

Mr. Deputy-Speaker: Order, order.

Shrimati Benu Chakravarty: He has made an allegation, Sir, let us be clear about it.

Mr. Deputy-Speaker: Order, order. These are statements that are being made by Members in their own turn. There is no cross-examination here. We may or may not accept the statement, but we have to listen to it.

Shrimati Benu Chakravarty: I wanted to know whether it was in the house which belonged to Mundhra or in the presence of Mundhra

Mr. Deputy-Speaker: He only saw it in the papers

Shri A. K. Sen: They were welcomed by one of the Mundhras. It is quite an innocent thing, it has not actually any motive. I was not invited there. I cannot say who else was present.

Mr. Deputy-Speaker: The hon. Home Minister

The Minister of Home Affairs (Pandit G. B. Pant): Mr. Deputy-Speaker, Sir,

Shri H. N. Mukerjee: May I beg for a clarification, Sir? The Union Law Minister has made certain statements in regard to his relationship or otherwise with Mundhra. Some of us do happen to have some material sent to us about the truth of which we cannot exactly vouch because we have no personal knowledge. Would you give us some facility to have this kind of material which comes to us sifted, verified and examined by some kind of a parliamentary agency?

Mr. Deputy-Speaker: Order, order. Not in this debate at least.

PERSONAL EXPLANATION BY A MEMBER

Shri Thanu Pillai (Tirunelveli): Sir, I have just seen a copy of the uncorrected report of my speech which I made yesterday in the House. In page 2128, paragraph 3, I regret to say there is a completely wrong impression created of what I, in fact, said. There

was you know, Sir, a lot of interruption and confusion. I never attributed any statement to the Prime Minister. I really wished to submit to the Prime Minister remarks made by others and by myself. I have sent to the Lok Sabha office the correct version. As, however, a wrong impression is likely to get abroad, and it affects our leader and revered Prime Minister, I felt I should, with your permission, make this clarification on the floor of the House, and also apologise to the House and to the Prime Minister in case any wrong impression has been created.

MOTION RE REPORT OF THE COMMISSION OF INQUIRY INTO THE AFFAIRS OF LIFE INSURANCE CORPORATION—contd

Pandit G. B. Pant: Mr. Deputy-Speaker, Sir, I intend to make only a short speech and not to take much time of the House. I am really sad that one of our esteemed colleagues of keen intellect, outstanding ability and mental vigour should be absent from the House, and the country should have been deprived of his services. It is difficult for me to say more in this connection. I do not intend to go into minute details or to comment on the report of the Commission. I should, however, like to express my gratitude for Chief Justice Chagla who was persuaded by me to accept this embarrassing responsibility.

Sir, the questions which are under consideration today do not, in my view, admit of any party or partisan approach. My regret is that, in spite of the solemn character of an occasion like this, some of the speakers have gone out of their way to make insidious innuendoes which would tend to besmirch the reputation of men in public life. We have listened to some of the speeches and we are really surprised that hon. Members should have either readily accepted what reaches them or, still more, that they should repeat them here.

However, Sir, so far as this present report is concerned, the operative

part of it is embodied in the motion which has been moved by the Prime Minister. The Finance Minister has already resigned. The merits of the case do not call for any further consideration. The Government has condemned the methods that were adopted in this Mundhra deal in unqualified terms; it was bad, it was improper, it was irregular, it was in contravention of the rules framed and prescribed for the purpose. So, as far as that goes, there is no difference of opinion.

So far as the other matters go, they have already been included in the motion as I just said. After this I had thought that it would be possible for all of us to concentrate on the issues which have arisen out of this report. I was surprised when I heard some of the remarks. Some Members seemed to take credit for this report. I agree that this entire episode, beginning from the questions put by Dr. Ram Subhag Singh, who was at that time the Secretary of the Congress Party, to this day....

14 hrs.

Dr. Ram Subhag Singh (Sasaram): No, Sir; not Secretary at that time.

Pandit G. B. Pant: Just, I think, a few weeks before that,—and to this moment, when this report is under discussion, will be treated as a landmark in the growth of the strength and vitality of democracy in our country. And it is, I think, a matter for which we can give credit always to the Members of the Congress Party and to nobody else. They have been vigilant not only as observers in the affairs of the country but when they have felt that there was something wrong, whether in the administration or in the handling of public affairs, they have risen above party affiliations and given priority to the country over party. That is what we have noticed with a certain degree of gratification.

There are very few instances, I think, in political history where the members of a party have themselves gone out of the way to criticise the

acts of omissions of Government and to demand an enquiry and a probe, and members have done so not only in this case, in this disreputable deal, as I am prepared to call it, but it is again the crusader sitting there, belonging to the Congress Party, who also raised the question pertaining to Dalmia concerns in this House.

It was he who also brought before this House some of the aspects of Telco organisation or firm. So, it is something which must assure the people of the country that the Congress Party is watchful.

Shri Nanshir Bharucha (East Khadesh): Then why is there no quorum in the House if it is watchful?

Mr. Deputy-Speaker: That is for all the Members.

Pandit G. B. Pant: I was saying that it is, I think, a matter of some assurance for the future that the members of the party have at least in a measure, however small it may be, caught the spirit of integrity of the Prime Minister and they bothered not over petty things where the interests of the country were at stake.

Yesterday, I listened to the speech of Shri Dange. Well, I listened to him with rapt attention. In fact, his homely method of presentation attracts one's attention and it is sustained all the time he speaks. But I was somewhat perplexed when I was listening to him. Ultimately I found the key to his speech in the last few words that he uttered. While concluding, he gave a quotation from an old man who, he said, had been buried in the grave a hundred years ago. That is the difficulty with him. He is always obsessed by what the man to whom he referred said a hundred years ago. He thinks that nothing has happened during these hundred years, that the gospel remains unaffected, that what was said a hundred years ago should guide him today not only in matters of principle but also while we are examining the details of a report by a Commission of Inquiry. It is something very queer. That explains to some

[Pandit G. B. Pant]

extent why he is not able to examine these questions in a dispassionate and detached way. His angle of vision is coloured by this thought of obsession. His own being is steeped in it. I do not complain about it. But the judgment of a man like that in matters of this kind cannot carry much weight.

Shri S. A. Dange: Why do you take so much energy to fight that man a hundred years after, every day and every now and then?

Pandit G. B. Pant: It is because some people take some trouble in making reference to that man after a hundred years.

Shri S. A. Dange: No. Because his philosophy rules half the world.

Pandit G. B. Pant: So, you think it is necessary to be guided by that man in every matter, whether it could possibly have been within the imagination of that man or anyone in any-way who was sitting with him then.

But anyway, I think that is a matter over which perhaps we can to some extent postpone the discussion to some other occasion. But Shri Dange raised other things. He is always thinking of scandals. He mentioned the jeep scandal. He mentioned the fertiliser scandal. Well, there may have been or there might not have been a very thorough enquiry into a matter, but if the decision arrived at does not agree with his own pre-conceived notions or if those making the enquiry do not condemn the Government, then he will not accept those findings. He will again repeat the word 'scandal' even though the truth may have been fully established and may have been fully accepted by this House. In the circumstances, it is difficult to try to convince a mind of that type by any rational approach.

In the course of the speeches, I submit that in many cases the question of economic policy has been raised, although the Prime Minister had made it clear, here as well as outside, that

this inquiry has nothing to do with the economic policy of the Government. Of course, it would not be possible to do it in an inquiry of that kind. The Commission was only asked to look into the merits of this particular case, and it has done so as well as it could in the light of the material that it could collect. So the question of policy does hardly arise, so far as this particular episode is concerned. Neither the public sector, nor the private sector, can congratulate itself on this very regrettable affair.

The officers and those who were connected with the public sector cannot feel happy over what has happened. On the other hand, the private sector cannot but feel sorry that the man—I would not use any harsh expression—who was responsible for this sort of dirty speculation was a leading member, associated and connected with many important concerns. So, we need not condemn one or the other.

May I know if there are no complaints like these in Russia? May I know if men in charge of undertakings and otherwise connected with the administration of public sector there have not been repeatedly chastised for doing the wrong thing. So, this is not the monopoly of any particular sector. There is need for vigilance everywhere. In fact, the difference is only this. In a democratic country the failings are not suppressed or concealed. They become the subject of inquiry, so that others may learn a lesson. In a totalitarian country they are kept hidden. In fact, the faults of leading men can be mentioned only after their death, and not during their life-time. So, I am not surprised that there should be this sort of concentration on this aspect of the matter, which to me seems to be hardly relevant.

