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Note Regarding Mr. C.C. Desai's Activities

It is a matter of regret that Mr. C.C. Desai has in his activities in Parliament and outside since his election in March 1967 shown a persistent departure from certain basic Party policies and has acted repeatedly in an indisciplined manner.

That Mr. Desai's position on certain issues of economic policy is at variance with that of the Party is obvious. A free economy and a total elimination of permit-licence-Raj and the governmental controls and regulations associated with it are among the fundamental planks of the Swatantra Party and the Party's 21st Principle has no application to such issues. Despite this, Mr. Desai has on more than one occasion spoken or written in a sense contrary to the Party's policies. Certain examples are listed below:

I Economic Policy

(a) Abolition of the Managing Agency System

In August 1968 the Central Parliamentary Board had before it a request from Mr. C.C. Desai to be allowed freedom of action on the floor of the House when the question of the abolition of the Managing Agency System came before it. While rejecting this request, the Board took the following decision which is quoted from the Minutes of the meeting:

"in so far as abolition of the Managing Agency System was concerned, the Board decided that no such freedom could be given since the matter related to a question of the system of management. It was and should remain the prerogative of shareholders; and not for Government to prescribe the kind of management a Company should have. Free and competitive Enterprise was a fundamental principle of the Swatantra Party and there should therefore be complete freedom for the owners of business enterprises to choose whether they should be set up as proprietory concerns (owned and managed by individual proprietors or the family or a firm), or as companies whether private or public, and in either case whether managed directly by their Boards of Directors or through Managing Agents or Secretaries and Treasurers. The proposed Bill interfered with this fundamental principle. Hence, the Board regretted its inability to permit Mr. C.C. Desai to support the Government's Bill in this regard.

In this connection, it was noted that the Parliamentary Group of the Party had already decided to oppose the abolition of the Managing Agency system. It was also noted that once any interference was permitted with the freedom of the owners/investors to choose the form or system of management for industrial and business enterprises, the inevitable consequence would be interference by the Government with the form of management of agricultural farms, leading to statutory imposition of Cooperative or even Collective farming instead of farms which were privately owned and managed as such."

Mr. Desai continued however to give public expression to views on this important matter diametrically opposed to those of the Party. Reproduced below are some extracts from Mr. C.C. Desai's article in the Company Law Journal of March 5, 1969, after he had been made aware of the Party's policy on this matter.

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1. ".....a deep introspection by those long concerned or connected with this system has also brought about the same conclusions that this form of management of industrial venture in India has outlived its utility and is regarded as an anachronism in modern India which should be done away with in the larger interest of private sector industry in our country.

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3. "It should be said to the credit of our present government after Independence that a complete survey was made of the decadent company legislation that governed joint stock enterprises in India. This action was precipated as a result of a good deal of publicity given to the misfortunes that had befallen many a small investor in our country. Successive commissions and committees.....pointed out the great weaknesses of the managing agency system and by and large suggested its abolition lock, stock and barrel, unsung, unwept and unhonoured.

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Mr. Desai's publication of this article in defiance of the Party's decision is a clear case of breach of discipline.

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"The Swatantra Party has always been opposed to monopoly, whether in the State or the private sector, and would welcome the introduction of genuine and reasonable anti-monopoly legislation

which would seek to prevent those concerned from exploiting a monopolistic situation.

"The Central Parliamentary Board of the Swatantra Party, having examined the Monopoly and Restrictive Trade Practices Bill now before Parliament, is alarmed at finding that the provisions of the Bill have to a large extent little to do with combating monopolies but are so designed as to give Government all manner of arbitrary authority over all industrial and trading concerns regardless of whether or not they are monopolies. The Bill bears little resemblance to the draft legislation recommended by the Das Gupta Commission on Monopolies.

"If enacted in its present form, the Bill would prevent this country from enjoying the benefits of technological progress and economics of size on the one hand, and would place everyone engaged in industry, trade or services at the mercy of the politician and bureaucrat to whose arbitrary whims and fancies the Bill provides neither a judicial nor any other check. The Board, therefore, calls upon Swatantra Members of Parliament to fight this pernicious Bill, while making it clear that the Party stands for opposition to monopoly in whatever sector it may raise its head."

