body is being retained, then there should be on it representatives of the producers and consumers. There should be representatives of all classes of traders. Otherwise, this body will also be a body like the Commission. The Commission is to have three members at the most. Of these three one has to be a representative of this business, because only a person who has been working in these markets can have knowledge of it. On that ground some of these persons will get into the Commission. Then again, the Chairman has also to be a person who knows intimately about the working of this business. Naturally he shall also be a man of that kind. There was an official suggested for the personnel of the Commission. That seat will now be occupied by a man of that kind. The result will be that it will be a monopoly of the men interested in this business. The whole thing would be to the disadvantage of the traders in general and it is bound to be disadvantageous to the consumer and to the producer. So my submission is that the advisory body—I see the Select Committee has not excluded it—should contain a number of representatives of the producers and the consumers, so that their interests may not go unrepresented.

As regards the rules and bye-laws, I have already pointed out that they should not be left to be framed by the associations themselves. There should be model rules and bye-laws for these associations and they should, with minor changes according to the needs of the commodities with which they deal and according to local needs, should be adopted by them. The model rules and bye-laws should be framed and supplied to them, and the associations, with minor adaptations, should adopt them.

Shri Karmarkar: Provision to that effect is already there.

Pandit Munishwar Datt Upadhyay: These rules are, in the first instance, to be framed by the associations, and Government, if they want, can modify them later on. But do you not see that once the rules are framed, it is difficult to change them later? Complaints are seldom made and the rules framed remain as they are, invariably. My submission, therefore, is that the initial power of making rules should not be left to the associations. The rules and bye-laws should be model ones for all the associations and the

associations should adopt them with minor modifications here and there according to the needs of the commodities or the localities.

Lastly, I would like to deal with the penalty clause. I find provision has been made for imprisonment and also for fine. But the amount of fine has not been mentioned. (An Hon. Member: It may be unlimited.) But I think that some amount should be mentioned. Otherwise, the courts might think that no amount is mentioned and only a paltry amount may be imposed. Therefore, if the amount is mentioned it would be better. The persons who are likely to be hauled up are persons who earn a lot of money; so the amount of the fine should be stipulated. As regards imprisonment, I am not very particular. The period mentioned is enough. The hon. Minister mentioned something about the cognizability of these offences. I would submit that although they may look minor offences according to the scope of the business, they are major offences and they should be made cognizable. I find some of the offences are made cognizable; but all of them should be made cognizable.

As I submitted earlier the structure of this Bill itself creates a sort of monopoly in favour of associations. This is not unnatural. It is natural because it is based on the report of an Expert Committee. The hon. Minister himself admitted that such an Expert Committee cannot be expected to give a reasonable report from the point of view of the interests of the producer, the consumer and the small trader. To base the entire Bill on their report is not proper. Before the Bill was sent to the Select Committee the hon. Minister himself said that he had an open mind on the subject and that he was prepared to make changes, if found necessary. I can certainly appreciate his difficulty. Being advised or confronted with persons who are intimately connected with the working of those markets, he feels that their knowledge might be superior to his in that respect. I would submit that there are certain things which we can very well understand and I would like to suggest that the monopoly of these associations which is being created should be modified in this respect that the rule-making power should not be in their hands. Even if they frame rules they should not be allowed to have anybody on the association whom they like and exclude anybody whom they do not like. Unless that is done these associations cannot work in the interest of the small traders; nor can it be to the interest of the grower or consumer,

This is a very important Bill. The regulation of the markets is very necessary to the best advantage of all the parties concerned. But unless the changes that I have suggested in the structure of the Bill are made, I think the object which we have in view would not be fulfilled.

Shri V. B. Gandhi (Bombay City—North): I shall first begin by making an admission that until very recently I did not know much about forward trading. Not that I know much now. It was only when this Bill was moved before this House towards the end of August that I really got busy and thought that I ought to try and learn something about this business of forward trading and speculation.

Now it may surprise those who know that I come from the City of Bombay to be told that I do not know much about speculation or that I am not a speculator. Well, just as everyone who comes out of Chicago is not a gangster, so everyone coming out of Bombay is not necessarily a speculator.

There is a superficial appearance created in regard to this Bill in the form in which it has appeared or emerged from the Select Committee that there is a great difference of opinion on some of the fundamentals underlying this Bill. Now this appearance—I call it superficial—of difference of opinion is created by one particular note of dissent. This particular note of dissent is appended to this Bill by my hon. friends Mr. Tulsidas Kilachand and Mr. G. D. Somani. I should, therefore, like this House first to appreciate that there is really no very great or fundamental difference of opinion. There is quite a lot of common ground, ground of common agreement between the two views. In the first place, we all agree that there is need for regulating forward trading in this country. There is need for providing for sufficient checks on forward trading degenerating into speculation. That far we are agreed. We must also remember that what we are seeking to do in this Bill is just to check speculation and not to abolish speculation. For, after all, we do recognize that speculation of certain kinds has an economic purpose, has a useful purpose to serve in the kind of economy that we are having in this country. While we are dealing with speculation and speculators, this House must not also lose sight of the fact that there is another class concerned in this whole business; and that class is the class of producers and the class of consumers, those who produce the supply and those who consume the supply. We shall have to see that their

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interests also are safeguarded, although not in this Bill; but the least we can do is to see that their interests are not sacrificed through this Bill. But I shall come to that presently.

Is there really a need for having any kind of speculative dealings and then trying to control them through a Bill like the one we are discussing? Well, yes, Sir. When we are dealing with staple commodities, particularly agricultural commodities, there are special features connected with these commodities which make the existence of some kind of a forward market necessary. Let us take the instance of cotton. And what is true of cotton is true of oilseeds and many other staple commodities. The special features are that there are a large number of growers spread all over the country, and the buyers are few. If we remember that our cotton crop, at the maximum, sometimes can reach a total of four million bales, and if we just figure it out the total value of this crop of four million bales of cotton—the annual crop in the country—we shall realise what a gigantic proposition it is. At about Rs. 400 a bale the total value of the entire crop will figure at about Rs. 160 crores. Now, this gigantic crop is produced in small quantities by individual growers all over the country—what is going to happen to this crop? Its ultimate destination is the mills who are the biggest consumers of cotton and, if any portion of it is left over, then perhaps the exporter. Now, how many mills are there? Just a little over 400 mills. So, imagine: a gigantic crop of the value of about Rs. 160 crores, produced by a large number of growers individually all over the entire country, has got to be sold, and so directed and channelled that it ultimately is to be consumed by only 400 consumers. And then consider the time involved. The consumption is a continuous process. The mills are using cotton continuously throughout the year, but the supply comes only once or twice a year.

