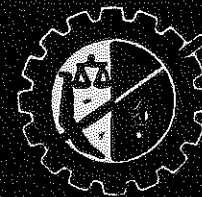


**ENLIST CO-OPERATION OF
PRIVATE ENTERPRISE**

by

SIR B. RAMA RAU



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

**—Eugene Black
President. World Bank**

ENLIST CO-OPERATION OF PRIVATE ENTERPRISE

SIR B. RAMA RAU

When I was requested some weeks ago to address the Rotary on any subject of my choice, my intention was to deal objectively with the importance of an effective democratic opposition party in a Parliamentary system of Government. There is no doubt that there has been widespread dissatisfaction and disillusionment in regard to some aspects of the policies of the Congress and its achievements during recent years. Until a few months ago, public feeling was not, unfortunately, finding adequate expression through the Press. Even honest businessmen, who have to depend on **Government** for licences and concessions in a rigidly controlled economy, have with a few exceptions, been too nervous to express their views in public on the wider political issues and their economic implications, and have confined themselves to representations through their associations on points that directly concern them. These are unhealthy symptoms in a democratic system, and are more characteristic of a developing totalitarian regime. They could only be curbed by an effective democratic opposition.

Since then, Mr. C. Rajagopalachari, our eminent elder statesman and leader, who made immense sacrifices for the Congress during the long struggle for independence and who was one of **Gandhiji's** closest associates, has announced the

creation of a new independent democratic party. Mr. Nehru has also welcomed an opposition that could offer constructive criticism on Congress policies and programmes. Mr. Jayaprakash Narayan, while not endorsing all the objectives of the new party, has conveyed his blessings. It is not necessary for me to deal with this subject. I, therefore, propose, as a detached observer of the political scene, to analyse objectively some recent economic and political developments, which have caused concern even among supporters of the Congress.

The Congress had a magnificent record of achievement for some years after independence. Political memories are short. I will, therefore, briefly refer to these.

The admirable handling by the Congress Governments of the critical situation created by the massacres that followed the Partition saved the country from a civil war, with all the disastrous consequences associated with it.

The political and economic integration of the Indian States, which presented a formidable problem to our statesmen, was accomplished in an amazingly short time.

The establishment of a secular state has in a large measure solved the Hindu-Muslim problem which was a source of great anxiety during the struggle for Independence.

The Congress Government enunciated a foreign policy based on the traditional tolerance and respect for differing views, which was a characteristic of pre-Muslim India, even in religious matters. India's policy of non-alignment and co-existence has been a big contribution to world peace in the post-war era. It has earned universal respect and recognition. On the economic side the fiscal and monetary policy that was evolved has made possible "Development with Stability", to quote an expression used in the World Bank and International Monetary Fund Reports on India. The establishment of a stable banking system, and the expansion of bank-

ing facilities laid the foundation for rapid economic development. The Industrial Policy Resolution also defined fairly clearly the limits within which the public and private sectors would operate.

The Congress, thus, laid on a solid basis the foundations for the functioning of a democratic system and for the development of the country by democratic methods. The work of an architect is, however, judged by most people, not by the stability of the foundations, but primarily by the nature of the edifice he has erected. The vast masses of the people are not interested in any Western "isms", the implications of which they do not understand. As I have often stated elsewhere, democracy and political freedom have no significance for them unless they result in some relief for them in their life-long struggle to satisfy their elementary physical necessities. What progress has the Congress made during recent years towards the building of a Welfare State? It is by the measure of this progress that the success of Congress policies will be assessed by the masses.

It is some years now since the Congress announced that its objective was a "Socialist Pattern of Society". I have not yet seen a precise definition of this expression and its implications. It has been interpreted differently by different leaders at different times in India and abroad, with varying emphasis on the private and public sectors. It has been described, especially in foreign countries, as a mixed economy in which the private sector has the fullest scope for development. In India the emphasis has recently been on the extension of the public sector, and removal of inequalities in wealth and income by fiscal and other measures. Indeed, at the recent Seminar in Ootacamund organised by the A.I.C.C., a spokesman is reported to have said that the Congress had deliberately left the phrase "Socialistic Pattern of Society" vague and nebulous. I hope the leaders do not endorse this statement, for it is

incredible that a great democratic political party, which has achieved so much for the country in the past, has deliberately decided to be vague about its future social and economic policy.