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(Talking about the Public Sector, Mr. Desai said.....)

.....Public Undertakings are solely owned by Government and therefore there is no question of their economic power being used for political interference. That is the reason why I feel that the Bill correctly and rightly excludes the public undertakings from the scope of the Bill.....In fact when I read the Bill first I also felt....why there should be any distinction between public undertakings and the private sector. But then when I thought a little more deeply into the matter and went into the question of the motives of the Bill then I found that there is justification for exemption of the public undertakings.

(Talking about constituting the Monopolies Commission as an Independent, impartial body, Mr. Desai said.....)

If the Monopolies Commission were made the sole authority then it may amount to a parallel Government.

(Replying to the contention that this Bill would amount to duplication of existing legislations, like the I.D.R.A., Mr. Desai said...) in spite of those enactments there has been growth of monopolies. So it is obvious that these legislations have not been sufficient to deter the growth of monopolies and that is why I suppose it can be assumed that it is necessary to go in for a more comprehensive bill which will have the actual effect of curbing or controlling monopolies. Would you not agree that there is growth of monopolies now and the existing legislations have not been sufficient?

The Governments are not reluctant to use the power which amounts to interfering with commerce and industry. If those powers are there it

stands to reason. We can assume that these powers are not there and that there is growth of monopoly, it leads to concentration of economic power, concentration of economic power leads parties to exercise political power which is objectionable and against socialistic and democratic way of life.

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I am opposed in principle to the public sector but I do not see how the development of the public sector has led to concentration of economic power because that power is only in Government and Government is all-powerful anywhere. What is objectionable is concentration of economic power in individuals non-Governmental personnel .... I am opposed to the public sector in principle because they are not working efficiently .... But I do not see how the public sector development leads to concentration of economic power or political power.

(Speaking on 3.8.1968, when Mr. M.R. Masani, MP, was being examined as a witness, Mr. Desai said ......)

For the present I hope Mr. Masani will forget - he may not forget but we will forget - that I belong to the Swatantra Party ..... The distinction that I was going to make there was that in the State Sector, or say, the public sector, the ownership is broadbased; the ownership is located in Government as Government is representative of the people .... the power exercised by the State Sector is ultimately traceable to the people, whereas in the case of the private sector, it is exercised by a few individuals. And won't you make a distinction between a few individuals exercising that power ...... and the same power being exercised by the Government which, as I said, is broadbased.

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On the floor of Parliament also there has been at least one occasion when Mr. Desai has flouted the decision of the Party's Parliamentary Group. The Party demanded the dismissal of the first U.F. Government in Bengal (which was subsequently dismissed) and the imposition of President's Rule. During the debate on this issue in Parliament in 1967, Mr. Desai stood in support of a Communist motion of censure against the imposition of President's Rule in Bengal in defiance of the decision taken by the Party's Parliamentary Group, notwithstanding his being one of the Secretaries of the Group.

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Mr. C.C. Desai made several visits to Ahmedabad and worked against the Party's nominee. In reply to a question by Rajaji at the National Executive meeting in Madras on June 22, 1968, Mr. Desai admitted in the presence of other members that he had in fact worked for the rebel candidate's success.

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Such a statement, if left uncontradicted, would have caused confusion among our Legislators not only in Gujarat but in other States and in Delhi. Therefore, Dr. R.C. Cooper, who was then acting as General Secretary, was compelled to issue a rejoinder expressing surprise at Mr. Desai's statement and stating that, as a result of a meeting he (Dr. Cooper) had with the Party's MLAs in Ahmadabad, he had got the impression that the Party's MLAs would cast their first preference votes for Mr. Deshmukh and their second preference votes for Mr. Sanjiva Reddy as advised by the Central Parliamentary Board.

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Mr. Desai has a habit of going to the press with views which he tries to make out are the Party's views and thus embarrassing the Party.