Then it was indicated that the Congress Party or the Government is in-

interested in boosting the private sector and in transferring resources to them. I do not know if hon. Members have such short memory that they have to be reminded about the measures taken by Government only recently. Well, do Wealth-tax and Expenditure-tax obtain in any other country in the world? Have we thereby taken measures to boost the private sector? The estate duty, bonus tax and other similar measures prove that Government has no tenderness for any particular class. And what does the legislation that has been undertaken in this House during the last two-three years point to?

Now, I would like to remind hon. Members about the manifesto of the Communist Party.

Shri Narayanankutty Menon (Mukandapuram): What is the bonus tax?

Pandit G. B. Pant: The manifesto..

Shri Narayanankutty Menon: Of which country?

Pandit G. B. Pant: The manifesto of the Communist Party, issued at the time of the general elections in India, says:

"The Communist Party recognizes that in the present stage of our development, patriotic-minded Indian capitalists ..."

An Hon. Member: Who? Mundhra?

Pandit G. B. Pant: Mundhra, we all condemn. But, is the condemnation confined to Mundhra alone? Insinuations had been made during the discussion that we had been helping the capitalists. Was not the remark made here that they all should be shot, shot non-violently, if not violently?

Shri Narayanankutty Menon: Man-eaters.

Pandit G. B. Pant: The manifesto says:

"The Communist Party recognizes that in the present stage of

our development, patriotic-minded Indian capitalists.."

I imagine that the term is not to be restricted to those of Communist persuasion.

"..Patriotic-minded Indian capitalists can make an important contribution towards the economic development of our country. The party desires that Indian industries should be protected against foreign competition, that all legitimate rights of the capitalists should be ensured and that their active co-operation should be secured for implementation of the plan of national reconstruction."

I will now give you two quotations from the speeches of the Chief Minister of Kerala. He has stated that:

"a rapid development of industries, both heavy and small, and of the agricultural potentialities of India demanded that the industrialists, peasants and the working classes should be united together with the Government and the public."

He assured the industrialists on behalf of the Government and on behalf of the party that the utmost would be done to create the proper atmosphere, and appealed to them to give their all-out support and co-operation to the Government. On another occasion, he appealed to the Indian industrialists to invest their capital in Kerala. He also stated:

"Foreign capital should be invited on terms slightly more profitable to the foreign investors than might be extended to the indigenous investors."

He said:

"Foreign concerns should be nationalised only when the country as a whole had decided to do so, and that too only after the payment of full compensation."

Shri Braj Raj Singh: You are equal partners.

Shri S. A. Dange: I just want to know whether handing over this Rs. 2 crores to Mundhra is an illustration of that policy.

Mr. Deputy-Speaker: A reply is now being given to the charge that the Congress or the Government is boosting up private capitalists.

Pandit G. B. Pant: What I have said about Mundhra has not caught Mr. Dange's ears.

Well, I stand for a policy of co-operation between the private and public sectors. I stand for co-operative endeavour on the part of all those who can contribute towards the prosperity of the country and who can be helpful in building its economy and its industry: so far as I am concerned, there need be no doubt about it.

Shri S. A. Dange: We agree.

Pandit G. B. Pant: We all want to augment the public sector, to make the utmost use of the resources that can be made available for raising the public sector to as high a level as we can. But we also realize that the private sector has to function, and if it has to function then the blacksheep has to be treated as blacksheep but every sheep in the fold should not be treated as black. So far as general remarks on the problem are concerned, I think the election manifesto of the Communist Party of India does not need any further elucidation from me.

Sir, I think that the Report of the Commission, apart from the issues arising directly out of the Mundhra deal, has also referred to other matters. Well, about the merits of this particular deal I have expressed my views, and the Government has done so. But it might perhaps be relevant to mention that the Life Insurance Corporation is an autonomous orga-

nisation. Government was not directly in charge of its affairs, and if any one ever approved of any principle, it did not thereby follow that all the details were to be worked out by him or that the procedure prescribed by law was not to be followed in this connection.

I would refer to the various opinions, diverse and in many cases inconsistent, about the attitude that we should adopt towards public corporations. Some of the hon. Members seem to be of the opinion that Parliament should have almost complete control, while others have expressed a view that these corporations should be given sufficient freedom to function as they consider proper, subject to the laws passed by Parliament. So this is a delicate question, it is a complex problem. It has to be so handled that there may be no undue interference with the working of the corporations and, on the other hand, Parliament may have all reasonable opportunities for seeing that the corporations function in a satisfactory way.

I also think, Sir, that we will have to give considerable thought to the procedure that should govern such Commissions. The difficulty that has arisen in this country was faced even in U.K. where in recent years there have been four Commissions of Inquiry. The first one, as hon. Members may remember, concerned Mr Thomas, about the budget leakage. And in that, observations were made that some procedure should be prescribed. Thereafter, there was another inquiry, in 1944 or thereabout, and in that too the difficulty was felt. Now the procedure that prevails in U.K. is a well established one: that is, the Solicitor of the Treasury collects all the evidence, some police officers even are placed at his disposal, and then he presents the case. In such inquiries there is no accused, there is no one who is asked to defend himself. The Commission is only concerned with the discovery and establishment of

truth, and the full truth. So, when there have been difficulties like this in a country like England, we are not surprised if we, who had occasion to hold such an inquiry for the first time now, find that we should have a clear-out code for the guidance of such Commissions.

There has been some reference to ministerial responsibility. Well, that is again a question which has been discussed again and again in England and even in the case of some of these inquiries I think it is difficult to say anything very definitely about it. But I would like it to be generally a rule that except where a Minister can be shown to be altogether free from blame and not at all responsible for any act or omission which is open to objection or criticism, he should assume responsibility. I think in this matter a little strictness would be better than leniency. But we will have to examine the question with great care.

I think there is only one other matter which also deserves to be considered. We all know that our administration, whatever, its defects or its achievements, is being conducted by civil servants. We have enlarged the field of our activity. We have taken charge of many institutions. And on the whole they have worked well and satisfactorily. For this they deserve credit. So, let not a single instance of mistake or of calculated misconduct—about it I cannot say anything—vitiate our approach towards the deserving class of civil servants in our country. They can hold their own against public services in any other country. Let them not lose their confidence in Parliament. Let them know that even though some of them may sometimes be found guilty, on the whole Parliament recognises their merit and expects that they will continue to serve the country with loyalty, zeal and energy as they have been doing so far.

Sir, the leader of the Praja Socialist Party made certain remarks. I do not want to go deeply into them. He said the Finance Minister had said that he was allergic to him; and this may have perhaps produced some reactions in him too. That is but human. But he said that he had got some funds for his election from the Congress. I can say here authoritatively that the Finance Minister did not get any assistance from the provincial or the central Congress organisation.

An Hon. Member: Not even posters from the central organisation?

Acharya Kripalani (Sitamarhi): On a point of explanation. I said, "might have got".

Pandit G. B. Pant: If that is so, I have nothing more to say. The able leader will be pleased to learn that the position is not as bad as he imagined.

Acharya Kripalani: May I explain again? I saw no harm when he described the capitalists as man-eaters; I said some portion of the flesh of the victims might have gone to Congress coffers and might have also gone into the election campaign of the Finance Minister. I was criticising what he called the man-eaters that some of them are found in the ranks of the Congress.

Pandit G. B. Pant: I do not think that the Finance Minister ever intended to say that every capitalist is a man-eater. There may be, as there are man-eaters among tigers, but their number is small. So, there may be man-eaters among the capitalists too. But any way, that is hardly a matter for any discussion. I close with this reference to man-eaters.

Shri Asoka Mehta: At the outset, I would like to pay my tribute to Mr. Chagla and the Attorney-General. They approached the inquiry with the feeling that the truth has to be discovered and the chips may fall where they may. It is only by such

[Shri Asoka Mehta.]
an approach that in a matter of this kind we can hope to reach the truth. I do not enjoy muck-ranking, though I believe there are occasions when muck has to be raked and removed, but I believe that this has to be done without gloating or glee.

