

BUSINESS AND PUBLIC WELFARE



FORUM OF FREE ENTERPRISE
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BACKGROUND PAPERS OF FORUM OF FREE ENTERPRISE CONVENTION ON BUSINESS AND PUBLIC WELFARE

I

BUSINESS AND FUNDAMENTAL RIGHTS

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On January, 1970, the Indian Republic completed the second decade of its existence. The Republic enters on its third decade, in the seventies, amidst condition of unprecedented crises affecting both the national economy and the future of our democracy.

The split in the ruling party poses the greatest threat and the gravest choice to the business community in particular, because an irrational and uncritical advocacy of socialism by factions competing for popular support by out-bidding each other in doctrinaire radicalism threatens to destroy the concept of mixed economy and undermine the economic freedoms enshrined in the Constitution.

It is an ominous sign that even persons holding responsible positions in the Union Government echo the opinions of infantile leftists who demand that the Right to Property as guaranteed in the Constitution (after the whale of an amendment the original Articles have gone through) should be abolished so that Parliament may be free to take over any business or property and pay whatever compensation it may choose to give.

The present convention meets, thus, at a time when businessmen have seriously to examine their future and what part they can play in averting the drift to socialist totalitarianism.

It was Prof. Schumpeter who said that capitalism is doomed because the capitalists do not have the will to save it. Indian democracy will be doomed if all those interested in preserving democratic freedoms—among whom I include

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"People must come to accept private enterprise not as a necessary evil, but as an affirmative good."

—Eugene Black

do not realise the danger in time and take energetic and appropriate measures to defeat the anti-democratic forces. the socially responsible sections of the business community—

I am convinced that the democratic forces allowed their case to go by default in 1951 when a far-reaching amendment to Article 19(6) was made in the First Amendment to the Constitution. I have argued elsewhere the full implication of this amendment, which provided for the creation of State enterprises, to the exclusion, "partial or otherwise", of citizens. All that has happened during the past fifteen years in the "nationalisation" of various enterprises and the heavy inroads of the State into private trade and industry has received its constitutional sanction and blessing from this amendment. The most tragic aspect of this provision is that, if in the process of the creation of State monopolies existing enterprises suffer losses, the State is not obliged to give any compensation. The lone member of Parliament who pleaded at that time for a provision for compensation was hopelessly outvoted. Surprisingly enough, none of the nation's business organisations or political bodies realised the mischief of this provision, which today theoretically enables any authority, from Parliament to the smallest village panchayat, to carry on (by itself or by a corporation owned or controlled by the State) "any trade, business, industry or services, whether to the exclusion, complete or partial, of citizens or otherwise." The only limitations on this sweeping power are that the restrictions on the citizen's fundamental right "to carry on any occupation, trade or business" should be "reasonable" and "in the interests of the general public". How far these limitations will safeguard the citizen's rights and save him from the octopus-tentacles of the omnivorous socialist breed will depend partly on how the people exercise their franchise and partly on how the Supreme Court interprets the Government's action in the case of any specific exercise in nationalisation.

Now that the threat posed by the amended Article 19(6) is painfully obvious, I suggest that businessmen's organisations

?Essay on "State Monopolies and the Citizen in a Democracy," page 190 in the book "Socialism in India—A Commentary," published by Popular Prakashan, Bombay-34.

should agitate for some basic safeguards so that "nationalisation" of any enterprise or industry does not take place arbitrarily and unjustly. I was glad to note that in his presidential address at the recent Patna session, the Jana Sangh President Mr. Vajapayee suggested that no nationalisation of any enterprise should take place without a prior judicial enquiry at which the enterprise or industry concerned will have an opportunity to present its case and possibly vindicate its right to exist. It is astonishing, for instance, that a manoeuvre like the nationalisation of the major commercial banks should be carried out by an Ordinance, disregarding the specific provision in the Banking Laws (Amendment) Act which laid down that no bank should be taken over without its being asked to show cause why it should not be nationalised.