Thus, in November 1969, he announced to the Press that all Swatantra MLAs would help topple the Hitendra Desai Government and would be quite willing to support the Indira Gandhi Group in the State Assembly to form an alternative Government with our support. This is what the report said :

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The Gujarat State President had to issue a rejoinder that the views expressed by Mr. Desai were his personal views and not of the Party.

The National Executive, which considered this matter in Bombay on November 12, "regretted" Mr. Desai's statement.

At the General Council meeting in New Delhi on November 15, 1969, Mr. Desai, who was speaking during a discussion on the Mid-Term Report, reiterated defiantly that he stood by his statement in the Press which had been deplored by the National Executive. He contemptuously threw the draft Mid-Term Report of our Party on the table and said it was not worth the paper on which it was written. On the other hand, he accused the leadership for "bossism" and "dictatorship".

The President, Prof. Ranga, admonished him and said that Mr. Desai should not have acted in an irresponsible manner and taken upon himself to speak for the Party in Gujarat without any such authority.

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At the General Council meeting in New Delhi on November 15, 1969, Mr. Desai, who was speaking during a discussion on the Mid-Term Report, reiterated defiantly that he stood by his statement in the Press which had been deplored by the National Executive. He contemptuously threw the draft Mid-Term Report of our Party on the table and said it was not worth the paper on which it was written. On the other hand, he accused the leadership for "bossism" and "dictatorship".

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Strictly Confidential

Note Regarding Mr. C.C. Desai's Activities

It is a matter of regret that Mr. C.C. Desai has in his activities in Parliament and outside since his election in March 1967 shown a persistent departure from certain basic Party policies and has acted repeatedly in an indisciplined manner.

That Mr. Desai's position on certain issues of economic policy is at variance with that of the Party is obvious. A free economy and a total elimination of permit-licence-Raj and the governmental controls and regulations associated with it are among the fundamental planks of the Swatantra Party and the Party's 21st Principle has no application to such issues. Despite this, Mr. Desai has on more than one occasion spoken or written in a sense contrary to the Party's policies. Certain examples are listed below:

I Economic Policy

(a) Abolition of the Managing Agency System

In August 1968 the Central Parliamentary Board had before it a request from Mr. C.C. Desai to be allowed freedom of action on the floor of the House when the question of the abolition of the Managing Agency System came before it. While rejecting this request, the Board took the following decision which is quoted from the Minutes of the meeting:

"in so far as abolition of the Managing Agency System was concerned, the Board decided that no such freedom could be given since the matter related to a question of the system of management. It was and should remain the prerogative of shareholders; and not for Government to prescribe the kind of management a Company should have. Free and competitive Enterprise was a fundamental principle of the Swatantra Party and there should therefore be complete freedom for the owners of business enterprises to choose whether they should be set up as proprietory concerns (owned and managed by individual proprietors or the family or a firm), or as companies whether private or public, and in either case whether managed directly by their Boards of Directors or through Managing Agents or Secretaries and Treasurers. The proposed Bill interfered with this fundamental principle. Hence, the Board regretted its inability to permit Mr. C.C. Desai to support the Government's Bill in this regard.

In this connection, it was noted that the Parliamentary Group of the Party had already decided to oppose the abolition of the Managing Agency system. It was also noted that once any interference was permitted with the freedom of the owners/investors to choose the form or system of management for industrial and business enterprises, the inevitable consequence would be interference by the Government with the form of management of agricultural farms, leading to statutory imposition of Cooperative or even Collective farming instead of farms which were privately owned and managed as such.

Mr. Desai continued however to give public expression to views on this important matter diametrically opposed to those of the Party. Reproduced below are some extracts from Mr. C.C. Desai's article in the Company Law Journal of March 5, 1969, after he had been made aware of the Party's policy on this matter.

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1. ".....a deep introspection by those long concerned or connected with this system has also brought about the same conclusions that this form of management of industrial venture in India has outlived its utility and is regarded as an anachronism in modern India which should be done away with in the larger interest of private sector industry in our country.