What is true of cotton, as I said, is also true, in many respects, of other staple commodities like oilseeds and others. Now, it is because of these special features connected with these staple commodities that there is necessity for some kind of a machinery, some kind of a process through which these supplies—small individual supplies—can be channelled and carried on to the ultimate consumer, the mills or the exporters, without any undue hardship to the trade or sharp rise or fall in price—without any frequent

and great fluctuations in price. This is the kind of purpose that speculation serves, and it is for this reason that there is no question of anybody wanting to abolish speculation. But the purpose of the present Bill is to regulate speculation.

It is very clear from the note of dissent that the chief difference of opinion is about clause 18 of the Bill. Clause 18 of the Bill as it has been recommended by the Select Committee excludes non-transferable specific delivery contracts from the purview of Chapters III and IV. Those who dissent from this recommendation of the Select Committee would like to bring these non-transferable specific delivery contracts within the purview of these two Chapters, that is Chapters III and IV, just in the same way as the other futures contracts, the ordinary forward contracts, are brought within the purview of these two Chapters. In order to support their case for bringing these non-transferable specific delivery contracts within the purview of Chapters III and IV in the same way as the ordinary forward contracts, or the futures contracts or the hedge contracts as they are called, are brought within the purview of these two Chapters, they have to prove, if they can, that these non-transferable specific delivery contracts are very much like the other futures contracts or forward delivery contracts. If they cannot prove it, then they have to give it as their opinion that there is a lot of similarity between the two. Obviously the Select Committee did not think that way. The Select Committee was of the opinion that these two things are not similar. They are as different as sheep from goat. I shall have to deal with this a little later. I shall only say at this stage, however, that we should remember that clause 18, as it has come through the Select Committee this time, is not the same clause 18 which was there in the Bill of 1950. There is a great difference, a fundamental difference, made to this clause 18 of the present Bill by the provision or by the inclusion of a proviso to sub-clause (1) of clause 18. I have got the impression that the importance of this proviso to sub-clause (1) of clause 18 has yet to be fully realised. With this proviso included in clause 18, this clause is entirely different from the clause in the original Bill of 1950. We shall consider that now.

A reference in the note of dissent has been made to the speech of the hon. Minister, Mr. T. T. Krishnamachari which he made in August last.

An Hon. Member: He was a bitter critic of the Bill.

Shri V. B. Gandhi: Probably this has proved to be a temptation to the authors of this note of dissent and I also find a reference to it in the leading article of the *Times of India* this morning. Now what exactly did the hon. Minister, Mr. T. T. Krishnamachari say? I am quoting from the minute of dissent. He said:

"If the non-transferable specific delivery contracts were not brought within the purview of Chapters III and IV, then there would be speculation outside the recognised association under the guise of non-transferable specific delivery contracts."

Yes, he was quite right and I think we all agree that if these non-transferable specific delivery contracts were to be left in a condition where they could be used for speculative purposes, then surely we would want to lose no time in bringing them under the purview of Chapters III and IV, but in clause 18, as it has been recommended by the Select Committee with the proviso to sub-clause (1), sufficient care has been taken to see that there shall be no possibility of any speculation in these non-transferable specific delivery contracts. At this point of time the House should know what exactly this proviso is. I shall read it. Clause 18 begins:

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

Now, if this clause had been left just here, I am quite sure that we were probably taking chances on keeping these non-transferable specific delivery contracts outside in a condition where they could be abused but we do not stop there. The Select Committee has added a proviso and that proviso says:

"Provided that no person shall organise or assist in organising or be a member of any association in India (other than a recognised association) which provides facilities for the performance of any non-transferable specific delivery contract by any party thereto without having to make or to receive actual delivery to or from the other party to the contract or to or from any other party named in the contract."

Now this proviso just meets the contingency. After all there cannot be much risk of a transaction being

turned into speculation so long as that transaction is carried on strictly between the producer and the consumer, between the merchant who wants to buy and the merchant who wants to sell. It happens only when there is an association, an association with rules which brings together collectively buyers on the one side and sellers on the other side. These associations which have rules, which, in cases of emergency, can suspend business, can authorise squaring up business; it is under these conditions that speculation is made possible. This proviso is an effective provision against any such contingency and therefore the Minister, when he says that.....

An Hon. Member: Will you refer to sub-clause (3)?

Shri V. B. Gandhi: What exactly do you wish me to say? I will come to that. Let me go on in my own way, if you do not mind.

Mr. Speaker: Let him address the Chair.

Shri V. B. Gandhi: I am sorry, Sir.

Mr. Speaker: Addressing the Chair means looking at the Chair, not at the Members.

Shri V. B. Gandhi: I am sorry, Sir. So there is really not much of a modification or revision of the view then expressed by the hon. Minister, Mr. T. T. Krishnamachari. After all, if a matter is reconsidered, and by the logic of the consideration, we are driven to a modified view, I think it is just the sensible thing to do. Obstinacy cannot be a synonym for wisdom.

Then, there is another sort of a grievance made in the minute of dissent that when this Select Committee made this important change in clause 18, it had not any fresh evidence brought before it. I am not a lawyer. But, I suppose that evidence once laid before a court is used by the appellate court or by another court, and that other court is quite free, if it so thinks, to come to a different judgment. That is exactly what has happened in this case.

[MR. DEPUTY-SPEAKER in the Chair]

It is interesting to see the reaction of the Press to this Bill. The *Hindustan Times* had almost half a column in its Financial Notes last week and has given a very valuable support to this Bill. It says:

"Experience shows that these"—it means by 'these' the non-transferable specific delivery con-

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tracts—"could be successfully worked without any danger of their being manipulated by unscrupulous enemies."