It must be insisted that a safeguard of a prior enquiry before nationalisation is necessary not only in the interests of the shareholders and promoters of the business or industry concerned, but also in the interests of other interests affected including the community as a whole as consumers. To take the case of bank nationalisation, for instance, if such a judicial or quasi-judicial machinery had been in existence, the depositors and customers of banks could have had opportunities to present their case against nationalisation. There is no reason, in equity, why all institutions, good, bad, and indifferent, should be summarily brought within the pale of the public sector, without regard to the individual record and performance of each enterprise. For instance, when Life Insurance was nationalised all companies were replaced by a single monolithic corporation. Certainly some of the well-managed companies were entitled to survive if their case had been adjudged on merits. If public interest is the basic criterion, it is necessary to insist that the public should be given the right to say whether it favours or not nationalisation of any industry or a particular enterprise. An accidental majority in Parliament cannot be allowed to have the final say over the fate of enterprises built through the labours of generations of entrepreneurs.

So far as the Fundamental Right to property is concerned, the protection afforded by the much-amended Article 31 is so meagre and uncertain that it is surprising that our fire-eating armchair socialists should ask for its deletion from Chapter III. Even more surprising is the attitude of some Ministers. No act of nationalisation or acquisition of private property by Parliament is restricted by the amended Article so long as it is for a "public purpose" and provision is made for payment of compensation. The adequacy or otherwise of the compensation is made non-justiciable and it is only in cases of a manifest **mala fide** act of acquisition that the Supreme Court is likely to strike down the law. It is absolutely unthinkable why those who loudly profess their faith in democracy fight shy of a constitutional provision which is intended to protect the citizen against arbitrary and unwarranted divesting of his property by the State. Do our socialists propose to adopt wholly confiscatory measures according to their whims and fancies, if they manage to secure a majority in Parliament? What is the guarantee that such confiscation will be limited to only Big Business? In the absurd craze for eliminating private industry and trade, are the doctrinaires likely to stop at anything if the source of their inspiration is not the real needs of the Indian people?

It is necessary that every section of the people, and not businessmen alone, should fight for the retention of the present constitutional protection for property rights and the public should be educated to hold all the Fundamental Rights, including the right to acquire and hold property and to pursue the business of one's choice, subject to regulation in the public interest, as inviolate and inviolable. It is a welcome sign that some parties have categorically opposed any move to whittle down the Fundamental Right to property as guaranteed by the Constitution.

The constitutional provision, it is true, gives very slender protection, when under taxation laws the substance of one's property rights can be rendered nugatory. Not for nothing did the American Supreme Court declare that "the power

to tax is the power to destroy", thereby suggesting that there should be some restraint even on the use of the taxing power. Indian experience shows that such a restraint is hardly to be expected from parties and Governments which have no respect for the basic right to property as such.

It is necessary to expose attempts to use the taxing power, not for legitimate revenue purpose, but for achieving ideologically conceived egalitarian aims. The fantastic rates of capital levy recently suggested by some politicians indicate to what absurd lengths the neo-socialists are prepared to go.

Continual vigilance, it has been well said, is the price of liberty. Only by persistent education of the public on the disruptive and undemocratic implications of the socialists' attacks on private business and property can democratic freedoms be preserved.

Let me conclude with a warning. Let there be no illusions in any one's mind as to the extent to which constitutional provisions and the right to appeal to the Supreme Court for judicial redress of legislative or executive wrongs can protect Fundamental Rights to property or other basic freedoms. If democratic governments in the country do not function according to the spirit of the Constitution and are ready to abuse their power for partisan or ideological ends, appeals to constitutional processes alone may be of little avail. What protection, for instance, did business managers and factory executives have against the "gheraos" and intimidation practised against them with the connivance and support of the ministries in West Bengal and Kerala? What use, again, will constitutional safeguards be if governments are not prepared to use the police as impartial upholders of law and order? The Union Home Minister recently pleaded for maintaining the Rule of Law as the only alternative to the methods of violence and lawlessness. But a weak Centre, unable or unwilling to assert itself against open defiance of the law in the States, can hardly ensure the survival of the Rule of Law in the country. This is in fact the real challenge before all citizens in the country and not only businessmen. If the Rule of Law cannot be upheld impartially and relentlessly, the law of the jungle—or anarchy—will overtake us.