2. ".....Indian capitalists.....made it (the managing agency system) into a perfect instrument for deriving benefits disproportionate to the services to such an extent that the Indian conscience was aroused and a demand for the abolition of the managing agency system. The system stands condemned because of its own abuses despite some healthy features and notwithstanding some good exceptions.

3. "It should be said to the credit of our present government after Independence that a complete survey was made of the decadent company legislation that governed joint stock enterprises in India. This action was precipated as a result of a good deal of publicity given to the misfortunes that had befallen many a small investor in our country. Successive commissions and committees.....pointed out the great weaknesses of the managing agency system and by and large suggested its abolition lock, stock and barrel, unsung, unwept and unhonoured.

4. ".....The basic question, however, remains to be answered - and that is whether under a managing agency system it would be possible to pinpoint the liabilities and responsibilites of a particular individual for any mishaps to a managed company.....it would not be desirable in their own self interest to make any unwarranted claims of the little good that it may have performed in the past and which under modern trends and tendencies of the nation it could not claim under this system.

5. "Despite counting unpopularity of a microscopic minority of short sighted members of the enlightened society of industrialists one could confidently assert that this germ of managing agency in our industrial firmament needs to be put to dormancy through courageous and sincere effort on the part of our government.

6. ".....the managing agency system has outlived the original justification and has nothing to commend itself.....on the other hand, abuses of large scale siphoning of profits by way of commissions, the real benefit of which should go either in the lowering of prices for the consumer or in the cutting of prices to make exports feasible.

7. "In the circumstances, it is a pity that the Congress Party which brought forward this legislation is now having second thoughts and is delaying the passing of the bill notwithstanding the general approbation of the entire bill from all sides in both Houses of Parliament."

Mr. Desai's publication of this article in defiance of the Party's decision is a clear case of breach of discipline.

(b) Monopolies and Restrictive Trade Practices Bill

Mr. C.C. Desai was nominated by the Party to the Select Committee of Parliament on the Monopolies and Restrictive Trad Practices Bill. The Swatantra Party's position on this Bill was defined by the Central Parliamentary Board in a resolution at its meeting on January 27, 1968.

"The Swatantra Party has always been opposed to monopoly, whether in the State or the private sector, and would welcome the introduction of genuine and reasonable anti-monopoly legislation

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which would seek to prevent those concerned from exploiting a monopolistic situation.

"The Central Parliamentary Board of the Swatantra Party, having examined the Monopoly and Restrictive Trade Practices Bill now before Parliament, is alarmed at finding that the provisions of the Bill have to a large extent little to do with combating monopolies but are so designed as to give Government all manner of arbitrary authority over all industrial and trading concerns regardless of whether or not they are monopolies. The Bill bears little resemblance to the draft legislation recommended by the Das Gupta Commission on Monopolies.

"If enacted in its present form, the Bill would prevent this country from enjoying the benefits of technological progress and economics of size on the one hand, and would place everyone engaged in industry, trade or services at the mercy of the politician and bureaucrat to whose arbitrary whims and fancies the Bill provides neither a judicial nor any other check. The Board, therefore, calls upon Swatantra Members of Parliament to fight this pernicious Bill, while making it clear that the Party stands for opposition to monopoly in whatever sector it may raise its head."

Yet Mr. Desai's attitude when the Select Committee was examining witnesses was completely out of line with that of the Party. It was not as if he only put questions to witnesses to draw them out. He went out of his way to demonstrate his dissassociation from the Party.

Reproduced below are a few extracts from the proceedings which give an idea of the lengths to which Mr. Desai went in utter disregard of the Party's policy :

"This Bill seeks to give relief to a large number of small industrialists and to a large number of people who suffer from the evils of monopoly... this Bill is intended to cover a great majority of the people and I do not seek any serious objection to the principles of the Bill.

(Talking about the Public Sector, Mr. Desai said.....)

