A JOB - ORIENTED FIFTH FIVE-YEAR PLAN

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"**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

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The Fifth Plan will not be suitable to the needs of our country unless it offers work to 5 millions registered for Employment and many times that number in rural areas who are also unemployed. 80 million agricultural workers who have employment only for five months in irrigated villages and three in unirrigated ones also expect work round the year. The workers thrown out daily from closing factories are able already to coerce government to provide work for them at any cost. Nonetheless, the previous Planning Minister in his "Approach to the Fifth Plan" and the present minister in his statement to the press continue to envisage employment as a by-product of development instead of Development being a product of full employment. If thinking in Government is not updated to this, the Fifth Plan may not save the economy from the chaos to which it is heading. It will be like the previous Plans a collection of budgets for five years, providing ***restrictions,*** not ***resources,*** for them. Though right to work is a Directive Principle of our constitution and a political and economic necessity in developed countries, it has been recognised for the first time only by the Standing Offer of work programme of the Maharashtra Government. It is a right which can and should be generalised by the Fifth Plan for the whole country.

Other new concepts for the Fifth Plan should include Self-Help as the measuring rod for assistance from Government. This is necessary not only because the Government cannot spoonfeed a continent, but also because there must be priority for those who make the better returns. This principle can be followed by making productivity the basis

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for bonus and promotions. It should also be the basis in the distribution of scarce inputs, including irrigation, fertilisers and pesticides. As between States and in States as between local units, the same test of self-help should replace the present mechanical standard of population. In fact, assistance, financial or otherwise, should be in instalments related to performance. The present minister has called it monitoring but under the old name of evaluation, it never went far partly because of political reasons and largely because neither the commission nor the ministries were concerned with follow-up of expenditure.

The second new concept could be of built-in provisions against inflation in all new expenditure. Inflation not only confiscates the income of the largest part of workers who have no dearness allowances but automatically reduces the physical size of the Plan by increasing the financial size. By watering down investment, it reduces industrial expansion, which when over-capitalised cannot face current competition or future viability. It favours those who have property and stocks, widening disparities and idling other resources, including higher manpower engaged in relation to the physical size of the work. Among the inbuilt provisions against inflation, the first may be expert and independent bureaus in the model of the Bureau of Industrial Costs and Prices. If such Bureaus publish their findings promptly, public opinion will correct, as it alone can do, deficiencies, on one side, and excess demands on the other. They will also furnish the direction for investment, production, and employment, including training.

A Bureau for Agricultural Costs and Prices could furnish the proper floor price for different agricultural commodities. The production of these commodities has become arbitrary, with severe shortages in pulses, oilseeds and sugarcane because procurement is made of other commodities on unascertained profit margins. It would be justified if floor prices are fixed at 25 per cent above cost for important agricultural products, which should be purchased by government as offered or procured, if not offered at a progressive proportion from holdings above 10 acres which constitute 60 per cent of the operated area. If necessary, the procurement could also be extended to holdings above 5 acres.

which will add 10 per cent more to the area under procurement.

Secondly, there should be a Bureau for Wages and Fees. It is only fair that all wages are related to a minimum wage, which could be 25 per cent less than the current wages. This deduction is not only necessary to trigger deflation but is justified as it will go along with the guarantee of work, which will otherwise increase the total income of the worker and family. For higher wages in industries and in expensive locations, the bureau may fix increases for all new entrants, which have relation not to present wages but to conditions of work and cost of living. Such wages will not only be fair between different classes of workers, but will also restrain undue demands by those already paid too much comparatively.

Another Bureau may be for Construction Rates and Costs. At present the differences in rates is causing unnecessary movements of labour, leading particularly to ugly aggregations of population in urban areas. The absence of information also provides a field for corruption. Similarly a Bureau for Trading Costs and Rates would eliminate disparities like 33 per cent in the Food Corporation against 5 per cent and less in the trade for handling and storage of grain. Another inbuilt measure for deflation will be the elimination of the escalation clause in contracts, which incidentally has also the result of intentional delay in completion. In its place, contracts should be based on the 25 per cent cut in wage rates, being kept open till the contractors and workers become reconciled. In the meanwhile, departmental work can proceed on the labour insured under the Right to Work Programme. A third inbuilt measure may be to provide rations to all on dearness allowances, at procurement prices plus reasonable handling charges. This can be easily done for grains, cloth and sugar in which Government has already command of part of the production. This will stabilise and reduce dearness allowances now related to constantly rising market prices, while procurement prices are the same or less for the last six years.

A third concept may be of generalising the Joint Sector to all Public Sector Corporations and enterprises. The Public

Sector enterprises after becoming Joint Sector Enterprises will be attractive, inspite of their over-capitalisation, if a minimum dividend slightly below Government's borrowing rate is assured. In effect, this will mean a diversion of credit to government from general to specific investment, which will have prospect of higher dividend, particularly from the shareholders' personal interest in economy and efficiency in the management. It will be an opportunity to draw concealed money from its present anti-social operations, if shares in the Joint Sector are not subject to inquiry about their sources. In any case, if existing corporations, including railway and shipping, are included and corporations for Irrigation, Land Development. Housing are added, even a 25 per cent private participation could net about Rs. 5,000 crores, which could look after a good part of the increased cost in the Fifth Plan.