Then, the *Times of India* also, I think, the next day, came out with a short note. The *Times of India*, of course, expresses the fear that unrecognised associations, under the guise of their contracts, may abuse these non-transferable contracts. But, even the *Times of India* does not oppose this provision. This morning, the *Times of India* has devoted its leading article to this question and I am sure some of the suggestions that are made in this article of the *Times of India* are of value and should be duly considered by the House.

However, there is one point to which an answer is due. The *Times of India* begins by raising a doubt about the qualifications of the Members of the Select Committee. I grant that it is quite legitimate for one to have doubts about the qualifications of the Members of any Committee. It remains for this House only to say that, after all, this Committee has had the benefit of the advice of a number of people whose authority on this subject will be widely conceded as soon as their names are mentioned. For instance, we had on this Committee Mr. C. C. Shah, a former Solicitor General to the Government of Bombay. Mr. Shah had much to do with the drafting of the Bombay Act on which we have drawn so heavily. Mr. Shah was a member of the Experts Committee which considered the first Bill of 1950. Again, a very great qualification, mention of which has been made by the hon. Minister Mr. T. T. Krishnamachari, was that Mr. Shah, possessing all this knowledge of the subject, was still a man who was not interested in forward trading. Then, of course, we had the assistance of great value of men like Mr. Tulsidas Kilachand, Mr. G. D. Somani and Mr. Bhavanji A. Khrimji. We had Mr. Ahmad Mohiuddin of Hyderabad. Then, of course, we had the two Ministers who have been struggling with this problem for the last so many years.

Dr. Lanka Sundaram: Why are you so modest about yourself?

Shri V. B. Gandhi: As I have admitted, to begin with, I have no pretensions to any knowledge on the subject.

We had also had the benefit of the presence of Mr. Adarkar who has been so long connected with the consideration of this problem since the days of the Experts Committee.

Now, we shall come to the basis of this claim that these non-transferable specific delivery contracts, if they are not brought within the purview of Chapters III and IV, will be used for speculative purposes, on the ground that they are of the same kind as other futures contracts. From what little information I have been able to get on this subject, I would like this House to understand that these two things are very different from each other, as I said, sheep from the goat. Here are some of the salient features. In the first place, in the non-transferable specific delivery contracts, the transactions are usually not very big. By the nature of things, they cannot be big. Because, here A who has goods to sell, since actual delivery is involved, cannot offer to sell more than what he has. And, when B offers to purchase, he cannot agree to purchase more than he needs, because, after all, he has to take delivery.

Mr. Deputy-Speaker: Some other hon. Members have also sent their names.

Shri V. B. Gandhi: I shall finish in five minutes, Sir.

Mr. Deputy-Speaker: There are others who have stood, but who have not sent in their names. I do not want to hustle any hon. Member because this is a Bill. Hon. Members may have their say; but this leisurely fashion may be avoided.

Shri V. B. Gandhi: I will close in a few minutes.

Then, there is the question of quality. In a futures contract there is a standard quality. Here, in these non-transferable specific delivery contracts, there is a specific quality and this question about quality is so important that in some cases, actually, the district from which the produce comes is mentioned. The Railway Station at which these goods will be loaded is also mentioned. Then, of course, there is no question of clearing and settlements.

4 P.M.

I shall only give a very simple illustration which will explain the difference between a genuine transaction of the specific delivery type and the futures contract. Supposing A sells 100 bags to B at Rs. 20 a bag, and delivery is to be, say, a month hence. Now, if at the time of delivery A fails to make delivery, and if in the meantime, the price has gone down from Rs. 20 to Rs. 15, then what happens? In the specific delivery contract, the buyer simply buys in the market at Rs. 15 and forgets about it, since A

has not made the delivery. He is benefited as the price has gone down. So, he buys at Rs. 15 and forgets all about it, but in a futures contract, although the price has gone down to Rs. 15, B cannot get that benefit. He has to pay Rs. five per bag each to A, delivery or no delivery. A benefits. Anyway, that is just one illustration.

As I said, the size of the transactions is of some importance, because in the futures market....

Mr. Deputy-Speaker: Why should the buyer pay even when the goods are delivered by the seller? Should he pay Rs. five in addition, assuming that delivery is made to him on the date specified?

Shri V. B. Gandhi: No. Then there is no question of payment.

Just let us take one illustration. In castor seeds in which dealings are at present permitted in the Bombay Oilseeds Exchange, what happens? The entire annual crop of the country in castor seeds is about three lakh candies. And sometimes on a single day in the Bombay Oilseeds Exchange, twenty-five to fifty thousand candies are bought and sold. At this rate, it will be seen that the entire annual crop of the country can be turned over almost within a week. And then, Bombay is not the only place that has an Oilseeds Exchange. There is Hyderabad; there is Madras. Therefore, since there are these fundamental differences between the two, it is wrong to say that the two are of the same type and should be lumped together and thus be made capable of being subjected to the provisions of Chapters II and III.

I therefore feel that this House should accept the Bill as it has come from the Select Committee.

Shri Tulsidas (Mehsana West): As the hon. Minister has said—and rightly so—this Bill is of a very technical nature, and therefore, it is but natural that unless a person has a certain amount of knowledge or experience, it is difficult for him to understand the technicalities of this piece of legislation. As everybody knows, speculation is and has been very badly criticised. Still, the forward market is a necessity in a country where large quantities of different commodities are grown.

Let me say at the outset that I agree with the objects and reasons mentioned in this Bill. Therefore, I am not going to make any observations on any of the clauses. It is only on clause 18 that I have a different point

of view, and I want to bring to the notice of this House that if non-transferable specific delivery contracts are excluded, there is a considerable loophole in this piece of legislation. I believe that we are all agreed that there is a loophole. But, then, the Minister has pointed out that this is a legislation in which Government would have to have a certain amount of experience. He said that they have not got the machinery to find out the different places where these contracts are taking place, and that it would be better to allow a certain amount of freedom with regard to these contracts so that, after having experience, if he finds that it is necessary to amend this legislation, he will come forward with his proposals. So much has been said and so much material has been gone through by the Government, and when this Bill was brought forward, the Commerce and Industry Minister himself had said—I will quote his own words—I know he did mention that I am bound to quote him, but I would like the House to understand how the Government's mind was running when this Bill was brought forward.