Frankly, I would not hesitate to support the establishment of a socialist pattern of society, if it is to be of the type which is associated with the (Socialist) Labour Party in the U.K., and which has resulted in the creation of a Welfare State on the Beveridge Plan, with full employment and without any departure from the democratic traditions of the country. This policy has been accepted by the Conservative Party in the U.K. Indeed, with the gradual shedding of its Imperialistic outlook in foreign affairs by the Conservative Party, and the weakening of the Socialist Party on the question of nationalisation, there will in a few years be little difference between the two parties, except perhaps in the quality of their leadership.

Most of you know what the Beveridge Plan for a Welfare State is. The conception of a Welfare State which provides security and the basic necessities for all classes of the population is of comparatively recent origin. The Beveridge Plan seeks to deal within the frame-work of a democratic system, not only with the provision of the elementary living requirements, but also with the larger problems of disease, ignorance, squalor and idleness. It lays great emphasis on full employment and the means of achieving it by democratic processes. The scheme is subject to important provisos, to which I must draw special attention, especially in view of recent developments in Congress policies. To quote from the Beveridge Report: (1) Social security must be achieved by the co-operation of the State with the individual. The State in organising security should not stifle incentive, opportunity and responsibility. In establishing a national minimum, it should leave room and encouragement for voluntary action

by each individual to provide more than that minimum for himself and his family. (2) Secondly, all essential liberties should be preserved. Among these, he specified:

- (a) Freedom of worship, speech, writing, study and teaching;
- (b) Freedom of assembly and association for political and other purposes, including a peaceful change of the governing authority;
- (c) Freedom in the choice of occupation, and
- (d) Freedom in the management of personal income.

The Beveridge Plan has been substantially implemented in the U.K. The essential parts of a scheme for a Welfare State have been adopted by Sweden, some of the other Western Countries, and by some of the developed Commonwealth countries. A Welfare State has been established in America without any departure from its traditional capitalist and individualistic outlook. Germany, which under Bismarck, initiated the first measures in the last century towards social security, has made phenomenal progress during recent years under the economic leadership of Prof. Ludwig Erhard. He has explained in his recent book that the so-called "German Miracle" was brought about by giving the fullest encouragement to private enterprise and the competitive principle.

What are the essential features of the Welfare State? Since the objective of all progressive parties is a Welfare State, though their approach may be different, I will briefly describe what has been accomplished in the U.K., which country I know best. Britain has had compulsory primary education for nearly ninety years, but the school period has been considerably extended. The standard of education, even amongst the poorest classes, is remarkably high. Promising youths even get free university education through county

scholarships. In fact, even in the once aristocratic Universities of Oxford and Cambridge, the majority of the students are county scholars. The U.K. has now probably the finest system of medical relief in the world. Everyone is entitled to free medical attendance, and, if necessary, treatment by specialists. Slums have been practically abolished, and colossal subsidised housing schemes have provided decent accommodation for the poor. The State has made provision for unemployment, and for old-age pensions. In fact, there has been full employment for many years. The State has thus provided for almost complete security from birth to death, and for equality of opportunity so far as practicable. Incidentally, inequalities in incomes have also been removed to a large extent, though the process was considerably facilitated by the requirements of war finance. Indeed, today the number of persons whose net income is less than £400, or more than £2,000 per annum, is remarkably low. All this has been accomplished without nationalisation, except of a few basic industries, with the fullest encouragement of private enterprise, and without any infringement of the freedoms on which emphasis has been laid in the Beveridge Plan, and which are extremely important from the point of view of the political, social and spiritual evolution of mankind.

With the establishment of Welfare States in the older democracies of Europe and in America, the type of capitalism against which Karl Marx directed his massive attacks nearly a century ago is no longer in existence in these countries. They have demonstrated that without a revolution, and without the destruction of fundamental freedoms inherent in a totalitarian system, it is possible to establish a prosperous Welfare State by democratic methods with the full co-operation of the private sector. With this new development, the concept of socialism has receded to the background. In our economic idealism we are at least twenty years behind the times.

The intention of the Congress has also been to establish a Welfare State with full employment. Our taxation is very high, and we have introduced taxation on wealth and expenditure, which the U.K. has not found it necessary to impose. As is admitted even by Congressmen, our progress has been deplorably slow in regard to education, about which there is a directive in the Constitution, in regard to medical relief, slum clearance in the cities, housing, village sanitation and water supply, agricultural development, etc. Even according to official appraisals, the working of the community development and extension projects has not been very satisfactory. I will indicate in general terms some of the trends in Congress policies that have probably contributed to this result.