A fourth concept may be to judge government employees by the development supported and not the deportment shown. The Administrative Reforms Commission has already proposed that the achievement of government servants should be recorded annually in confidential roll. In addition, percentage of disposal in terms of receipts for ministerial staff and percentage of expenditure to allocation for field officers should also be recorded, as this is the best way to expedite work for the benefit of the people and to reduce delay, which has become the instrument of corruption. In respect of corruption, there is no hope of any check by departmental superiors, who are frequently in the game and in any case have a perverted sense of loyalty to their organisation. There is no hope also from the Vigilance Commission, which only acts on complaints, without any research and publicity of the methods employed or any vigilance agencies on the spot. The Commission should have its own staff engineers, technicians, cost accountants, auditors and other persons with knowledge of different departments. They should be engaged in making random checks, on which the departmental superiors can be faulted for their own failures. In addition, every district should have vigilance committees, composed mostly of retired judicial officers, who can receive complaints and after ***prima facie*** inquiry make references to the Commission. They can also be engaged in watching the working of controls and reporting activities of the black

markets. Without more checks on corruption, more expenditure will be diverted from public projects to private pockets.

Lastly, the concept of financing development from Bank Loans instead of new taxes deserves earnest consideration. The limit of taxation has been reached and there is not only regression but evasion, on one side and inflation and stagnation on the other. Fortunately, the deposits with banks have increased and are likely to do more so as private investment is shrinking and in any case is afraid of loans which will become shares, if the enterprise prospers. In addition, banks will have to rely on created money, which because it is diluted over the whole economy is less inflationary than new taxes carried more than less into the prices. Our money supply as measured by the currency per head is among the lowest in the world which, therefore, presents scope for created money. Similarly, the traditional habit of hoarding money and the recent immobilisation of savings in bank deposits also will cushion created money. The general belief that deficit financing is the cause of inflation ignores other causes. In any case, it is true only when such finance is for unproductive purposes, which it is the precise purpose of good planning to prevent.

Planning has been so far only a political exercise, which has not reduced the poverty of the people and which has committed us to a high-cost economy, which has knocked out the prospects of export and of a widening market for manufactured goods in the country. This is so, because the First Five-Year Plan was a mere collection, rather selection, of Post War Projects. The consequent Plans have not differred from the First Plan, except in magnitude. Defaults and difficulties were never examined by the commission, the Press and the reputed experts, who appear to take instead of giving economics to the Government. The disenchantment of the public has not been evident because many have derived dividends from the very mistakes of government, the agriculturists from food prices inflated by controls, indusrundown production, demands thinking in depth by all who can do so. It is necessary to find expedients which can give better results even from the existing units, without more strain on the resources of the country or the patience of the people. Above everything else, there should be noticeable impact on unemployment, which is as dangerous as a sunken iceberg. moving swiftly but secretly.

The Programme for Employment can be drawn from the statistics of that cherished architect of Planning, the late Prof. P. C. Mahalanobis. He disclosed the calculation that one crore of rupees invested in agriculture created employment for 4,000 and production at 5.7 per cent. The corresponding figures for similar investment in Heavy Industry was 500 and 1.4 per cent and in Consumer Industries 1,500 and 3.3 per cent. It is impossible to understand why he and the Planning Commission, after knowing these figures, ignored them in the priorities and provisions of the Five-Year Plans. Another calculation, that of the Chief Engineers' Conference, is that a crore invested on roads creates employment for 10,000. If these figures are related to the Multiplier Theory of Keynes, which no one has controverted, that the employment created by Government is followed by four times as much independent subsidiary employment, the conclusion emerges, on the figures of Prof. Mahalanobis, that a crore of expenditure on agriculture creates ultimate employment for 20,000. In this framework, the question is why Government should not spend Rs. 2,500 crores annually to create immediate employment in rural areas for 10 millions and ultimate employment for 50 millions. The Plan provision for 5 years would be Rs. 12,500 crores of which Rs. 5,000 crore may be spent on development of idle land, Rs. 2,500 crores on roads, Rs. 2,500 crores on housing, in place of the present provisions which are Rs. 521 crores on Minor Irrigation, Rs. 1,086 crores on Major Irrigation and Flood Control, nil on Development of Idle Land, Rs. 829 crores on Roads and Rs. 170 crores for Housing. The provision for Irrigation is urgent, useful and capable of being spent immediately throughout the country. The failure of the monsoon, at present, emphasises the urgency of raising irrigation from 37 per cent of the usable flow to 100 per cent first as an insurance against drought and second for increasing the area double cropped and improving the yield at least

by 25 per cent. Plans and estimates already prepared for medium and minor irrigation canals and for deepening of tanks already exist for more than Rs. 3,000 crores while the work remaining to be done on pending projects exceeds that amount, without taking into account the Grand Continental Canal or the development of the Narbada, Krishna, Kaveri waters now subject of inter-State disputes. Since finance is the difficulty, a Corporation for all major works and for minors projects of the future can be constituted to which Government, banks and the public may contribute equally. Free from politics, the Corporation can charge an economic irrigation rate, which as proposed by the Nijalingappa Committee may be a percentage of the increased production.