.....Public Undertakings are solely owned by Government and therefore there is no question of their economic power being used for political interference. That is the reason why I feel that the Bill correctly and rightly excludes the public undertakings from the scope of the Bill.....In fact when I read the Bill first I also felt....why there should be any distinction between public undertakings and the private sector. But then when I thought a little more deeply into the matter and went into the question of the motives of the Bill then I found that there is justification for exemption of the public undertakings.

(Talking about constituting the Monopolies Commission as an Independent, impartial body, Mr. Desai said.....)

If the Monopolies Commission were made the sole authority then it may amount to a parallel Government.

(Replying to the contention that this Bill would amount to duplication of existing legislations, like the I.D.R.A., Mr. Desai said...) in spite of those enactments there has been growth of monopolies. So it is obvious that these legislations have not been sufficient to deter the growth of monopolies and that is why I suppose it can be assumed that it is necessary to go in for a more comprehensive bill which will have the actu l effect of curbing or controlling monopolies. Would you not agree that there is growth of monopolies now and the existing legislations have not been sufficient?

The Governments are not reluctant to use the power which amounts to interfering with commerce and industry. If those powers are there it

stands to reason. We can assume that these powers are not there and that there is growth of monopoly, it leads to concentration of economic power, concentration of economic power leads parties to exercise political power which is objectionable and against socialistic and democratic way of life.

(While speaking on banking with reference to social control measures, he said ....)

There is considerable force in the contention that small industrialists do not get due share and consideration at the hands of banks. I have personal knowledge. There are a number of banks prior to this social control of banks where directors themselves themselves appropriated loans. There are concerns in which they are interested or are members. I am glad that it applies not only to banks but even to Government controlled institutions like the ICIC where you will find every Director taking a loan. So would you not say that where cases have occured where Directors take away the bulk of the loan and the small industries who do not get guarantee should be helped? Experience is that these big industrialists appropriate the bulk of the advances leaving small industrialists in the lurch.

(Talking about the State Sector he said ....)

I am opposed in principle to the public sector but I do not see how the development of the public sector has led to concentration of economic power because that power is only in Government and Government is all-powerful anywhere. What is objectionable is concentration of economic power in individuals non-Governmental personnel .... I am opposed to the public sector in principle because they are not working efficiently .... But I do not see how the public sector development leads to concentration of economic power or political power.

(Speaking on 3.8.1968, when Mr. M.R. Masani, MP, was being examined as a witness, Mr. Desai said ......)

For the present I hope Mr. Masani will forget - he may not forget but we will forget - that I belong to the Swatantra Party ..... The distinction that I was going to make there was that in the State Sector, or say, the public sector, the ownership is broadbased; the ownership is located in Government as Government is representative of the people .... the power exercised by the State Sector is ultimately traceable to the people, whereas in the case of the private sector, it is exercised by a few individuals. And won't you make a distinction between a few individuals exercising that power ...... and the same power being exercised by the Government which, as I said, is broadbased.

(on licensing ......)

"I am also opposed to industrial licensing but one reason for industrial licensing is to avoid dissipation of resources by putting up unnecessary and uneconomic institutions".

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The Evidence led before the Select Committee (including Mr. Desai's statements) was laid on the Table in Parliament and has been published.

It may be mentioned here that Mr. Desai sought to cover up his behaviour in the Select Committee by putting in a Minute of Dissent in line with the Party's decision.

It is because of Mr. Desai's attitude that the Central Parliamentary Board decided that Mr. Desai should not be the Party's spokesman when the Bill came up for discussion in the Lok Sabha.

(c) Planning Commission

Before finalising the draft of the Fourth Five Year Plan, the Planning Commission had last year invited industrialists to discuss their participation in the Plan. At one of those meetings Mr. C.C. Desai is reported to have expressed views completely contrary to the Party's policies and wanted more severe restrictions imposed on large industrial houses in respect of further licenses. Officials of the Planning Commission were reported to have expressed their delight with Mr. Desai's opinions.