Shri T. T. Krishnamachari: You are beating a dead horse.

Shri Tulsidas: Let me make my point. He said:

“The provision of which mention has been made here is that non-transferable specific delivery contracts as defined in section 2 of the Bill are to be exempted from the provisions of this Bill except in areas where a recognised association is functioning for the commodities concerned. This is intended merely because, in spite of the fact that we rigidly define what are called non-transferable specific delivery contracts, a certain amount of overlapping was inevitable, because the non-transferable delivery contracts are contracts which provide for future delivery, but are not transferably used—to paraphrase the language—from one party to another. They are not normally settled by being offset against one another. Hence this type of contract is not generally used for speculative purposes. Such contracts, as I said, will be exempted from the provisions of this Act except in a few areas; an exception has to be made in areas where a large number of associations which have been traditionally engaged in speculative business had to be excluded from such a business as a result of the creation of a recognised association. There

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is consequently the real danger that the associations of persons affected may continue to indulge in speculation outside the recognised association under the guise of non-transferable specific delivery contracts. Clause 18 of the Bill therefore provides that in any area in which an association has been recognised for regulating forward contracts in any commodity, the same association will regulate all types of forward contract, non-transferable as well as transferable."

Then he goes on and says:

"The provisions of this Bill are however sufficiently less inflexible to deal with the varying requirements of its trade. In particular, under clause 27 Government have power to grant exemptions for relaxation in special cases, after examining the merits of each case."

When this Bill was drafted, I am sure the hon. Minister had all the data with him, and had put the facts exactly as they were, along with the recommendations of the previous Select Committee of which you were the Chairman, so that the present legislation was originally brought in on the recommendations of that Select Committee. Though the hon. Minister tells us that they have no machinery, still according to the amended clause 18, the machinery will anyhow be required, because you will have to find out at least where such abuses are carried on.

Shri T. T. Krishnamachari: I depend upon you.

Shri Tulsidas: It depends on the machinery of the Government.

Shri T. T. Krishnamachari: On you.

Shri Tulsidas: No Sir.

Shri Gadgil (Poona Central): He says that he depends on the people who are actually in the trade, and follows their advice.

Shri Tulsidas: When he tells me that he depends on me, I might at once give him the advice: "Do not have this loophole".

Shri T. T. Krishnamachari: The advice is a little too previous.

Shri V. P. Nayar (Chirayinkil): The hon. Members are carrying on conversation across the Table.

Mr. Deputy-Speaker: Occasionally it helps the debate, and gives a sense of relief.

Shri Tulsidas: My submission is that even according to the amended clause, the Government should have the machinery, and I believe that in administering the Act, the Government will naturally take the assistance of the different States, because without their help I do not think it is possible for them to take any action. This suggestion for a machinery has been made not only by me, but it has also been in the report of the previous Select Committee, in which my hon. friend the Commerce and Industry Minister said that perhaps the evidence was from the representatives of the Bombay associations. I know that when that Committee was functioning they had informed practically all the associations and those others who desired to give evidence to come and give evidence before them. It may be that the associations of Bombay came and gave evidence. But there was also the evidence of the Federation of Indian Chambers of Commerce, of which I happened to be the President at that time. The surmise that I would get from the hon. Minister's remark is that in his opinion it was only the Bombay interests that represented their point of view and so the Select Committee was, to a certain extent prejudiced in favour of the Bombay point of view....

Mr. Deputy-Speaker: Was any evidence taken this time?

Shri Tulsidas: No, Sir. There has been no evidence taken this time.

I do not wish to go into the working of the Select Committee this time, except to say that we had two meetings, when we went into the different clauses. As regards clause 18 so far as I am concerned, I was told that as I am going to give a minute of dissent, there was nothing much to be said about it. This is what I was told, and so there was not much of discussion on clause 18 excepting perhaps.....

Shri T. T. Krishnamachari: No, no. I am afraid factually I must protest and say that for a whole morning and a whole afternoon the Committee discussed nothing but clause 18.

Shri Karmarkar: The hon. Member himself was present there.

Shri Tulsidas: My approach was direct and positive, while that of the majority in the Select Committee was negative. And that is the difference.

Everybody agreed that this non-transferable specific delivery contract is liable to be abused and may create conditions where Government may have to step in, and they have accordingly made a provision to this effect. As I said earlier, this was a negative approach. My point was that on the basis of the approach made by the majority of the Members of the Select Committee, the Government would step in only after the damage is done...

Mr. Deputy-Speaker: Would it not be useful to the House if I could make a suggestion on this point? In the first instance, the hon. Member wants that the non-transferable specific delivery contracts ought also to be regulated as transferable specific delivery contracts, and that exceptions ought to be made wherever it stands in the way of even *bona fide* transactions. On the other hand, the Select Committee has said that non-transferable specific delivery contract is an ordinary mode of business and so if that is also brought under the regulation, the ordinary course of business would be interfered with. So in the first instance, they have suggested that Government should exempt it, and then take power to extend it or bring it within the regulation in case of abuse. This is the simple point involved. What the House naturally will expect from hon. Members is this. Hon. Members who want to say that in the first instance non-transferable specific delivery contracts ought also to be regulated, must place before the House concrete instances where an abuse has already appeared, and when the Bombay Government has already taken that view, these instances will certainly be helpful.

On the other side, if hon. Members want to say that the ordinary course of trade will be interfered with if these are brought in in the first instance, then they must place instances to prove that. It is a question of facts on either side. Some hon. Members might feel, "What does it matter, if you regulate it first, and then exempt it?", while some others might feel, "Exempt first and then regulate".

This is a matter in which both sides can argue. It is finally a question of balance or convenience. Therefore, hon. Members who speak on this point will give instances so that the House may be able to judge the relative conveniences of the one view or the other.