The Prime Minister knows, or ought to know, that there are many in this House who would be very unhappy if this august body ever degenerates into a school for scandal. We are interested in discovering the weak-spots in our administrative edifice but we shall not be guilty of tearing down the edifice that we are trying to build brick by brick. We have only recently dropped our financial pilot and the revelations in the inquiry have shaken up the administration. At such a time, I would like personally to function with considerable restraint and responsibility. I was sorry that my old friend, Mr. Dange, at a time like this scattered wide acids of disbelief, because just now we should do nothing which would destroy the roots of faith. If it is bad to assassinate the character of individuals, it is equally bad to assassinate the character of institutions. I personally like to be guided by the immemorial practice of the man with the hoe, the deathless symbol of this ancient land, who is in the habit of using even the rotted matter as compost to gather gold harvest for tomorrow. Here there is something that has come about of which none of us is happy about but we have got to draw from them lessons of vital significance for tomorrow.

Before I turn to those lessons, before I place some observations that I have to make, may I point out that this inquiry has revealed amazing incompetence in high quarters and baffling credulity? Mr. Kamat was asked by the Commission as to what were his responsibilities. He said he looks after the organisation of the Corporation and the expansion of business. He said it was the responsibility of Mr. Vaidyanathan

to look after the investment side. Mr. Vaidyanathan was asked as to how he managed the investments and his reply was absolutely stunning. Asked whether he kept himself informed about the financial position of the various business magnates, Mr. Vaidyanathan said, "Investment is not my main job in the L. I. C. It is only 40 per cent. of my work." I do not know how much work, how much time the Prime Minister devotes to the Finance portfolio that he has taken up. I am sure it cannot be 40 per cent. of his work. If he turns round and tells us, "I do not know about the finances of our country; it is only so much per cent. of my work", where are we? That is the reason why my party has tabled an amendment. Later on it was Shri Feroze Gandhi who made the revelation that the former Finance Minister has put on record that Mr. Vaidyanathan is a senile person and a few other adjectives were used. This is the gentleman who has been investing in 1500 and odd joint-stock companies in the country Rs 11 crores worth of investments have been made after the Life Insurance Corporation was set up. What are those investments? We would like them to be looked into. I am not demanding a judicial inquiry, but I am surely demanding that it should be an independent inquiry. If one bad egg has been discovered in the basket, I do not suggest that the whole basket is bad, but there may be other bad eggs in the basket. Must we wait for Mr. Feroze Gandhi further to uncover some unpleasant facts and then go into them? I suggest that here is an occasion when all the investments need to be gone into thoroughly. Let the Prime Minister institute an independent inquiry and place before the House in due time an exhaustive report, so that we may rest assured that the investments that we have made are sound and that in the basket there was only one rotten egg and that has been picked out.

As I told you, one comes across baffling credulity. When Mr. Iengar was appointed the Chairman of the

Since Bank of India, he was perturbed and very rightly about the advances, the large advances, that were made by the bank to the British India Corporation. One of the first things he did was to go to Kanpur personally. He went and stayed with Mr Christie, a former member of the Indian Civil Service and the managing director of the B I C. Mr Christie assured Mr Iengar that so long as he was the managing director of the B I C, he would not permit Mr Mundhra to do any hanky-panky—these were the very words Mr Iengar used in his evidence—with the finances of the Corporation Mr Iengar returned to Bombay and said, "I have the fullest of confidence in the moral integrity of Mr Christie." What happens? In this very inquiry, Mr Gowardhandas Bhagwandas, one of the witnesses—I believe he is a broker from Bombay—in the course of his evidence says that in the Directors' Report for 1956 for the B I C the Directors have said that Rs 60 lakhs or Rs 65 lakhs were taken by Mr Mundhra to be invested in some shares and the scrips were not available with the B I C. The Directors' report of the B I C for 1956 shows that Rs 12½ lakhs were given as a loan at the instance of Mr Mundhra to one of his relatives. What was Mr Christie doing at that time? Mr Christie, I do not know him. I am sure he is an honourable man. But, are officers occupying the highest positions in the country to function on the basis of the school tie and indulge in this kind of baffling credulity? Mr Christie's assurance was not honoured. Mr Christie could not prevent Mr Mundhra from playing hanky-panky with the finances of the B I C. Therefore, may I appeal to the Prime Minister not to throw the priceless mantle of his protection round people who may be innocent but who are either incompetent or so credulous that it requires to go into the matter thoroughly. I have no desire to involve anybody. But, in a matter of this kind, we cannot permit, any one to have chips on his shoulder. We can not permit, where the finances of the

country are concerned, to get concerned about the susceptibilities of individuals.

I have read carefully not once, not twice, but three times what the Attorney-General had to say in the court. Thank God, we have in the Attorney-General a man of the highest intellectual ability combined with inflexible moral courage. I would beg of the Prime Minister to go very very carefully through what he has said to the court, and discuss with him, because it is possible for him to do so. With a sense of responsibility and with all humility I say that if one goes through his address to the court, one has an impression an inescapable impression, that some of our senior official indulge not only in *suppressio veri* but *suggestio falsi*.

I am as much interested in maintaining the integrity of the civil service. I am one with the Treasury Bench in saying that the services should remain beyond any question of cavil. But, where a person of the status and responsibility of the Attorney-General has made certain observations, they need to be gone into. I would like once again to repeat that I would not lie the Prime Minister to throw his mantle of protection round anybody.

Then, again, it is not a question of public servants alone. What about Mr Chaturvedi? Let us look at Mr Chaturvedi. Not only he is a Member of the Investment Advisory Committee he is also a member of the Company Law Advisory Commission. He is the Chairman of the Calcutta Stock Exchange. He occupies a unique position. Did he make use of his position to see that the finances and resources of the Life Insurance Corporation are properly safeguarded?

14.45 hrs.

[MR SPEAKER in the Chair]

Mr Mundhra, I believe, has been arrested for issuing duplicate shares.

[Shri Asoka Mehta

I have been told in Calcutta and Bombay that he has indulged not only in duplicate shares, but in quintuplicate shares. I have been told that for the last 18 months this has been going round. What enquiries did the Calcutta Stock Exchange make into this?

I do not want that there should be any war between the public sector and the private sector. It would be a tragedy for this country if we indulge in or start a warfare like this. May I appeal to my hon. friend Shri S. A. Dange and his colleagues that if they want as we want that the private sector should develop faith in the public sector; we are in duty bound to extend goodwill to the private sector so long as it functions within the four corners of the Plan and our policy. There cannot be one way traffic. We cannot go about, as I say, assassinating the character of any institution in our country. We are not entitled to demand merely that they shall appreciate what we are doing, but we shall keep on badgering them all the time. We want to demand of them the highest standard. I shall come to that in a minute. We are entitled to ask the highest standards when we are willing to extend to them goodwill that we under the Plan and our policy have pledged. Therefore, I would like to point out that Mr. Chaturvedi also should be asked to offer an explanation. Government has nominated him to high positions. He is the President of the Calcutta Stock Exchange. The whole thing needs to be looked into, not in one place, but at many places.

I would just like to invite your attention to the fact that this Mundhra deal was not the only largest single investment made by the L. I. C. It was not the only deal that was directly negotiated. It was not the only deal in which rules and normal prudence were thrown to the winds. Out of the total investment of Rs. 11 crores in equities made by the L. I. C. in hundred of concerns, 1½ crores or nearly 11 per cent. of all the invest-

ments were made in six concerns. Not only that. The most disturbing point is that the limit that we have laid down that the investment shall not exceed 30 per cent. even that limit was exceeded in the case of the B. I. C. and Richardson and Cruddas. I would appeal to the Prime Minister to tell us at a later date as to how Mr. Mundhra became the blue-eyed boy of the L. I. C.

I do not accept the theory that there was any crisis in the market. I do not accept the theory that there was any drag or load of Mundhra shares. Having said that, I would like to point out that the biggest desideratum was the absence of a clear-cut investment policy. The former Finance Minister is a friend of mine. I have supported him because he was right in his very unpopular taxation proposals whether he was levying an additional excise duty on cloth or when he came forward with a Budget that most hon. Members of this House disapproved of. Even then, whether in this House or outside, I rallied to his support because I thought he was right. He never elaborated an investment policy and there he was woefully wrong. He developed, he enunciated this theory of blue chips. He said it was not a directive; it was not even a policy.