II

BUSINESS AND CONSUMERS

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That business and consumers are in the words of a well-known slogan "made for each other" is self-evident. Except in a few tiny, primitive pockets of the world where people are still able to consume only what they themselves produce or in totalitarian societies where all the means of production are in the possession of the State, business and consumers are totally interdependent and cannot do without each other.

Moreover, in a developing country which is trying hard to raise itself up by its bootstraps, businessmen as producers of wealth and creators of employment have a vital role to play in raising the standard of living. All thinking people are aware of this and fully appreciate the contribution being made by business to the development of the nation.

At the same time, the peculiar problems which plague most developing countries have to be faced and overcome if any genuine progress is to be made on all fronts. Prominent among these problems have always been those created by the existence of a seller's market due to the imbalance between indigenous production and a growing demand for more and more goods and services.

These are the well-known problems of adulteration, profiteering, hoarding, price manipulation, shoddy workmanship and other business malpractices resulting from the desire to cash in on scarcity conditions.

Very recently, the Fair Trade Practices Association, with commendable courage, published the findings of a survey conducted by it among Bombay housewives. One of them was that 50% of tradesmen are believed to be profiteers. The be-

lief about adulteration was also found to be widespread among housewives of the lowest income group who buy edible oils, kerosene, milk and grains in loose. The survey also showed apparently that 48% of educated women also held the same view.

Again quite recently, the Union Government's Directorate of Health published its findings that the national average for adulteration is about 30%, every third sample tested having been found to be adulterated. This menace to the public health continues to be as serious as before. In fact, it may be reasonably inferred that the chronic ill-health of the masses though primarily caused by malnutrition and wretched housing is undoubtedly aggravated by the constant consumption of harmful adulterants. In September 1969, one more instance of food poisoning due to adulteration was publicised. The poison this time was Argemone oil which had been added to edible oil in tins. Two people died and many more were seriously ill. The culprits have not yet been brought to book.

Currently, Vanaspati has gone underground and complaints are coming in of profiteering by traders.

These are the conditions today. For representatives of business associations whose hands are clean to keep repeating that the sins of a few traders are visited upon the many and that a seller's market encourages corrupt practices is merely to state the obvious. It does not absolve them of responsibility if they have taken it upon themselves to bring about improvement in the business image. The need now is for ethical businessmen and their associations such as the F.T.P.A., the Forum of Free Enterprise and the Indian Merchants' Chamber to explore ways and means of raising the general standard of trade practices especially among those sections of trade which cater to the middle and lower income groups and where ignorance of even the elementary principles of hygiene and cleanliness is common both among buyers and sellers.

Consumer associations know very well that such an improvement will have to be the result of education both of

traders and consumers. It is largely a matter of persistence and patience, and business and consumer groups working together should be able to achieve results.

, Consumer associations are trying to arouse among consumers an awareness of the need for greater vigilance, more quality-consciousness and less price-consciousness and "choosy" buying habits if they **are to be protected** from health and safety **hazards**. Talks, discussions, pamphlets and exhibitions are all part of their programme for consumer education on a mass scale. To make consumers play a more positive role in **demanding** better conditions, such associations teach consumers to send written complaints and to **insist** that they are redressed. Very often they are redressed most readily, the apathy of the consumer being the only obstacle to his **satisfacti**on.

Teaching consumers to be active and constructive instead of being passively critical of unsatisfactory conditions is the job consumer associations have set for themselves and it is **gratifying** to note that there is an appreciation of this approach both among consumers and businessmen. ,

The product certification schemes of the Government of India and the move towards standardization can **afford** consumers a large measure of protection against adulteration, unhygienic conditions in production and packing as well as shoddy **workmanship** and sub-standard quality. Consumers, therefore, should as far as **possible** take advantage of these schemes and become **Agmark-minded** and **I.S.I.-minded** in their shopping in order to persuade more and more manufacturers to go in for such product certification.