Pandit Thakur Das Bhargava (Gurgaon): In 1951 there was some

evidence taken, but now there is no evidence.

Mr. Deputy-Speaker: Hon. Members may read that evidence.

Shri Karmarkar: It is not a crime, of which evidence must be necessary.

Mr. Deputy-Speaker: Any hon. Member can read the evidence and come to some conclusions. If notwithstanding the evidence there are other viewpoints, they may also be placed before the House. Hon. Members who have been in the Select Committee can give instances showing why they thought of changing it, notwithstanding the fact that the Bill as introduced originally retained the original clause. Otherwise, the House will be absolutely in the dark, one person pressing for one view and another for another view, and it will be difficult for the House to judge.

Shri Tulsidas: You are quite right, Sir. I am glad you pointed it out. If certain instances were given, naturally the House would be in a better position to understand it. Well, if I remember aright, there was a debate in 1950 in this House when certain instances took place in Hyderabad where a very large number of non-transferable specific delivery contracts was traded in as ordinary contracts and a large amount of commodities was cornered. There was a very serious debate on that point here, Sir. I am sure you must be remembering the debate that took place then. A large quantity of groundnuts was cornered by a firm in Hyderabad and the contract was a non-transferable specific delivery contract. There are a number of instances in Bombay too, Sir.

Shri Bansal (Jhajjar-Rewari): What was the mechanism of that? How were they concluded?

Shri Tulsidas: There was an association.

Shri V. P. Nayar: Give one instance of cornering coconut oil.

Shri Tulsidas: Mr. Bansal knows very well what is the mechanism. I need not tell him.

Shri Bansal: I do not.

Shri Tulsidas: Then, when the Bombay Government decided to have this sort of legislation they appointed a Committee of which the hon. Mr. Morarji Desai was the Chairman. Evidence was taken from different associations and chambers and they all said that this sort of contract must not be allowed to be excluded.

An Hon. Member: Why?

Shri Tulsidas: They said that it was bound to be abused and side by side if any forward contract was traded in under a recognised association, then even outside of this association this sort of contract will also function. There have been instances even in Bombay where even for delivery within a week non-transferable specific delivery contracts were traded in and differences were paid and settlements arrived at. I will be naturally told that for that a safeguard has already been made in the proviso. But as I mentioned, the proviso means that damage has already been done and that the Government step in after the damage has been done, whereas here in the clause which was accepted by the Government before they brought this Bill anyone who wants to get himself exempted should satisfy the Government and then get the exemption. Naturally when the Government exempt a sort of trading, they will go into the thing and satisfy themselves properly about it and when they will be convinced that this particular type of trading will be done on a normal *bona fide* basis and such may therefore be exempted.

Shri T. T. Krishnamachari: No, Sir. It is not correct. The hon. Member will kindly read clause 18, sub-clause (1):

"Where a notification under section 15 has been issued in respect of any goods or class of goods, the Central Government shall, by a like notification, define the area in which a recognised association may regulate and control non-transferable specific contracts....." and so on.

The onus is primarily on the Central Government and only later on some other things come.

Shri Tulsidas: That is what I am saying. You are making all the contracts....

Shri T. T. Krishnamachari: No, that is not what you say.

Shri Tulsidas: You bring all the contracts under the purview of this Act. Anybody who wants to get himself exempted must satisfy you. Here you are automatically treating all contracts to be forward contracts and, therefore, anyone who wants to trade in this sort of contract must satisfy you and prove his *bona fide* and then the Government will give exemption.

Shri T. T. Krishnamachari: Why not the converse?

Shri Tulsidas: That is what I said. I have stated my point of view—why it should not be. Anyway, that is the point that I would like to make.

I was just referring to the Committee appointed by the Bombay Government. Bombay is the only State in the whole of India which has got this sort of legislation, and in their experience with this sort of legislation they have been able to satisfy practically all the business interests—whether in Bombay or whether outside Bombay or whether in the small places just now mentioned by the hon. Minister—Hubli, Ahmedabad etc. They had to see that a certain number of associations were recognised for all contracts and even for this contract they had recognised associations within a particular small area.

Shri Radhelal Vyas (Ujjain): There was a similar legislation in Gwalior State also.

Shri Tulsidas: Did they exempt this?

Shri Radhelal Vyas: Yes, they permitted hedge contracts. There was only one association.

Shri Tulsidas: Was there any sort of legislation like this?

Shri Radhelal Vyas: Yes.

Shri Tulsidas: Well, I do not know.

Then, I would refer to the minute of dissent of one hon. Member in the Select Committee, Mr. C. C. Shah, who has no interest as regards forward trading or any speculative trading. He was, so to say, a Legal Adviser to different associations. I would like to refer to the minute of dissent which he has appended. He goes much further than myself. He supports me fully. He says definitely: "...wartime legislation has shown that specific delivery contracts can be and are abused for heavy speculation unless controlled and hence they have also to be brought under this Bill".

Shri T. T. Krishnamachari: The hon. Member is looking at a mirror.

An Hon. Member: Why do you say so?

Shri T. T. Krishnamachari: He sees his own reflection everywhere.

Shri Tulsidas: I am referring to the....

Dr. Lanka Sundaram: Why do you not show him the moon in the mirror?

Shri Tulsidas: Again he says:

"It should not be difficult to do so, particularly when non-transferable specific delivery contracts are taken out of the operation of this Act, 95 per cent., if not more, of forward contracts are of non-transferable nature, made between party and party which are and can be performed by the parties themselves. When non-transferable contracts are found to have been abused for speculation, it is only because of the existence of an association which provides facilities to do so."

He goes further and says that there should be no association allowed to function. He goes further than myself. Now the point of view which I have put forward is that.....

Mr. Deputy-Speaker: Is it not the same thing in the proviso—proviso to sub-clause (1)?

Shri Tulsidas: He says no association should be allowed to have any sort of trading. So much business, which is not controlled business, can be traded in and, therefore, no association should be allowed to function. That is how he goes further.

Mr. Deputy-Speaker: Has there been any representation by any group of people who trade in non-transferable specific delivery contracts to the Bombay Government for exemption?