I suggest that one of the main reasons why we have bungled and fumbled is because we had no clear-cut policy. I suggest that when the Prime Minister himself has taken over this onerous portfolio, when we have played the ace of trumps, it is time when we should enunciate formally and properly an adequate investment policy. In that, there should be four criteria. First, I believe that it is the business of the Life Insurance Corporation to support the market on certain occasions in a fairly careful manner. Because, please realise, Rs. 67 crores are invested in shares in 1500 different concerns. Week after week, we shall be investing Rs. 50 lakhs or more. We cannot permit the

market, to collapse. We cannot go about saying, stock exchange, after all who are they, they are bears and bulls. I am tired of this zoological expressions being thrown about, lions, dogs, tigers. Here is a mechanism which we have deliberately set up. This House not only permits that institution to function. It is our responsibility to see that it functions well. At the same time, we have to see to it that so long as we permit them to function, we do not throw a spanner into the wheel.

Mr. Chagla downwards, everybody says, these are trust moneys. These are the funds, hard earnings of those who have taken out insurance policies. May I remind all concerned that under the Life Insurance Corporation Act, unless I am making a terrible mistake, the Government of India has given absolute guarantee to all these funds? Therefore, in the last analysis these are over funds, the funds of the country. Therefore, these funds have to be used not in one way or another. They have got to be used for the purpose of helping our economy in the most effective manner. And it is the business of the Government, with whatever assistance the Government is pleased to receive from this side of the House, to draw up an adequate investment policy.

The second important thing that I would like to say about it is that we must realise that the Life Insurance Corporation has got to supply the long-term corporate funds. In the U.S.A. 90 per cent. of the long-term corporate funds come from the life insurance business, and 70 per cent. of those funds are through private placements and they are custom-tailored. In India, too, if we want the private sector to continue within the framework of the Plan, funds will have to be made available, again according to rules, according to the laws that have been made, but if that is not done, we will be guilty of permitting the private sector to function but strangling and choking it.

Thirdly, I believe that through these investments the L. I. C. can function as the watch-dog of the shareholders. It should become the most powerful shareholders' organisation anywhere in the world. It should see to it that the different concerns function efficiently and properly, and wherever anything goes wrong things are set right, because it will have chunks of shares in different joint stock companies in the country.

Lastly, the fourth criterion that needs to be kept before us is that we should not permit concentration of power and concentration of control. Shri Munshi in the course of his address pointed out that in the letter received by the Reserve Bank from Shri Raman, Shri Raman had pointed out that big business houses, giants like Tatas and Birlas were interested in buying up Jessops and other concerns of Mundhra. That must not be permitted to happen. There again, the L. I. C. has to have a proper policy, and to draw up that policy is the business of the Government.

I am sorry my time is up because I wanted to say a few things about this autonomy. If you will permit me just two minutes, I would like to invite attention to just one or two points.

I believe this question of autonomy cannot be decided in any kind of arbitrary manner. In England, as you know, for the Select Committee there, all the powers that are enjoyed under different statutes setting up public corporations were listed together, and there are 200 powers that the Minister enjoys. These 200 powers have been listed under six major heads by Mr. McKenzie who is one of the outstanding authorities on the subject. These powers have to be exercised in a different manner in the case of different corporations. No hard and fast rule can be laid down. It is absurd to say whether there should be complete control or complete decontrol; no controversy can be carried on in that

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framework. Similarly, there can be no controversy saying here is absolute autonomy, and here is absolute dependence. The whole spectrum has got to be worked out, and may I suggest again that the Prime Minister may appoint a competent team to look into this matter thoroughly, so that we may be able to have before us a fairly well thought out picture?

There are 38 corporations of different sizes functioning under the Central Government, there are 44 corporations of different sizes functioning under the State Governments, and Rs. 280 crores of Government funds have been invested in these corporations. It is our responsibility to see it that these corporations function properly, but if they are to function properly, here again it is necessary that we may out our course properly.

What is needed in this country is not just courage, but clarity too, and I hope and trust that out of this enquiry, out of this heart-searching which we have all gone through—it will not be something like bread and circuses; it will not be throwing some Christians to the lions for the satisfaction of the hungry multitude—we shall emerge with a desire to function more courageously and with a determination to impart to our administration the clarity that it has lacked on many occasions.

Shri Jawaharlal Nehru: Mr. Speaker, Sir, we have arrived almost at the end of this rather unique debate, or rather a debate on a rather unusual matter. I feel, and I think that perhaps most Members of this House will feel, that in spite of much that caused us pain in this connection, it is a good thing that we have had this debate, a full and frank debate in this House where many aspects of this question have been thrashed out. It is good for this House, of course, and good for the country.

We have heard many types of speeches. We have just heard a very eloquent one. I have neither the capacity nor the desire to be eloquent at this stage. So, I propose just to refer to certain aspects of this question which have arisen.

To begin with, I think it is rather confusing if, in considering this particular matter, as my colleague the Home Minister pointed out, we bring in Karl Marx or others. I almost expected some other Member of the Opposition, not of course a Member of Shri Dange's party but some other Member, to bring in the *Bhriyu Samhita* and tell us what the *Bhriyu Samhita* things ought to be done on the occasion. I do not mean to say that both of them stand on a par, but the approach to this question in this way does mean that we are not considering this question at all, but that our minds are full of other ideas, good or not so good, and they have no room for any freshness of outlook.

Shri Dange referred to the power of finance capital and the rest. Of course, finance capital has power. What exactly in this context he was driving at was not clear to me. Apart from considering this particular matter, were we considering some basic and radical change in our economic set-up? Or, was he trying to hint that so long as this country has the misfortune not to accept his views entirely, so long everything will be wrong?

However, I do not propose to enter into this question, but if I may say so, I entirely agree with what Shri Asoka Mehta just said about this House not being converted into a school for scandal, and insinuation being made not only about capitalists and others, but, as I believe was done by Shri Dange, about Ministers, officials and others carrying on benami transactions. I do not know what Shri Dange had in mind. If he had in mind any such thing, I shall be

greatful if privately or publicly he will tell us to enquire into them, but it does not help much by throwing about these innuendoes and vague charges.

There are one or two matters I should like to deal with before I go into some specific points that have arisen. One is this. Many hon. Members have pointed out that Mundhra is a bad man and was known to be a bad man by members of the Government, by members of the Corporation, by other people; when they knew it, why this deal? I cannot answer that question fully, but I shall endeavour to answer it partly. I cannot answer it fully because, as I said in my opening remarks, so far as this particular matter is concerned, this Mundhra deal of the L.I.C., it contains so many factors which are totally incomprehensible to me. I just do not understand how some of the developments took place. So, I cannot answer it in that way. That is why I have ventured to put forward a resolution, the first part of which states very clearly that we agree with the finding of Mr. Justice Chagla that this whole deal was highly improper etc.

15 hrs.

That apart, the question does arise about Mr. Mundhra and some Ministers and others knowing about him. Mr. Mundhra, I understand, has had some connection with a vast number of companies. Are we to avoid having deals in those companies, because Mr. Mundhra has a share in them or a dominant share? That is a difficult proposition to take to. Shri Asoka Mehta just said—I am not sure of the figure—that the Life Insurance Corporation has investments in fifteen hundred companies. Maybe; it is a large number of companies for India especially. And I should be surprised if, quite apart from this deal, Mr. Mundhra does not overlap with these fifteen hundred companies in many places.

So, my point is that the fact that Mr. Mundhra was known to be an undesirable character cannot prevent us from dealing with companies in which he has shares, even these in which he has a dominant share, provided always that the fact of Mr. Mundhra being there puts us in enquiry, cautions us, and makes us doubly careful. I admit, of course, that in this particular matter, these various elements are lacking. That is why the trouble has arisen. Suppose that in this particular case, two or three factors do not come in. There are others too, but I am mentioning two or three special ones. One was the price factor in regard to some of the shares—I forget which; perhaps of Osiers & others—which is amazing, for which I have found no explanation.

Suppose in fact that in Jessops, in Richardson and Cruddas, or even in the B.I.C., shares were taken by the Life Insurance Corporation at a suitable price. Well, some people may have liked the transaction or not, but there was nothing obviously wrong in doing that. The wrongness comes in because of other factors, and the wrongness comes in because when they were dealing with Mr. Mundhra they ought to have been much more careful in seeing to it.