The schemes have much to offer as they would be the simplest way of imposing certain minimum standards on as many products as possible. Businessmen who are keenly conscious of the need for improving trade practices could give a real fillip to this movement by themselves **opting** for such certification even for established products in order to encourage other manufacturers to follow suit. Such **certification** would be of special advantage to manufacturers just entering the

field in competition with established products. The consumer is more likely to choose a new product when it is backed up by a government guarantee than when it is thrown into the market to sink or swim on the strength of its own name and merits. In the case of household electrical appliances **especially**, such a guarantee would pay dividends as it would reassure the consumer regarding the safety of the product he wishes to buy.

It has been noticed that there is a marked reluctance on the part of some manufacturers to have their products lumped together with those of lesser quality under the same certificate mark. It should be possible for Government to remove this difficulty by establishing two or three certification grades so that the best products would be known to be of higher grade and **the** producers of lower grade products would also aspire to raise their standard in order to obtain the higher grading.

One great contribution business organisations can make to the task of improving standards is to take in hand a programme of education for traders, especially grocers and sellers of edibles. The conditions in most of our bazaars are intolerable, with sugar, **gur**, sweets and other provisions exposed for sale and often covered with flies. Prohibited colours are sold with impunity as food colours in spite of the fact that the boxes are in many cases clearly labelled "poisonous"! The grocer has seen people consuming these colours without dropping dead. He probably uses them himself. He knows nothing of cumulative effects or of cancer causing dyes and refuses to believe the consumer who tells him that they are **harmful**.

Education of the small trader is, therefore, urgently required. If business organisations could initiate a regular programme of trader education, they may succeed where punitive measures have often failed. Small group meetings for retailers could be held area-wise to urge upon them the need for cleanliness and hygienic conditions in their shops. They could be urged to sell as far as possible packed goods in place of loose provisions and to keep edibles covered in clean containers. Exhibitions showing ideally maintained

shops side by side with dirty and unhygienic ones with special exhibits on the consequences of adulteration, insanitary conditions, sale of prohibited colours, etc., may leave a **lasting** impression on the minds of traders if imaginatively got up.

Incentives may also have an effect. Prizes are often awarded by firms for the most attractive display of their goods by shops. Why not have prizes for the cleanest and most hygienically maintained shop in each area?

If, as is claimed by most businessmen, it is "a few black sheep" who are responsible for adulteration and other malpractices, an educational programme should give lasting results among those whose only crime is ignorance.

Many F.T.P.A. members display the prices of things prominently in their shops. This is a very welcome move and the practice should be extended as widely as possible so that there would be greater trust among consumers and traders and less fear of overcharging.

Packaging of provisions, keeping edibles covered, keeping shops clean and attractive looking, seem small steps but they would in time change the face of the country, and make a substantial contribution to its health.

As regards manufacturers, there are many steps which could be taken by them to ensure better consumer-trader relations. Greater attention to the functioning of servicing departments is required. We have had repeated complaints from consumers who have had all their appeals for servicing of appliances ignored or carelessly attended to. **This** is an important factor in souring consumer-trader relations. Often the management is not aware of the conditions in the office and is startled and apologetic when they are brought to its notice.

There is a great need for more information regarding the composition and care of today's man-made fabrics with which most consumers are totally unfamiliar. A carefully worked out system of informative labelling as well as care labelling

for all types of fabrics and garments would meet a real consumer need.

Marking of retail prices on as many items as possible would help to check profiteering. Another measure which would help consumers, would be to do away with odd weights for soaps, detergents, household cleansers, toothpaste and other similar items and to make them instead in 100 gm sizes or in multiples of hundred grammes, that is, in round numbers. Odd weights only serve to confuse the consumer regarding the price per unit of volume. The printing of expiry dates on canned goods and on articles with a limited shelf life would also be a progressive measure which would help consumers.

The idea of a Consumer Advisory Body has often been mooted but so far nothing has come of it. Businessmen are apparently as suspicious about consumers as they say consumers are about them and they are perhaps nervous about continued and unwarranted interference in their day-to-day affairs if such a body is set up, however willing they may be to concede its usefulness in theory.

It is a pity, because a body formed of some responsible citizens and representatives of the various business interests meeting, say, once a month, may be able to find very practical solutions for problems of distribution, scarcity of essential items, and so on. When the details of new schemes are to be worked out the preferences and needs of consumers could be ascertained for manufacturers by such a body. Use tests on articles before they are put on the market are very necessary and here again an advisory body may be able to make helpful suggestions.