In a poor country with limited resources, priorities are of great importance. These must obviously be determined after a careful consideration of the interests of the country as a whole. There is a directive in the Constitution in regard to education, as well as prohibition. India is one of the most illiterate and also one of the most sober countries in the world. Nevertheless, high priority was given to prohibition, with what results you all know. It was reported at the time, that decisions were taken by the States in spite of a caution from the Centre. One crore of rupees lost annually through prohibition would have maintained over ten thousand teachers. The total revenue lost, if properly utilised, would have provided employment for hundreds of thousands of young men, many of whom were educated at great parental sacrifice, and who are now drifting into the Communist movement through a sense of frustration.

Secondly, in their anxiety to achieve quick results, the Government has committed itself to policies, and has formulated plans without carefully considering their practical implications or their administrative feasibility. In a democracy policy decisions on schemes involving big issues are

taken after careful examination by expert committees, that invite public opinion, and consider all practical aspects. Here the process has been reversed, and public opposition only seems to harden the attitude of the Government.

The confession of "Himalayan Blunders" did not shake the confidence of the people in Gandhiji. With a great past record, the Congress can afford to admit mistakes, and modify its policies. No party is infallible.

Thirdly, I must make a brief reference to the attitude of Congressmen towards the private sector, especially during recent discussions. I fully realise that the scope of the public sector in an under-developed country must necessarily be much greater than in Western countries. The top Congress leaders have definitely declared that their policy is designed to build a mixed economy, and have clearly indicated the sphere in which the public sector would operate. A sustained campaign has, however, been carried on by Congress followers against the private sector and the so-called "profit motive". No one defends profiteering or black-marketing, or fraudulent methods of finance. But what is ethically wrong with the profit motive in the case of the honest businessman who tries to give his shareholders, the majority of whom, now-a-days belong to the middle classes, a decent dividend? The politician is as human as the businessman. There is something worse than craving for profits, and that is craving for power. Is the politician free from this? Profits can be and are taxed heavily, but abuse of power and authority, though far more damaging in its effects, is difficult to curb, especially when it appears in the garb of austerity or patriotism. It is time the politician gave up his superior attitude to businessmen and sought their co-operation in the formulation of policies, and programmes to implement them. We require the idealism and drive of the politician, and also the enterprise, the creative urge, the practical outlook and the organising capacity of the better

type of businessman in the formidable task of reconstruction. Without a vast and countrywide development of industries, which must mostly be in the private sector, the problems of unemployment and a higher standard of living cannot be solved.

I have had too long an experience of administration to expect spectacular results from the Congress or any other party in a few years. We are a poor country, and we have adopted a democratic system based on universal suffrage before we are a developed country. The difficulties in the way of rapid progress in a vast country in these circumstances are formidable. Our Welfare State will necessarily have to be on an austere basis, but even the achievement of this modest goal will require a reconstituted Congress Party, that would discard Western "isms" which have ceased to have their old significance, and concentrate, unhampered by its past commitments on nation-building services, on employment, and on a high standard of integrity in administration which is greatly appreciated by the masses. I make a special reference to integrity since many competent observers stated after the last general election, that the success of the Communists in Kerala was due not to any ideological conversion but to general dissatisfaction with the Congress administration.

The new Party, if it is properly led and organised, can play an important role in our political system. It must not be discouraged by the fact that so long as Mr. Nehru remains the head of the Congress Government, it cannot expect substantial success at the elections in the next few years. Nor would a change in the leadership of the country be desirable when we are passing through a series of crises in international as well as domestic affairs. The doctrine of "Panch Shila" has recently been at a discount, but Mr. Nehru is still one of half-a-dozen statesmen in the world, who can make a contribution to world peace. He is also the only man in India

who can hold the various states together, when linguistic and other controversies are exercising a disintegrating influence.

Mr. Nehru may, however, retire from the political arena after a few years. He announced his intention to do so some time ago, but he was prevailed upon to continue. If and when he does retire, the probability is that the Congress, which already shows signs of disruption, will spilt into two or more groups. At that stage, unless there is already in existence, a well-organised democratic party the Communists, with their powerful organisation and international affiliation, are sure to make a determined bid to capture the Government. It is, therefore, necessary that a progressive democratic opposition party should be organised immediately. The creation of an effective opposition takes years. In the meantime, if by constructive criticism the new party forces the Congress to reconstitute itself, to adopt a more realistic approach to problems, and to concentrate on practical programmes rather than on slogans, it will have rendered a great service to the country.

Views expressed in this booklet do not necessarily represent the views of the Forum of Free Enterprise.

Text of a talk delivered at the Rotary Club, Bombay, on
June 23, 1959.

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

--A. D. Shroff

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