Now, take these companies like Jessops, Richardson and Cruddas, and the B.I.C. They are very well-known manufacturing concerns, some of the biggest in India. Shri S. A. Dange suggested that we should take over Jessops, that the State should control it. A very good suggestion. Whether we take it over now or later or what we do is another matter; I am not committing myself to taking it over; but it is a suggestion worthy of examination.

Now, I put it to you that it may occur to people that because Jessops, and Richardson and Cruddas's are very important manufacturing concerns in India, important in themselves, big and important because they

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are doing work for the Five Year Plan, for our iron and steel factories and all that, therefore, it is a good thing, first, negatively to see that they do not go to pieces, and secondly, positively, to get progressively more control over them. 'Nationalise them', you say. True, one can nationalise them. According to our policy, if we nationalise the whole thing, we have to pay compensation for it, and the compensation for these companies will be pretty heavy. Another way of gradually getting that done is to acquire a majority control over the shares, and in this way achieve what you are aiming at. Therefore, the idea of buying shares in companies like Jessops is obviously attractive. Forget the stock exchange, and the market operations and all that. Here is a solid thing. There is no doubt about it. It is not in the air. It is a solid thing doing good work. It is something which is an asset to the country. Therefore, to get shares in such companies is obviously an attractive proposition, provided the price paid is right, and other things are examined.

Therefore, I should like this House not to mix up two things, the badness or whatever may be considered in regard to Mr. Mundhra that he is a totally unreliable person, a person to be suspected. True, let us admit that in dealing in companies which happen to be connected with him today, because he has bought up a large number of shares, speculated and all that,—although we have to think of the companies, not of Mr. Mundhra, yet in buying them, we have to think of Mr. Mundhra and have to be doubly careful. I admit that.

Now, much has been said about policy or about the lack of a policy of investment. I agree very largely, but not entirely. I may say that there is no such absolute lack, as has been hinted at, although I should have liked that to be much more definite and precise. In fact, if I may say so,

there was growing consideration of this problem, and gradually it was taking shape. People have said, some hon. Members have said that section 27A should have been applied, should be applied and all that.

In fact, there is an amendment on the part of Shri M. R. Masani, Shri Jaipal Singh and another Member about bodily lifting the principles enunciated in Mr. Chagla's report and adopting them. We have said, as you will remember, that we propose to give earnest consideration to them. They said, why this waste of time, we do not trust you. Shri M. R. Masani said, we do not trust this Government, we must adopt them here and now. If this was the way in which Shri M. R. Masani used to carry on his businesses, he would have got into great trouble; and I do not know if this is the way he applies to his political business. That is why he goes wrong so often.

Look at those seven principles. Some are obviously right. Some may not be so obviously right. The first is:

"That Government should not interfere with the working of autonomous statutory corporations; that if they wish to interfere they should not shirk the responsibility of giving directions in writing."

Well, perfectly correct. But as Shri Asoka Mehta said or somebody else said, what is Government's part in these autonomous corporations? Dr. Krishnaswami dealt with this matter at some length yesterday and pointed out that while it is admitted by everybody obviously that investments must be made in good solid shares—admitted—one fact is completely left out of this approach, for instance, these principles that are laid down. And Dr. Krishnaswami pointed out—although I have no doubt that other Members are fully aware of that—that the L.I.C. becomes merely by virtue of its bigness of

investment a market leader—I am using his phrase; I do not understand these words quite fully—and thereby can affect the market this way or that way.

You cannot ignore this fact that large chunks of money come from the L.I.C. for investment, Rs. 40 crores a year. Think of that. I do not know what the figure is, perhaps Rs. 50 lakhs a week. You have to have a policy for that, not merely the policy of good shares; that, of course, is there. But whatever you do has an influence on the market. What are you going to do? You may encourage certain tendencies or discourage them.

Therefore, a certain policy is essential, and that policy cannot be laid down by any investment committee. Only Government and Parliament can lay it down. It is obvious. The investment committee will probably follow it.

I stated yesterday that the then Finance Minister, Shri C. D. Deshmukh, stated at that time that it would be Government's function to say what the policy was. This matter of the nature of investment came up and it was decided then. Now, Shri Masani would, no doubt, like that Government should have nothing to do with it. Full autonomy! So that certain eminent businessmen may have large funds, with no interference, at their disposal.

Shri M. R. Masani: Will the hon. Prime Minister will yield for a moment? May I point out that what I said was quite the reverse? I pointed out that, after Shri C. D. Deshmukh gave the assurance that policy would be laid down, Government had not as of today laid down a general policy of investment which I would welcome. The Prime Minister is wide of the mark.

Shri Jawaharlal Nehru: I read the first principle in this Report, which I say is completely acceptable, that Government should not interfere,

subject always, of course, to the whole basic policy and other things being put before Parliament whenever necessary.

Take the second item:

"That Chairman of Corporations like the L.I.C., which has to deal with investments in a large way, should be appointed from persons who have business and financial experience and who are familiar with the ways of the Stock Exchange".

Shri Ranga (Tenali): There is something about the tenure of office also.

Shri Jawaharlal Nehru: I regret I cannot immediately say that I agree with this. In fact, I have grave doubts about the Chairman always being a gentleman of the Stock Exchange. How am I to be called upon immediately to agree to all this? I am pointing out—I am not saying 'yes' or 'no'—that this deserves further consideration. I admit of course that the Chairman of such an organisation should be a man of ability, integrity and experience, if we can find him as much as we can. But to limit that to people from the Stock Exchange seems to me perhaps not a very proper way of looking at it.

Then again take the third:

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

I completely agree. In fact, if I may say so with all respect, it simply means that people should be told that

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they must behave properly and not badly. It comes to that, really. I accept it. But to say that officers who are appointed must behave with integrity of course and not be swept away by somebody else, is quite different.

There is another question. I quite agree that if any instructions are given to them by Government, and if they are oral instructions, they should be put in writing. But I should like to point out one thing. Whether they are Ministers or Secretaries or anybody else dealing day to day with corporations and other things, they function not as a kind of rival parties instructing each other or quarrelling with each other. They discuss matters. Ideas are thrown out. The ideas are acceptable or not acceptable. One does not issue instructions.

Suppose a Secretary or even Minister is discussing this with the Chairman of the Corporation. He says: 'What do you think of this? I think it will be a good idea.' This is not a firm instruction. Now, the other person, if he has got any guts, if he thinks it is wrong, should say, 'No, I do not think it is a good idea' and advance arguments. Either something is decided between the two or, if the Minister wants to impose his will against the other, he must give it in writing, if it is a matter of policy. But the Chairman or Managing Director, whoever it is, is certainly responsible and must be made responsible completely for doing something against his will, if he does it merely on some kind of oral indication which he does not approve of

I think Shri Feroze Gandhi read out something from Mr. Churchill's writings. It is very difficult in this complicated world of ours, with an enormous amount of work, always to insist on communicating with each other by notes and writings. In fact, we complain—this House complains—so much about this business of tremendous noting in our Secretariat.

I have suggested to them—for heaven's sake, stop writing so much, meet together and discuss and settle it, instead of files going round and round and round.

If you do that—I think we should do it—there is a risk of misunderstanding. One takes that risk. One has to. Take an extreme example of war. Do you expect every Colonel or General to be writing long letters to particular officers? You have to take a risk. The risk may involve your defeat in war, but you certainly, without doubt, are going to be defeated if you carry on the war with long correspondence.

So that these matters are not capable of rigidity. The broad principle is there, and must be there. In our set-up, the Minister is responsible, constructively responsible, for any matter of policy. Even if he does not happen to have personal knowledge of it, he is responsible, except, may be, in some very special case. If he knows about the principle, then of course he is also responsible. It does not make much difference. The difference comes in or may come in in regard not to responsibility—that kind of constructive or other responsibility—but in regard to the *bona fides* or *mala fides*. That is a separate thing entirely which, of course, is a factual matter to be determined on the facts.

Then the fourth principle is:

"The funds of the Life Insurance Corporation should only be used for the benefit of the policyholders and not for any extraneous purpose. If they are to be used for any extraneous purpose, that purpose must be the larger interest of the country. The public is entitled to an assurance from Government to this effect."

I could gladly and consciously give that assurance here and now. We can put it down on paper in black and white. It is obvious. The funds

are always and surely for the benefit of policyholders.