Shri Tulsidas: In Bombay these contracts have been functioning for the last four years and there has been no kind of complaint from any side. Bombay has experience that this sort of legislation works in a much better way.

As I said, I do not wish to go into it in a dogmatic way and I am glad to see that the hon. Commerce Minister has given an assurance that he is going to apply this as soon as he finds that abuses are being made. He has gone further and said that as soon as the Bombay State approaches him—which I understand from him has approached—he is going to apply.....

Shri T. T. Krishnamachari: No, no. They have not yet approached; they cannot do that until the Bill is enacted.

Shri Tulsidas: You gave the assurance.

Shri T. T. Krishnamachari: Undoubtedly.

Shri Tulsidas: He himself says he gave the assurance whatever it is worth, however it is valid.

Mr. Deputy-Speaker: In the *Bhagwad Gita* it is said, *Sansayathma Vinas-yati*. Nothing should be approached in a spirit of doubt and suspicion. Whatever the Government or the spokesman of the Government says will be carried out except under exceptional circumstances.

Shri Tulsidas: The fact that he has given the assurance, that alone, proves that he feels that the difficulty is there. He himself feels that he has no machinery. He does not want to go the whole hog. He wants to go slowly. That is the point he has made out.

Shri T. T. Krishnamachari: Only, I refuse to be yoked to the hon. Member. That is all.

Shri Tulsidas: There is not much of a difference. He wants to give an assurance. I say, "Why give an assurance, why not put it in the Bill". There is no difference in his approach and in my approach. However, I leave it to him. I would like to tell the House that as this is a very intricate legislation, it requires a technical person who knows something about it and who knows fully about it. He has told me that I know something about it. Therefore, I am simply giving this warning that this sort of loophole is not going to help. On the contrary, it is going to create confusion in the country. I feel the hon. Commerce Minister will go further than his assurance and accept what I have said. I have not tabled any amendment. I have said what I feel personally about it. I am giving you a warning and you may do whatever you like.

Mr. Deputy-Speaker: The hon. Member feels quite safe in the hands of the hon. Minister.

Shri Tulsidas: I was looking into the debates which this House had when his predecessor presented this Bill and I was looking into certain remarks the hon. Commerce Minister then made.

The Minister of Revenue and Expenditure (Shri Tyagi): That is past history. When T. T. Krishnamachari was not the Commerce Minister but was a Member.

Shri T. T. Krishnamachari: May I mention that I am not on the carpet. It is the Select Committee that is on the carpet.

Shri Tyagi: On a point of order, Sir. I want a clarification as to whether the speeches of hon. Members on these Benches may be quoted when they become Ministers.

Mr. Deputy-Speaker: It is not the business of the Chair to anticipate difficulties hereafter relating to any other Minister.

Shri Gadgil: I think politicians are entitled to change their opinions as often as they can.

Shri Tyagi: If seats are changed.

Mr. Deputy-Speaker: The hon. Members feel, Minister or no Minister the hon. Member's statement is very valuable.

Shri Tulsidas: Even in his speech he had supported my point of view. He very strongly supported me when he was a Member and not the Commerce Minister.

Shri Gadgil: Much water has flown below Jumna since then.

Shri Tulsidas: Personally, I am at a loss to understand why these changes. When the Ministry has gone into it, the Select Committee has recommended it, when the Bill was brought, everything must have been gone into and I really cannot understand this sudden change. Whatever I feel, I have said. I have given a warning. I have been told that consistency is the virtue of an ass. But I do not want to say that inconsistency is also the virtue of anything.

Shri T. T. Krishnamachari: It is the hobgoblin of small minds.

Shri Tulsidas: I hope he will take into consideration whatever I have said.

Mr. Deputy-Speaker: Mr. Trivedi, I am calling some hon. Members who have written to me that they may not be here tomorrow. Therefore, they would like to say something.

Shri V. P. Nayar: I would like to submit, Sir, that those hon. Members who have been on the Select Committee and those Members who have had an opportunity to speak when the Bill was referred to Select Committee are being given chances now. You may be pleased to extend the debate so that all of us may get a chance.

Mr. Deputy-Speaker: I am anxious that the House should hear the views of those hon. Members who were not on the Select Committee. Of course, I called the hon. Minister and one other person on the Select Committee who had written a note of dissent so as to explain the position to the Members. Hereafter, I shall take care to see that as far as possible, sufficient opportunity is given to those other hon. Members

who have not had occasion to express their views so far.

Dr. Lanka Sundaram: I hope that there would be no undue haste by moving closure.

Shri T. T. Krishnamachari: I can assure the House that we are not in a hurry and we shall certainly abide by the decision of the Chair in a matter like this.

Mr. Deputy-Speaker: The hon. Member will see that a number of other hon. Members are anxious to speak on this matter and therefore he may be short.

Shri U. M. Trivedi (Chittor): I will be short and straight. I only got up to say something in connection with the note of dissent that I have written. I will not travel beyond it.

I think that I may appeal to the House with regard to this question of treating the various offences under sub-clause (1) of clause 20 and clause 21 as cognisable offences. If you study the provisions, you will find that an offence which we have described to be punishable with only one year's imprisonment is also made cognisable. Under the ordinary law, a number of offences involving moral turpitude for which punishments are provided in the Indian Penal Code, are not made cognisable if sentences of three years or more are not provided for. And especially where we find commercial offences are dealt with, in such cases the Penal Code has been even more liberal. For an offence under section 477, where a question of forgery is before the court, even though the offence is punishable with seven years' rigorous imprisonment, yet it is not made a cognisable offence. It is only on that account that I appeal to the House through you, Sir, that we must give due consideration to this aspect, that these offences, if they are of a trivial character and are punishable only with one year's imprisonment, then why should they be made cognisable opening a vista for dishonest police officers to make money. We have our experience of the Defence of India Rules.

Shri V. P. Nayar: Why not have three years and make it cognisable?