Experience has shown that business firms are generally very responsive to specific suggestions or complaints made by consumer associations when these are made in a responsible way and genuinely dictated by consumer needs. The picture is, therefore, a hopeful one. It seems very likely that if consumers and business representatives cooperate in an attempt to bring about a steady improvement in the practices of all sections of business, sooner or later, they are bound to succeed.

III

BUSINESS AND GOVERNMENT IN INDIA

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Introduction

The term "Business" is used here in the broadest sense to mean the whole national economy. The term "Government" means the organised political state exercising legal authority over the people and the institutions coming within its jurisdiction.

The Problem

The inter-relationship between Business and Government is a very important problem in any country. It is particularly so in India, where we have adopted the mixed economy pattern. Hence several controversial issues regarding the Business-Government relationship arise. They are mainly; (i) The nature of the Government's relationship with the different sectors of the economy, (ii) The question of reserving certain spheres for public and private sectors and (iii) The extent of Governmental control on spheres in the private sector.

Observations

A careful study of the Business-Government relationship in India reveals the following main features thereof:

1. Indian economy was in a deplorable state at the beginning of Independence in 1947. Hence the National Government decided to bring about rapid economic development of the country. The Government felt that the private sector alone would not ensure the desired rate of economic progress and that it also should undertake a major part of the responsibility in this matter. But the Government was not prepared to eliminate the private enterprise completely in view of its good job in the areas of production and distribution. Hence mixed economy was adopted.

A mixed economy is a planned economy. The Government of India decided to launch a comprehensive programme of economic planning since 1951. Planning involves a direction from above and naturally an increasing control of the Government over the whole economy.

In a mixed economy, both the public and private sectors exist side by side as a definite policy of the Government. In the Five-Year Plans in India, targets are laid down both for the public and private sectors. The role of the Government in this respect is to lay down the proper targets.

2. The public sector is easily amenable to Government direction. There is, therefore, a tendency to expand the scope of the public sector to almost all important sectors of the economy. The public sector has, therefore, rapidly expanded since Independence. It now covers quite an extensive part of the economy.

The enterprises in the public sector have filled in a great lacuna in the economic development of the country. Several instances can be given of the enterprises, which would otherwise have not come into existence, at all. However, nationalisation of some of the enterprises from the private sector is felt to have been done without sufficient grounds and even for non-economic reasons. Moreover, the working of several State Enterprises has revealed their inability to maintain efficiency at the desired level. Several defects, e.g., defective planning, delays in sanction, wastage of resources on a substantial scale, overcapitalisation, inefficient management, excessive dependence on foreign technicians, etc., have been noted.

3. All the remaining activities can be said to be in the private sector. The private sector has an important role to play in the economic development of the country. Hence Government has given an assurance to it to accord a Fair and non-discriminatory treatment and to give it as much freedom as possible consistent with the targets and objectives of the National Plan. The Government has also undertaken several assistance measures to enable the private sector to play its proper role in India's economy.

At the same time, some regulations have been enforced on the private sector, to ensure the development of the private sector in accordance with the pattern laid down in the Five Year Plans. These measures may be called as regulatory measures.

4. Mention may be made here of the controversy that has recently arisen between the public and private sectors. Protagonists of the private sector say that in spite of the assurances given by the Government, in practice there has been a good deal of discrimination between the two sectors; and several obstacles are being created in the way of the smooth development of the industries in the private sector. With the adoption of the "socialist pattern of society" as the goal, Government has assumed increasing control and ownership of the means of production and the resources available to the private sector have been gradually diverted to the public sector. The burden of taxation has been so excessive that it hardly leaves scope for any initiative.

5. In addition to the public and the private sectors, one more sector is making its appearance in the field of economic development. This sector is the co-operative sector. The co-operative movement in India has been, to a great extent, initiated by the Government and the Government has been trying its best to see that it is successful. In recent years, however, attempts are being made to make the movement, the people's movement in the true sense of the term and the Government's influence is slowly being withdrawn. The co-operative sector is making its headway in agriculture, small-scale and cottage industries and a few branches of large-scale industry, trade, transport and banking.