As regards the other thing they say, that if they are to be used, it must be in the national interest. There is no 'if' about it. It will always be used in the national interest. As I just now pointed out, you cannot help that. When you are dealing with such large sums of money, whatever you do affects the national interest, affects your Plan, affects your economy and this and that, so that you cannot ignore that. The moment you come out of that relatively small private company and become this monolithic organisation, inevitably all kinds of responsibilities come over you, which the private company did not have. Even in the case of the private company, which was tied hand and foot as to the methods of its investments. 50 per cent in government paper, 25 per cent in government-approved companies, they permitted, if I remember rightly, 15 per cent to speculate, and throw away if they liked—the words are mine, not in the Act. They were allowed to do what they liked with 15 per cent, and they did. The speculated 15 per cent in the hope of getting more or losing it.

I am prepared to accept this, but always laying stress that you cannot simply deal with a monolithic State organisation like this in the same way.

Pandit Govind Malaviya (Sultanpur): Even about that 15 per cent, there were very strict rules.

Shri Jawaharlal Nehru: Now, I just mentioned the word 'monolithic'. I am not expressing an opinion, but some hon Members have said that it might have been desirable or might be desirable in the future for this huge organisation to be split up to three or four. It is a matter which may be considered. If that is more advantageous, it should be done. We should not hesitate to do it.

The fifth point is that 'in a parliamentary form of government, Parliament must be taken into confidence by the Ministers at the earliest stage....' Perfectly of course.

The sixth is 'that the Minister must take full responsibility for the acts of his subordinates. He cannot be permitted to say his subordinates did not reflect his policy or acted contrary to his wishes or directions'. This, again, is broadly correct. But I am not quite clear in my mind whether it is 100 per cent correct. But, broadly it is correct, as I have said. So far as the present instance is concerned, the Minister did take the responsibility and he is no longer a Minister. It is a proposition which he can consider later.

And lastly, ..

Shri Jaipal Singh (Ranchi West—Reserved—Sch. Castes): In view of the fact that there is an amendment which has been moved, may I request the Leader of the House to enlighten us as to what his own reactions are in regard not merely to the question of one Minister's responsibility, as he is not in office at the present moment, but about the entire Cabinet being responsible. I am not thinking of this instance as such but it arises out of what we are trying to appreciate.

Shri Jawaharlal Nehru: Surely, the answer to my hon friend is very simple. It would always depend on the circumstances of the case. In each case the circumstances vary. I can imagine the whole Cabinet resigning. (*Interruption*). An honest Government should immediately move as circumstances require.

Now, that may be applied. I may inform the House that one of the first acts of this new Corporation when it met was to pass a resolution—I won't read the whole of it—it is 5 pages—which was really to apply section 27A as modified here and there. There are pages and pages of it. I will just read the first paragraph:

"The Corporation shall invest out of its controlled funds at least 25 per cent in Government securities, a further sum equal to not less than 25 per cent. in govern-

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ment securities or other approved securities and the balance in any of the approved investments specified in sub-section (2) of section 27A or subject to the limitations" etc.

Then, there is a very long list of the type of securities so that, in fact, although Government did not apply section 27A, the Corporation itself laid it down that it should apply with some modifications.

You will say, and very rightly say, what about this deal. That was our trouble. Their own rules were not applied in this matter, in this particular deal that we are discussing. But, apart from this, as a matter of fact, they did make those very rules. The whole thing cannot apply.

For instance, in section 27A, it is laid down, I think, that they should not take shares in any company, equity shares, more than 15 per cent. I do not personally see why they should not. However, the idea was that no insurance company should attempt to control an undertaking

Now, since all these companies were merged into one, the result was that that 15 per cent went by the board, because many insurance companies had shares in some other company so that the 15 per cent became 25 or 30 in the possession of the Life Insurance Corporation. Section 27A could not apply at the beginning because of this. Apart from that, I am not for a moment clear why our Life Insurance Corporation should be prevented from having more than 15 per cent shares in a company, if it is a good company. For instance, if we want more shares in Jessops to control it, why should we not take more shares and control it? The whole policy does not apply so that to say that section 27A, as it is, should be made to apply is not, I think, very logical. But, of course, section 27A as modified properly can apply. It should be clearly laid down how it should apply. Or what that rule should be is a different matter.

We propose naturally—Members have suggested and we shall gladly carry out their wishes in this matter—to draw out a policy governing investments. It cannot be, naturally, a very rigid policy, because there must be some latitude left. We propose to draw it and place it before the House for them to know it. If the House so wishes, they can discuss it; they can take a little time on it. It is not necessary for the House to discuss the safety part of it. That is an admitted factor; but the other, the policy part of it is a matter which can be discussed.

May I just say one word which does not fit in with my argument, but I should like to make it clear. Just a little before I spoke and my colleague the Home Minister spoke, Shri Thanu Pillai made a statement. That is all right. But, I was not aware of what he said yesterday; I did not hear that. When I saw a rough transcript of it, I was surprised and distressed—I may be permitted to say distressed because somehow or other my name was entangled in it without the least justification. And, I should like to say—I do not know how he has corrected it—that the original draft was, so far as I am concerned, not correct at all.

In that connection, I should like to say that—though I previously expressed my approval of Mr. Justice Chagla's services, I would regret very much saying anything directly or indirectly in criticism of Mr. Justice Chagla.

Pandit K. C. Sharma (Hapur): That should be expunged.

Shri Jawaharlal Nehru: Further, I would regret also in this House criticisms of the Attorney-General, of what he said or what he did not. For various reasons it is not right for us to criticize people in their absence, people who are trying to do their duty competently and all that.

Acharya Kripalani was very uncharitable to me in one matter. I am sorry he is not here. He referred, I am told, to the fact that the present Governor of the Reserve Bank was, at one time, my Principal Private Secretary and, therefore, I was showing favour to him. Many people in the Government today have been associated with me; most of the senior officials have been associated. I have been here a very long time, 10½ years now; and, naturally, I form some opinion of them, when I come into intimate contact with them as colleagues, as persons one works with. But, to suggest that I want to shelter or favour somebody because he was my Principal Private Secretary 7 years ago, is, I repeat, not very charitable to me. (*Interruptions.*)

I mentioned the name of the Governor of the Reserve Bank for a variety of reasons. There are many others. I can mention independently. I mentioned that name particularly because we were discussing Mr. Justice Chagla's report.

Shri Jaipal Singh: Another good Oxonian.

Shri Jawaharlal Nehru: That was his point, the hon. Member's point. I admit; I have never denied that people who have been to Oxford at some time also have some virtue.

Dr. P. Subbarayan (Tiruchengode): What about the other place?

Shri Jawaharlal Nehru: Here is Mr. Justice Chagla's report which we are discussing. There is no mention of him except in one place—in the narrative form that he was also present somewhere. No other mention; no criticism indeed. So far as this matter is concerned, there is nothing at any stage, so far as I am aware, involving him at all in it. As the matter has been mentioned, when Mr. Iengar thinking that, perhaps, his conduct might come into this inquiry, wanted some lawyer to be present there, Justice Chagla told him that he did not come into the picture at all and that he was not going to deal

with that matter. It is unfortunate that his name is brought in simply without any reason; it is not quite fair. I cannot understand. I have said that those officials who have been intimately concerned with this come in the second part of the Resolution that I have ventured to place before this House. Even their conduct, I submit, should be enquired into in the proper way. We cannot enquire into it. We cannot go into that matter because it will not be fair and they will not be able to answer. We in Parliament make statements about others. This is not fair; this is not a very happy way of proceeding.

My friend Mr. Masani referred to most of our corporations and said that the autonomy of corporations had introduced a myth. I do not know how far it is correct. It may be partly true in the sense that they have not got complete autonomy. I should like them to have as much autonomy as possible. I would like the House to remember that we are starting new corporations from day to day and frankly nobody in the Government, certainly not in the business world or in our services, has too much experience of this type of work. Good men can do good work wherever they are placed if they have the training for it. We are going in for huge industrial undertakings of all kinds of things. In the beginning period we have sometimes felt that we should help the corporation. What might be called interference might also be looked upon as help to an infant organisation.

Take this L.I.C. itself. It has been in existence now for a year and a half. It is not a long time; it is a relatively short period. Huge and complicated things come up. Are we to leave them completely at a loose end when these big problems come? We felt that we should not.