(d) Ceiling on Managerial Remuneration

At the meeting of the Consultative Committee for Ministry of Industrial Development, held on 19th December, 1969, Mr.C.C. Desai contrary to the views and policies of the Party in matters of controls and regulations, strongly pleaded for further tightening up of ceiling regulations regarding the salaries and perquisites of Company Directors and Managing Directors. He further stated that the decision taken by the Government by way of imposing various restrictions fell short of the needs of a socialist pattern of Society. When the Government spokesman stated that it had taken action after a great deal of consideration and that it was not necessary to further deal with the matter, Mr. Desai insisted that the whole thing should be re-examined for further tightening up. Consequently, a special meeting of the Consultative Committee was called on February 2, 1970. At the special meeting Mr. C.C. Desai persisted and opposed the Party's point of view placed before it by two other Swatantra M.P.s, Mr. Patodia and Mr. N.K. Somani.

II IN PARLIAMENT

On the floor of Parliament also there has been at least one occasion when Mr. Desai has flouted the decision of the Party's Parliamentary Group. The Party demanded the dismissal of the first U.F. Government in Bengal (which was subsequently dismissed) and the imposition of President's Rule. During the debate on this issue in Parliament in 1967, Mr. Desai stood in support of a Communist motion of censure against the imposition of President's Rule in Bengal in defiance of the decision taken by the Party's Parliamentary Group, notwithstanding his being one of the Secretaries of the Group.

III INCITING INDISCIPLINE IN GUJARAT

In the biennial elections from Gujarat to the Rajya Sabha in March 1968, the official Swatantra nominee was defeated by a rebel candidate. Certain MLAs were debarred from holding office in the Party for having played a leading role in this debacle.

Mr. C.C. Desai made several visits to Ahmedabad and worked against the Party's nominee. In reply to a question by Rajaji at the National Executive meeting in Madras on June 22, 1968, Mr. Desai admitted in the presence of other members that he had in fact worked for the rebel candidate's success.

IV PRESIDENTIAL ELECTIONS

In the Presidential Elections in 1969, also, Mr. Desai's position was, to say the least ambivalent.

After a visit to Ahmedabad on 12th August, 1969, Mr. Desai shot off a press statement to the effect that while all MLAs of the Party in Gujarat would give their first preference votes to Dr. C.D. Deshmukh, in regard to the second preference vote, the Party's MLAs would "in all probability refrain from giving their second preference" either to Mr. Reddy or to Mr. Giri. This was after the Party's Central Parliamentary Board had advised members of the Party in Parliament and State Assemblies to give their second preference to Mr. Sanjiva Reddy.

Such a statement, if left uncontradicted, would have caused confusion among our Legislators not only in Gujarat but in other States and in Delhi. Therefore, Dr. R.C. Cooper, who was then acting as General Secretary, was compelled to issue a rejoinder expressing surprise at Mr. Desai's statement and stating that, as a result of a meeting he (Dr. Cooper) had with the Party's MLAs in Ahmedabad, he had got the impression that the Party's MLAs would cast their first preference votes for Mr. Deshmukh and their second preference votes for Mr. Sanjiva Reddy as advised by the Central Parliamentary Board.

V. MISSTATING PARTY'S POSITION

Mr. Desai has a habit of going to the press with views which he tries to make out are the Party's views and thus embarrassing the Party.

Thus, in November 1969, he announced to the Press that all Swatantra MLAs would help topple the Hitendra Desai Government and would be quite willing to support the Indira Gandhi Group in the State Assembly to form an alternative Government with our support. This is what the report said :

> "Efforts to form a united front between the Right-Wing Swatantra Party and the Left-Wing Congress are likely to be made during the forthcoming session of the Gujarat Assembly towards the end of this month......
>
> "Mr. Desai extended an open invitation to 35 Congress MLAs to come out of their party to form another ministry."
>
> "Any fears that they might have had about the adverse reactions of an alliance with the Rightist Swatantra Party were allayed by Mr. Desai who assured the rebels that his Party would not join the Government."
> (Hindustan Times, 8.11.1969)

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