Shri U. M. Trivedi: Make it seven years even. I do not care, and make it cognisable. I can appreciate that. But I am not going to appreciate this position that you do not want to inflict a punishment of more than a year and yet you want to make it cognisable. I know of instances in which two merchants were accused and in those

eases the offences could not be proved in courts of law. Even charges could not be framed against them. But the police pounce upon the individuals because they were, in the police language, "big fish". In such cases, because the offence is cognisable, the police go with handcuffs and arrest the man, and then extort money from him to save him from the ignominy of being taken through the streets of the area in which he is regarded as respectable to the police station. Sometimes, even Rs. 10,000 have been extorted from the public. I know of one respectable member of the Congress Party. He was a rich man. He did not vote for a particular man—another person belonging to the Congress—for being selected for the Provincial Congress Committee. The poor fellow (*Interruption*).

Shri V. P. Nayar: Why a "poor fellow? You said just now that he was a rich man.

Shri U. M. Trivedi: I will call anybody who is taken by the police as a poor fellow. You are also poor. You said that you also suffered at the hands of the police. I pity all those who suffer at the hands of the police.

Now, this poor fellow because he did not vote for another Congressman and because that other man secured the seat in the Provincial Congress Committee and had influence with the police—he was marched down the streets by the police. The difficulty was that there was some allegation that he had done a particular thing which amounted to blackmarketing and the police jumped upon him and one Congressman working against another Congressman forced the police to catch hold of him and, whatever happened, to drag him in the streets. Because the offence was cognisable, the police could do it. In view of this, I submit to you, Sir, that this provision is not introduced with any good motives. It is kept with an ulterior motive.

Mr. Deputy-Speaker: What happened to the case ultimately?

Shri U. M. Trivedi: There was absolutely nothing against him and no case could be made out. I can give you four such cases where the persons were discharged. It was not mere acquittal. There was absolutely no case even to go to the court. When the lower court rejected the case, the police filed a revision application in the High Court and the High Court agreed with the magistrate that there was absolutely no case. Therefore, I suggest that this offence is made cognisable only for political motives or for enabling the police to extort

money from those who are considered as big fish. I wish that that is not the motive, but if that is the motive, then God help us. Otherwise, if we are straightforward and honest, then we should look at the question in entirely legal terms and we should not be moved by any other considerations. This aspect, I suggest, should be given due and proper consideration when we deal with entirely commercial people. In some cases, these people would be entirely ignorant of the law of forward contracts. I am referring to people living in the mofussil. They would not have heard of the existence of these associations. They will be caught and the police will pounce upon them and unnecessarily extort money from them without coming to a finding whatsoever.

I do submit therefore that a reconsideration of this matter is necessary. Clause 23 as it stands may be dropped, and we may stick to the provision as is laid down in the Criminal Procedure Code, *viz.*, where the offences are not classified in any manner and if there is any offence for which an imprisonment of more than three years can be inflicted, then it may be treated as a cognisable offence. I would have no objection to that.

With these words, I suggest a reconsideration of this matter.

Shri V. P. Nayar: Sir, I must thank you at the outset for giving me this opportunity to participate in this debate.

Mr. Deputy-Speaker: Every hon. Member is entitled to speak. There is no grace on my part.

Shri V. P. Nayar: I have been singularly fortunate in this instance, because I have never had an opportunity to speak so early on any Bill, except of course when there were no other hon. Members to speak on Bills.

The mover of the Bill was kind enough, when he moved the Bill, to explain the nature and scope of this Bill. He said—as he put it, "for the benefit of new Members"—that he would like to explain the need for a Bill of this nature. His words were:

"Trading in futures is a practice which may be considered to be a rational development of what is called a market economy. In the highly developed countries of the world where market economy is still the rule, a good deal of importance is attached to this type of trading and the effects that flow therefrom for the purpose of smoothing and minimising fluctuation in prices."

[Shri V. P. Nayar]

This is what he said. He was positive that this sort of market economy was a rational development. I grant for argument's sake, that in a capitalistic society it is so, but as he was arguing his case today in a manner different from what he did when he made his great speech in April 1951, it looked as though he said to the new Members, "Well, here is an argument which I have found for you, but I am not obliged to find you an understanding of the position". That is what I felt, because after having heard him today and after having gone through his previous speech, I found I was nowhere.

Shri T. T. Krishnamachari: I am glad that the hon. Member is in *terra firma* anyway.

Mr. Deputy-Speaker: A later speech always supersedes the earlier one.

An Hon. Member: The dawn of wisdom, Sir?

Shri V. P. Nayar: We lawyers often say that when a witness gives two palpably erroneous versions in two courts of law then he has proved himself demonstrably to be a liar.

Shri P. T. Chacko (Meenachil): what about two decisions?

Mr. Deputy-Speaker: The latter one supersedes the earlier one.

Shri V. P. Nayar: I respectfully submit that it is for me to say; it is not for the hon. Member Mr. Chacko. When he is on his legs he can have his say. I do not like to be disturbed by him. I am not much experienced in being interrupted, nor do I indulge in disturbing others.

One would have thought that when the hon. Minister made his speech this time, he was giving us a bait and probably he wanted us to swallow the whole bait—hook, rod and sinker. It is such a complex subject and I am glad that there is at least one hon. Member in this House who is capable of giving an expert opinion based on personal experience—I mean Mr. Tulsi-das Kilachand.

This Bill, if I may be permitted to borrow a word from the hon. Mr. Chintaman Deshmukh, has had a "chequered" history. When it was introduced last, Mr. T. T. Krishnamachari, the Member represented—was it Madras?

Shri T. T. Krishnamachari: Never mind. It is a matter of no consequence.

Shri V. P. Nayar: Fortunately for this country, when he made that great speech, he was not on the Treasury

Benches. I will have occasion to quote from that speech to convince this House that what he then said was the real position and what he says now is not the real position. I may, therefore, be permitted to quote certain passages from his speech.

Shri Radhahal Vyas: That was already quoted.

Shri V. P. Nayar: Please leave me to myself; you will get your chance. Nobody can exhaust quotations.

Mr. Krishnamachari, the Member—I underline the word Member, it is not the hon. Minister whom I am referring to. He said this on the 23rd of April. There are some very interesting passages which I am bound to read, to give the House a clear idea of what he said then. This is what he said:

"This Bill has been the result of an Expert Committee."