There has thus developed a very close relationship between business and government in India since Independence. This relationship, however, leaves much to be desired and there is a general feeling that the economy of the country is not developing at the rate at which it should really develop. The public sector has failed to give the expected results. The protagonists of the private sector complain that the private sector, has to work under unfavourable circumstances and the fear of nationalisation is always hanging on its head. It is, therefore, not in a position to develop to its fullest extent.

The co-operative movement is not co-operative in the true sense of the term. In spite of being the people's movement it is really the Government movement. Several malpractices are also noticed in the co-operative sector. It is, therefore, very necessary to give a serious consideration to the study of Business-Government relationship in India and to try to build it on sound lines. A few suggestions may be made here in this respect.

Suggestions

1. Neither the public sector alone, nor the private sector alone, would be able to achieve the desired rate of economic development of the country. Both should contribute their mite to this Herculean task. "Mixed economy" is, therefore, most suitable to our country.

2. As one of the essentials of mixed economy, the areas of operation of the public and private sectors should be clearly demarcated and no encroachment should be made on any sector afterwards. In India, unfortunately, this has not happened. The Industrial Policy Resolution, 1956, has given the State a right to set up new undertakings even in the area reserved for the private sector. This right should be taken away or at least considerably restricted. The State may be allowed to start new undertakings in the area reserved for the private sector only if it is absolutely necessary in the public interest and if no private enterprise is likely to come forth to start that undertaking.

3. The public sector has expanded very fast since Independence. It is, however, not been able to maintain efficiency at the desired level. The working of State enterprises has revealed several defects resulting in a good deal of wastage of resources. It is felt that a large number of these defects could have been avoided, had the rate of growth been somewhat slow. A suggestion may, therefore, be made that the public sector should stop expanding at least for some years to come and concentrate on consolidating the work done so far. What is needed more is the qualitative improvement in the working of the public sector.

4. The private sector has an important role to play in the economic development of the country. It should, therefore, be assured such conditions as would enable it to develop to its

fullest extent. All possible assistance should be provided whenever and wherever necessary. At the same time, proper regulation should be exercised over the private sector in order to ensure that it develops in accordance with the pattern laid down in the Five-Year Plans.

5. The development of the co-operative sector is very desirable from the point of view of the sound economic development of the country. The co-operative movement is rightly regarded as the only way of bringing about the upliftment of the masses in our country. It is, however, necessary it should remain co-operative in the real sense of the term. It should be aloof from all political influence. If it is used for political gains—and it is felt that it is being used in this way at present—then it will not serve any useful purpose. The Government should also slowly, but surely, withdraw from the field.

6. Maintenance of a very high level of efficiency in all sectors public, private and co-operative, should be insisted upon, in order to achieve the goal of economic development as early as possible.

IV

BUSINESS AND PUBLIC IMAGE

Dr. RAMU PANDIT

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"The importance of the role to be played by the businessmen in the establishment of the new order cannot be overemphasized. It is, I venture to think, even greater than that of the economist and politician. Too often the community views the businessmen's aims as selfish gain rather than advancement of the general welfare. That impression can be removed only if business is fully alive to its social responsibilities and helps our society to function in harmony as one organic whole."

—Lal Bahadur Shastri

It is true that our society is in a state of transition and all our values are in a melting pot. The future course is a bit uncertain, misinformed criticism is increasing and the businessman has become a scapegoat for the agonising hardships that the consumer has to face. In an effort to curb an evil, our leaders are adopting imported methods and techniques that perpetuate the evil. Everyone seems to be thinking negatively, businessmen being no exception.

No society can be great unless its businessmen think greatly of their role and responsibilities. If Japan today is a great nation economically, much of the credit goes to the ingenuity of its businessmen and their willingness and determination to put that tiny country on the industrial map of the world. The Japanese business world works in harmony with the government and they exercise strict voluntary control in all their business activities so that the fair name of their country is not spoiled. Only a few months ago, one Japanese automobile manufacturer called back at his cost all the cars delivered in 1968 as some part used in its manufacture was found to be defective. One can imagine the public goodwill this little gesture must have generated for this manufacturer.