I entirely agree that it is a wrong policy. for the same person to be the Secretary and also Chairman of the Corporation. I think every one of my colleagues in the Cabinet agrees with

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that. We have tried to avoid it. Yet, somehow, under pressure of circumstances, we have agreed: for 3 or 4 or 6 months, let us have this arrangement. I accept that this is wrong in principle but the sheer difficulty of finding a suitable man immediately who could take charge had to be faced and we had to put a competent man there. I entirely agree that we should not do so in the future.

I need not say much about the amendment moved by Mr. Jaipal Singh and Mr. Masani because it deals with these principles which I have already referred to. I am surprised that they are not accepting what I have said. In fact, we agree that there should be these principles. We are going to examine them. It might be that there might be more than five or six; there may be other things also. Then, we shall place them before the House. We do not want to do anything without the knowledge of this House in this matter.

Prof. Ranga referred to Industrial and Economic Service. I mentioned yesterday about this. The Planning Commission broached this matter about training up a specialised cadre of managers more or less. But apart from this, we have decided to have—not in this connection, but independently of this—two separate services. One is the service of economists and another—a separate one—of statisticians. This matter was delayed for many months because there was an argument whether there should be one joint statistical and economic service or two separate ones. Ultimately we have come to the decision that we should have two separate ones. Otherwise statistics became rather ignored. Now, that has been decided.

This House has been indulgent to us normally, almost always. We are all very grateful to it. But I am sure the House realises the enormous burden of work that falls on the Minis-

ters. If I may mention a small matter, the other day during the course of this inquiry, I read in the newspaper a report. Suddenly there was some reference to me and some note I had written and which was produced. I had forgotten and I had no recollection of any note. I said: "What is this? When did I write a note about Mr. Mundhra? Mundhra has never come into my ken really." Vaguely I have heard about him. What is this thing? I asked. I had it hunted for from the files of the officers and then it came. Of course it was my note. When I saw it I reckoned. But, if I had been suddenly asked whether I had written a note about Mr. Mundhra, I would have said: 'No'. I had completely forgotten about it. It came with hundreds of papers. I read it as I read a number of things and I forgot and I went on to something else.

People perhaps do not consider how these things happen. If I were asked about this and if I had said: 'I do not remember', I am a liar! I think that people sometimes not only do not remember things but people try to forget things so that they are not cluttering up their minds with all kinds of petty details.

I think Prof. Mukerjee complained of a speech that the Governor of the Reserve Bank delivered at San Francisco. I have got the speech before me but I read it long ago when it came to me. I would rather say that my recollection is that I liked it. He complained because apparently the Governor speaking in San Francisco to a large number of American capitalists said something about the importance of the private sector in India...

Shrimati Renu Chakravarty: Dominant role.

Shri Jawaharlal Nehru: I do not know. I am told that he used a word...

Shri H. N. Mukerjee: May I interrupt him, Sir? The exact sentence is:

"In fact, the private sector is playing a dominant role in the Indian economy today and is bound to play a dominant role in future."

I am quoting the answer to unstarred question No. 2119 dated the 20th December, 1957.

Shri Jawaharlal Nehru: As a matter of fact, there is no doubt that quantitatively it is dominant even now. If you include all the land in India, it is terribly dominant. It is in the private sector—all the land, cottage industries, etc.

Even apart from that, this matter has been really dealt with by my colleague, the Home Minister. We must know exactly where we are. We have laid down a certain policy for ourselves, for the development, for the Five Year Plans, etc. It is on the basis of that policy that there is a public sector and the private sector—a public sector that is growing and that is meant to occupy progressively all the strategic points in our economy.

Now, we may err here and there. If we have a public sector and also a private sector it means not that we allow reluctantly the private sector to continue and try to harass it all the time. There is no point in it. It is far better to abolish it completely. But if we have it, we should encourage it and help it within the limitations laid down for it. It is pertinent not only for the Governor of the Reserve Bank or for me but for any one of us to say that we want to encourage and we will encourage the private sector of course subject to the limitations and the Plan that we have made. We want trade and commerce with other countries: the United States, England, Soviet Union and so on. We want to increase our trade and commerce with these countries. We want to increase

our trade and commerce with the Soviet Union but it is of a different type. It may be barter, because conditions are different. We are doing this with every country.

I submit, Sir, that the resolution I have put forward before this House covers the important points that have arisen, and I trust that the House will accept it.

Acharya Kripalani: Sir, I was not present here just now when the Prime Minister referred to my remarks. I can assure the Prime Minister that there was an interruption and this remark came up. It has no significance, and I am sorry for it.

Shri Jawaharlal Nehru: I am very grateful to the hon. Member. I do not think he thought about it. Accidental things do happen.

Mr. Speaker: We shall now take up the amendments and substitute motions. I shall put substitute motion No. 16 in the end. A number of amendments have been tabled to this substitute motion, and independently there are one or two substitute motions also. I shall put the amendments to this substitute motion of the Government first, then the substitute motion of the Government, or in the amended form if it is amended, and then if any others have not been covered I shall put that portion which has not been covered. Out of the amendments tabled, numbers 18, 19, 20, 21, 22, 23 and 24 are amendments to the substitute motion No. 16. I would like hon. Members to indicate which of the amendments they would like me to put to the House.

Shri Surendranath Dwivedy: Numbers 18 and 24 may be put.

Shri Jaipal Singh: Sir, in view of the fact that the Prime Minister has today defined his reactions to my amendment and accepted 6, 7 and 8 of the principles laid down there, may I have the permission of the Chair and the House to withdraw my amendment No. 20?

The amendment was, by leave,
withdrawn.

Mr. Speaker: I shall now put
amendment No. 24 to the vote of the
House. The question is:

That in the substitute motion moved
by Shri Jawaharlal Nehru—
after part (3), add:

“and recommends—

(a) that Government should
institute a further inquiry into

all investments made by the Life
Insurance Corporation since its
inception; and

(b) that a Standing Parliamen-
tary Committee should be set up
to supervise the workings of
autonomous Corporations and
State Undertakings.”

The Lok Sabha divided: Ayes 60;
Noes 203.

Division No. 3]

AYES

[15:48 hrs.

Assar, Shri
Banerjee, Shri Pramathanath
Barua, Shri Hem
Bhanja Deo, Shri
Bharucha, Shri Neushur
Bra] Raj Singh, Shri
Chakravarty, Shrimati Renu
Denge, Shri S A
Das Gupta, Shri B
Dasaratha Deb, Shri
Deb, Shri P G
Deo, Shri P K
Dhanagar, Shri
Dige, Shri
Dwivedy, Shri Surendr inath
Elias, Shri Muhammed
Gaukwad, Shri B K
Ghosal, Shri
Ghose, Shri Bimal
Gopa'an, Shri A K

Goaray, Shri
Goundar, Shri Shanmuga
Imam, Shri Mohamed
Jadhav, Shri
Jaspal Singh, Shri
Kattu, Shri D A
Khadilkar, Shri
Kodiyani, Shri
Kumaran, Shri
Kumbhar, Shri
Kunhan, Shri
Majhi, Shri R C
Manav, Shri
Masani, Shri M R
Matera, Shri
Matin, Qazi
Menon, Shri Narayanankutty
Mohan Swarup, Shri
Mukerjee, Shri H N
Mullick, Shri B C

Nair, Shri Vesudevan
Nath Pai, Shri
Nayar, Shri V P
Pangrahi, Shri
Parvathi Krishnan, Shrimati
Patil, Shri Balasaheb
Patil, Shri Nana
Prodhan, Shri B C
Punnoose, Shri
Rai, Shri Khushwaqt
Rajendra Singh, Shri
Ram Garib, Shri,
Raman, Shri
Salunke, Shri Balasaheb
Singh Shri L Achaw
Siva Raj, Shri
Sugandhi, Shri
Supakar, Shri
Verma, Shri Ramji
Warior, Shri

NOES

Abdul Lateef Shri
Abdur Rahman, Molvi
Abdur Rashid, Bakhshi
Achal Singh, Seth
Achar, Shri
Agadi, Shri
Apt Singh, Shri
Ambalam, Shri Subbat
Anirudh Sinha, Shri
Arumugham, Shri R S
Bagdi, Shri
Balakrishnan, Shri
Banerjee, Shri S K
Banerji, Shri P B
Banshi Thakur, Shri
Barman, Shri
Barupal, Shri P L
Basappa, Shri
Basumtari, Shri
Bhagat, Shri B R
Bhakt Darshan, Shri