Mr. Deputy-Speaker: If Mr. Krishnamachari's view prevails—whether the earlier one, or the later one—in either case he succeeds.

Shri V. P. Nayar: Precisely not so, Sir, I was all the time wondering at the ease with which Mr. Krishnamachari was wriggling out of critical situations. This is what he said, in referring to the Expert Committee on whose report this Bill is based. This was his opinion about the Expert Committee a year and a half back. I am quoting this because the hon. Minister just now said so much about the Expert Committees. This is his opinion:

"If somebody who had gone to the Himalayas in 1944 to 1945 were to come back today and see the composition of the expert committees which the Government of India appoint, that person might well think that Lord Linlithgow is still administering this country."

An Expert Committee, from the point of view of my hon. friend now on the Treasury Benches is a committee "composed of vested interests, because only the vested interests are experts and everyone else happens to be a layman".

So, it is on that Expert Committee about which a year and a half back Mr. Krishnamachari, who unfortunately for the country did not sit on that side, but sat on this side, held this opinion, that he is now placing his reliance upon. If we understand the argument of Mr. Krishnamachari, if one were to hear him today, it looks

not as though Lord Linlithgow is administering the country, but as though Warren Hastings is ruling here!

Shri T. T. Krishnamachari: It is not Aurangzeb anyhow!

Shri V. P. Nayar: There is another significant sentence in his latest speech:

"The Bill thereafter was revised in the light of comments and recommendations of the Expert Committee."

An Expert Committee which he condemned in April 1951, is the one in the light of whose comments and recommendations the Bill was revised by him!

I would venture, with your permission, Sir, to quote one or two sentences from his speech.

Shri Bansal: Are we considering the report of the Select Committee or of the Expert Committee?

Mr. Deputy-Speaker: Everything. I am not able to understand the hon. Member's objection. All relevant matters are being considered, including the hon. Member's speech.

Shri V. P. Nayar: While I always resume my seat, Sir, when you rise, I hope I will not be allowed to be disturbed by other hon. Members. I thought that Mr. Gamandi Lal Bansal knows that I do not generally yield.

Mr. Deputy-Speaker: The poignancy and importance of the hon. Member's speech will be heightened by such interruptions.

Shri V. P. Nayar: Mr. Krishnamachari, the Member, said that when he made that great speech, I call it great because it was really great—was it not? He also said that he had no omniscience, that he did not have a ready solution for every problem in his pocket. But somehow he now seems to have taken out some solutions from his pocket, for a variety of problems!

You will find that over a simple word 'reasonable' which occurs in clause 7 he wove a cobweb of arguments. In fact, as I saw the present clause as it emerged from the Select Committee, I could not believe my own eyes, because there it was, in the same place, in the same way. Then I found that it was not the word "reasonable" which had changed, but the change had been to Mr. Krishnamachari himself, who, in the meanwhile was elevated to the Treasury Benches.

Dr. Lanka Sundaram: Was it a reasonable change?

Mr. Deputy-Speaker: I am afraid hon. Members have not understood the hon. Minister correctly. All that he said was that he would have no objection to continue his old opinion, but he was over-ruled, practically in the Select Committee. That is how I understood it.

Dr. Lanka Sundaram: The Expert Committee which he condemned last year?

An Hon. Member: By the Select Committee.

Shri V. P. Nayar: This speech of the hon. Mr. Krishnamachari, the Member, is a document which is worth very close scrutiny by this House. That is why I have occasion to refer to it again and again.

At the pitch of his eloquence this is what he said:

"If you enact a Bill in which only the rich people can do what they like and the poor cannot function, it is a thing which will go against the grain of democracy. The regulation of a market economy undoubtedly means the creation of a monopoly."

In such unmistakable terms Mr. Krishnamachari, the Member, has expressed his view on the creation of a market economy. And later on he has very categorically stated:

"This is not a Bill dealing with respectable persons."

I perfectly agree with him. Not only is it a Bill not dealing with respectable persons, but it is a Bill which deals with the cut-throat speculators. I cannot find a better expression for these financial sharks—these predatory sharks who feed on the life-blood of this country. It is against them that you have to apply this Bill. I am very glad that at least in 1951 Mr. Krishnamachari had to admit this.

He then said:

"This is not a Bill dealing with respectable persons. It has to deal with people who can be as fierce and selfish as tigers where their interests are concerned."

I wonder how in such a short time Mr. Krishnamachari, the Member, has become a circus master who has tamed the tigers into lambs. I do not know how he has achieved that. So there is enough and more in Mr. Krishnamachari, the hon. Member to contradict Mr. Krishnamachari, the present hon. Minister. I do not want to.....

Shri T. T. Krishnamachari: Waste the time of the House any more?

Shri V. P. Nayar: The only difference is that last time when he spoke on this Bill his speech was richly spiced with caustic sarcasm and vituperative invectives. We do not see them now. Now he is tame, as gentle as a lamb!

Mr. Deputy-Speaker: Therefore, the lesson to be learnt is that every hon. Member will speak with caution and moderation lest one day he should find himself in the same difficulty when he becomes a Minister.

Shri V. P. Nayar: It is a strange irony of fate and his fall has been very great indeed!

This Bill comes at a time when the agriculturists of the country and the small traders are hit by a slump. The hon. Minister must remember that. While the agriculturist gets lesser and lesser for his agricultural produce, he

has to pay the same, or even more inflated prices, for manufactured articles. Take the case of manure, for instance. Has there been any reduction in the price of manufactured manure? Has there been any reduction in the price of agricultural implements? No. At the same time he gets lesser and lesser money for his produce. Therefore, this Bill is bound to hit the poor agriculturists.

5 P.M.

Mr. Deputy-Speaker: The hon. Member, I believe, has much more to say.

Shri V. P. Nayar: Yes, Sir.

Mr. Deputy-Speaker: Then he may continue tomorrow.

The House then adjourned till a Quarter to Eleven of the Clock on Friday, the 21st November 1952.