In the post-independence period, the image of the Indian businessmen has gradually tarnished and very little effort has been made voluntarily to raise it in the public eye. All of us know that the pre-independence role of the business community was really outstanding. It shared the national aspirations and made an humble contribution to the national cause.

Today the businessman is dubbed as a 'profiteer', 'monopolist' and an 'exploiter of the masses'. Let us clearly understand that there is a difference between a businessman and a business man. Some businessmen have been extremely alive to their social obligations and have continued to help good humanitarian causes. Some have misused the public trusts they have established to fulfil selfish ends and pass on favours to those who helped them. Others have been absolutely unconcerned about the country and its people. They have resorted to profiteering at the cost of the society. The need for using good means to achieve good ends has not been realised by these people. The growing restrictions in our

economy have temporarily created an illusion that it is only the ability to corrupt the bureaucrats, politicians and other people in positions of power that helps in achieving results. The educated intelligentsia has been side-tracked and those who can resort to unethical business practices, evade taxes, manipulate accounts, adulterate goods, forge documents, or excel in the art of smuggling have thrived in our economy during the last decade. The honest businessmen have been eclipsed by dishonest ones or compelled to fall in line with the rest. How long can such a situation last in a democratic society?

The business world will have to be prepared for total extinction of the private enterprise unless it initiates voluntary action to correct its own image. It is no use blaming the government control and the consumer. If public opinion was in favour of businessmen, the government would not have dared to impose rigid and oppressive controls. Controls have assumed a gigantic size primarily because public opinion tolerates it and sometimes even agitates for it.

Can the businessmen change the public opinion in their favour under the present circumstances? Much depends upon the voluntary self-discipline they adopt and the courage they show in boycotting such fellow businessmen who resort to unfair business practices. Businessmen must take a long-term view of their responsibility. If they are reluctant to do so, they can hardly survive in the current political climate of our country which clamours for greater social justice and a fair deal to the common man.

We do not have dedicated and visionary political leadership that can tell the truth howsoever unpalatable it may be and guide the people in the right direction by educating them on vital public issues. Expediency seems to guide political decisions much more than long-term economic or social benefit to the society. In such a situation, the task of the businessman is far more difficult and challenging but not impossible.

In a democracy political leadership reflects the level of maturity of the people. Our business world has been a bit timid. It is timid because it lacks moral strength. It lacks

moral strength because, its business record is not clear. To ensure that he is not exposed, for his misdeeds, he has to play a subservient role to the politician in power.

It is interesting to note that generally those businessmen have been able to criticise the Government policies boldly who have a clean business record. They have the courage to pay the price for being critical and outspoken. People respect them despite the fact that they are "much maligned". Our masses may be ignorant but they are not fools. They can use their horsesense in distinguishing between a good man and a bad man. However, good businessmen have a tendency to suffer silently in an hour of crisis. Why can't they be constructively critical and forthright in the expression of their views? Nothing is more dangerous than suppressing one's conscience on vital social and economic issues.

Today the Indian business world and bodies representing their interests are too deeply involved in organizational politics. Some of these bodies are dominated by people who adopt double standards in private and public life. They unashamedly profess lofty ideals and practice none. Their own executives feel bitter about this gap between practice and precept among organization leaders. All this leads to discontent, frustration and an urge to revolt. The only way to check this is to do more self-searching and resist the temptation to be guided by expediency.

Businessmen must realise that a welfare-oriented democratic society cannot grow unless it accepts the social responsibility for the goods and services that it produces and distributes in the society. In other words it must dawn on the business community that charity begins at home and the task of creating a favourable public image is not easy to accomplish particularly in the short run. If a beginning is made now, a day may come when the public image of Mahajan may be re-established.

Business is as necessary as the professions and, as R. H. Tawney says in *The Acquisitive Society*: "It should be at least equally bound by rules which have as their object to maintain the standards of professional service." The impor-

tance of professionalism, or voluntary regulation, for business is that it offers a type of control that is intermediate between unrestrained competition and governmental regulation.