Bhogni Bhai, Shri
Brajeshwar Prasad, Shri
Chandra Shanker Shri
Chavda, Shri
Chettiar, Shri R Ramanathan
Damani, Shri
Damar, Shri
Das, Shri K K
Das, Shri N T
Das, Shri Ramdhanji
Das, Shri Shree Narayan
Dasappa, Shri
Datar, Shri
Desai, Shri Morarji
Deshmukh, Dr P S
Dinesh Singh, Shri
Dube, Shri Mulchand
Dubliash, Shri
Dwivedi, Shri M L
Eliyasperumal, Shri
Gaukwad, Shri Fatesinghro

Ganapathy, Shri
Gandhi, Shri Feroze
Gandhi, Shri M M
Ganga Devi, Shrimati
Ghosh, Shri M K
Gohokar, Dr
Gounder, Shri Doraiswami
Gounder, Shri K Periaswami
Govind Das, Seth
Hajarnavia, Shri
Hansda, Shri Subodh
Hathi, Shri
Hazarika, Shri J N
Heda, Shri
Hukam Singh, Sardar
Jam, Shri A P
Jangde, Shri
Jogendra Sen, Shri
Joshi, Shri A C
Jyotishi, Pandit J P.
Kalika Singh, Shri

Kanungo, Shri
Karmakar, Shri
Kastwal, Shri
Kedaria, Shri C. M
Keekar, Dr
Khan, Shri Sadeth Ali
Khawaja, Shri Jemal
Kotaki, Shri Lhadhar
Kottukapally, Shri
Kriahna, Shri M R
Krishna Chandra, Shri
Krishnappa, Shri M V
Kureel, Shri B N
Lachhi Ram, Shri
Lahiri, Shri
Laxmi Bai, Shrimati
Madhusudan Rao
Mafida Ahmed, Shrimati
Maity, Shri N B
Majithia, Sardar
Malaviya, Pandit Govind
Malaviya, Shri K D
Malviya, Shri Motilal
Mandal, Dr Pashupati
Maniyangadan, Shri
Mathur, Shri Harish Chandra
Mathur, Shri M D
Mehdi, Shri S A
Mehta, Shri B G
Mehta, Shri J R
Mehta, Shrimati Krishna
Menon, Shri Krishna
Mnimista, Shrimati
Mishra, Shri Bibhuti
Misra, Shri L N
Mishra, Shri M P
Misra, Shri S N
Mishra, Shri B D
Misra, Shri R D
Misra, Shri R R
Mohammad, Akber Shaikh
Mohiuddin, Shri
Morarka, Shri
Munisamy, Shri N R
Murmu, Shri Paika
Murthy, Shri B S
Musafir, Giani G S

Naidu, Shri Govindarajulu
Nak, Shri C K
Naldurgker, Shri
Nanjappa, Shri
Narayanasaamy, Shri R
Neekar, Shri P S
Nayar, Dr Sushila
Nehru, Shri Jawaharlal
Nehru, Shrimati Uma
Onkar Lal, Shri
Oza, Shri
Padam Dev, Shri
Palaniyandy, Shri
Pande, Shri C D
Parmar, Shri Deen Bandhu
Patel, Shri Rajeshwar
Patel, Shrimati Maniben
Patil, Shri S K
Pattabhi Raman, Shri
Pillai, Shri Thanu
Prabhakar, Shri Naval
Radha Raman, Shri
Raghuramasah, Shri
Raj Bahadur, Shri
Ram Krishan, Shri
Ram Saran, Shri
Ram Subhag Singh,
Ramakrishnan, Shri P R
Ramanand Shastri, Swami
Ramaswami, Shri S V
Ramaswamy, Shri K S
Ranbir Singh, Ch
Rane, Shri
Range, Shri
Rangarao, Shri
Rao, Shri Hanmanth
Rao, Shri Jaganatha
Raut, Shri Bhoja
Reddy, Shri K C
Roy, Shri Bishwanath
Rungtong Suisa, Shri
Sadhu Ram, Shri
Sahodrabai, Shrimati
Sahu, Shri Rameshwar
Samanthumar, Dr
Sambandam, Shri
Sanganana Shri

Sankarapandian, Shri
Sarhad, Shri Aht Singh
Satish Chandra, Shri
Satyabhama Devi, Shrimati
Sen, Shri A K
Servai, Shri Vairavan
Shah, Shri Manabendra
Shah, Shri Manubhai
Shankaraya, Shri
Sharma, Pandit K C
Sharma, Shri D C
Sharma, Shri R C
Shastri, Shri Lal Bahadur
Shobha Ram, Shri
Siddah, Shri
Singh, Shri D N
Singh, Shri H P
Singh, Shri M N
Singh, Shri T N
Sinha, Shri Satya Narayan
Sinha, Shri Satyendra Narayan
Sinha, Shrimati Tarkeshwar
Sunnessan Singh, Shri
Sunawane, Shri
Subbarayan, Dr P
Subramanyam, Shri T
Sulten, Shrimati Maumona
Swaran Singh, Sardar
Tahir, Shri Mohammed
Tantua, Shri Rameshwar
Tariq, Shri A M
Thomas, Shri A M
Tiwari, Pandit Babu Lal
Tiwari, Shri R S
Tiwary, Pandit D N
Tripathi, Shri V D
Uike, Shri
Upadhyay, Pandit Munishwar Dutt
Upadhyaya, Shri Shiva Datt
Varma, Shri B B
Varma, Shri M I
Varma, Shri R K
Vuhwanath Prasad, Shri
Vyas, Shri R C
Vyasa, Shri Radhelal
Wasnik Shri Belkrishna
J N

The motion was negatived

Mr. Speaker: I shall now put amendment No 18 to vote. The question is

That in the substitute motion moved by Shri Jawaharlal Nehru—

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

The motion was negatived

All the other amendments were, by leave, withdrawn.

Mr. Speaker: I shall now put substitute motion No 16 to the vote of the House. The question is

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

"This House, having considered the Report of the Commission of Inquiry into the affairs of the

[Mr. Speaker]

Life Insurance Corporation of India, approves of the statement made on behalf of Government that:

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

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

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

The motion was adopted.

Mr. Speaker: All the other substitute motions are barred. The House will now take up the next item of business.

DEMANDS FOR SUPPLEMENTARY GRANTS—1957-58

Mr. Speaker: The House will now resume further discussion on the Demands for Supplementary Grants 1957-58. Out of 4 hours allotted for discussion and voting on the demands, 30 minutes have already been availed of and 3 hours and 39 minutes now remain.

All the demands and the cut motions moved on the 18th February, 1958, a list of which has already been circulated to Members on the same day, are before the House.

I have since received notice of some other cut motions. They will also be moved subject to their being otherwise admissible.

The following are the cut motions: 13, 19, 22, 26, 36, 40, 43, 45, 46, 47, 48, 49, 52, 53, 59 and 62. These may also be moved.

Shri V. P. Nayar (Quilon): Because the debate has been carried over, other cut motions may also be moved.

Mr. Speaker: I have allowed all the cut motions.

Shri V. P. Nayar: I want a list now.

Mr. Speaker: There is also a limit to this kind of indulgence.

Shri V. P. Nayar: It is not our fault.

Mr. Speaker: It is not my fault either. The hon. Member might have tabled them as other hon. Members have done.

Shri V. P. Nayar: I do not want to table them now. The list has come and the numbers have come in the list.

Mr. Speaker: If he does not table a new cut motion but only wants to give the numbers, that may be done. Shri Naushir Bharucha will continue his speech

Shri Assar (Ratnagiri): I beg to move:

Excess expenditure on the development of khadhi industries and expansion of Amber Charkha programme.

"That the demand for a supplementary grant of a sum not exceeding Rs. 1,16,08,000 in respect of industries be reduced to Re. 1.

Over-estimated expenditure on Peking Exhibition and purchasing of exhibits.

Shri Assar: I beg to move:

"That the demand for a supplementary grant of a sum not exceeding Rs. 13,38,000 in respect of Miscellaneous Departments and Expenditure under the Ministry of Commerce and Industry be reduced by Rs. 100".