The shaping of business policies in accordance with socially accepted standards has become an imperative from the point of view of businessman's long-run interest. Good-will is one of the most important assets of any business, and it is dependent basically on the confidence of the public upon the image of itself that the business has built.

Businessman must pause periodically and listen to what is being said about him and his policies, establish direct contact with the people and find out what he is overlooking. The businessman needs to imitate the artist who concealed himself behind his painting in a public place and listened to the criticisms of the passers by.

Values in private life have a definite bearing on values in business life. It is necessary for every businessman to somehow reconcile the impersonal imperative of project with the personal imperative of ethical living. The Business Ethics Advisory Council in the United States said in 1962:

"There is no intrinsic difference between business ethics and ethics in general. The moral standards that should govern man's behaviour ought to apply to his actions in business."

It is the collective expression of the high ethical standards of the individual which is the foundation for the professional standards of men acting in groups.

No doubt there is a growing awareness among businessmen in our country to acknowledge social responsibilities and lay down standards of business conduct which will put it on a high place. Organizations like Fair Trade Practices Association, Better Business Bureau, Committee to Promote Social Responsibilities of Business etc. are examples of a positive effort made by the business community to promote voluntary self-discipline in its own ranks and thereby improve its own public image. Business is acting in its own long-run interest

when it takes note of what society demands of it. At whatever price, business must consider and accept public values, lest it should provoke the state to assert itself in laws and dominate it.

Upon the wisdom and restraint exercised by our businessmen in the seventies will depend the future of private enterprise as well as the course democracy will take in our country.

The views expressed in the background papers are not necessarily the views of the Forum of Free Enterprise

BUSINESS-AND PUBLIC WELFARE

FINAL STATEMENT

At a convention on Business and Public Welfare organised by the Forum of Free Enterprise in Bombay, on Monday, 2nd February 1970, the following statement was adopted:

1. The basis of public welfare is efficiency and economy in the operation of enterprises, and creation of surplus. A mixed economy in which different types of business organisations compete with each other on fair and equal terms is suitable for achieving this objective in India.

2. In this context, private enterprise has an important role to play. Unfortunately, it does not enjoy a good image today because of propaganda by politicians taking advantage of the misdeeds of a few to tar the entire business community with a black brush. Partly it is due to areas of shortcomings in some private enterprises such as non-involvement in public affairs, insufficient research and conspicuous consumption.

3. Private enterprise cannot afford to live complacently in such a situation. It should consider itself as part of society and practice its obligations towards consumers, employees, shareholders and the general public. Self-discipline and self-regulation on the part of business is indispensable. The small traders should be given opportunities to associate themselves with business organisations and their difficulties should be attended to.

4. The present set up of vigorous controls, threat of nationalisation and threat to fundamental right to property are deterrents to effective contribution to public welfare by private enterprise.

5. There is need to win over the public, and specially employees and consumers, by running business as a sacred trust. A strong consumer movement should be encouraged as it is good for healthy business and rapid economic development.

6. Involvement of business in public life can brook no delay.

7. The poor performance of state enterprises cannot be allowed to continue. Suggestions for dealing with them range from their outright abolition to converting them into mixed units of State and private enterprises. At any event, they should be autonomous and run on sound business lines.

"Free Enterprise was born with man and shall survive as long as man survives."

— A. D. Shroff
(1899-1965)

Founder-President,
Forum of Free Enterprise.

Have you joined the Forum?

The Forum of Free Enterprise is a non-political organisation, started in 1956, to educate public opinion in India on free enterprise and its close relationship with the democratic way of life. The Forum seeks to stimulate public thinking on vital economic problems of the day through booklets and leaflets, meetings, essay competitions, and other means as befit a democratic society.

Membership is open to all who agree with the Manifesto of the Forum. Annual membership fee is Rs. 15/- (entrance fee, Rs. 10/-) and Associate Membership fee, Rs. 7/- only (entrance fee, **Rs. 5/-**). College students can get our booklets and leaflets by becoming Student Associates on payment of Rs. 3/- only. (No entrance fee).

Write for further particulars (state whether Membership or Student Associateship) to the Secretary, Forum of Free Enterprise, 235, Dr. Dadabhai Naoroji Road, Post Box No. 48-A, Bombay-1.



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