Idle Land, to be developed is 16.6 million hectares of culturable waste and 32.5 million hectares of barren land, which can respond to heavy investment, including aerial sowing of hill slopes with forest species and reclamation of desert by measures which have proved successful with worse land in Israel. Aerial seeding was stopped with one experiment in Rajasthan in 1952, though expert opinion is that that it is quite effective and can be done economically with helicopters, even those used for pesticides, when they are idle. The addition of 49.1 million hectares of idle land is not to be despised, when the existing sown area is only of 130 million hectares. Proposals are already reported for the reclamation of the Chambal ravines at a cost of Rs. 800 acres, while the reclamation of the Rajasthan desert and the settlement of the Himalayan slopes are always talked about. Finance may be from a Land Development Corporation with the same contributions from Government, banks and public. If the land reclaimed is sold—nothing free is used—part of the capital investment will be covered while the balance will be recovered from future revenues and other incomes.

The provision of Rs. 829 crores for roads is unfair when the annual taxation from petrol and vehicles far exceeds that amount. It is reported that Rs. 500 crores will be provided for village roads in the next Plan. Since past experience is that much of such expenditure is misappropriated, there may be a central organisation for all new roads in the Plan for Rs. 2,500 crores. It will provide healthy comparison and competition to the State organisation, provided first there is an authority, preferably in the Vigilance Commission, to study costs and rates even from sample departmental undertaking, second that authority also check measures and otherwise sample tests all contracts. There should be no difficulty in carrying out the programme as projects and estimates are already lined up and are awaiting only finance.

When Government itself admits that there is a shortage of 83.37 million units of housing, the provision of only Rs. 170 crores and that mostly for social housing, is most unjust. The mistake made by Government is to begin at the wrong and, providing houses for those who do not want them and who cannot own them. Even if loans were mada available, the higher classes would construct new houses for themselves and release their own to those without houses or with uninhabitable ones. The excuse of banks that they cannot invest in long-term loans ignored first that this is done in other countries, directly or through organisations; second that there is no better security than a standing house, particularly in the conditions of present demand and, third, that housing is catalytic of much other investment and employment. It is enough if Government now directs scheduled Banks to make advances freely. If demanded, such advances can be protected by the Refinance Corporation. If deposits with Banks get exhausted, created money can be made available by the Reserve Bank, in the confidence that it will trigger new employment and industries.

In the total, therefore, the Provision for Employment of Rs. 12,500 crores will be new only to the extent it is not covered first by savings of existing provisions of Rs. 2,606 crores and contributions from Banks and shareholders of Rs. 4,985 crores. The balance of Rs. 4,910 crores which Government will have to meet is not too high with reference to the employment it will create, not to speak of the production and social improvement, which must follow from the utilisation of idle resources. If this is combined with the removal of defect and deficiencies in the plans of different ministries, at long last Planning will be for economic and social development.

The Ministry of Agriculture requires an agonising reappraisal if the base of the economy and the potentials for more than half the National Income, shared by 82 per cent of the population living in villages, are not to be sacrificed to avoidable mistakes. The defects which the Fifth Plan should remove are (1) The Neurosis, which Land Reforms have introduced, which has substituted litigation for production and discouragement of investment and improvements alike by owners and tenants, who are uncertain about their future rights. At long last, the bogey of ceilings has been removed as the new definition of "family" will not seriously truncate existing holdings. Now it remains to end the bogey of further Land Reform by a simple law giving permanent rights to tenants with opportunity first to ask for revision of rent and, second, to obtain ownership directly from the owners, on the same terms it is now to be obtained through the mediation of Government. This mediation, when the movement is out to reduce intermediaries is not only unnecessary but unfair to the general taxpayer who has to bear the burden of compensating owners in the hope, rather vain, that recovery will be made ultimately from tenants. The opportunity for revision of rents may not be taken as tenants are about the most favoured class in the economy, with rents fixed 40 years ago and on income at prices for grain enhanced by more than 1,000 per cent.

Productivity, now about the lowest in the world, has been checked first by absence of information on the best agricultural practice, which the Agricultural Staff, including Community Development and Co-operative Workers, have not been able to convey. The most natural way was to make knowledge about the defects of working and living part of the curricula from the earliest classes which would have created an invincible consciousness for change. Secondly, productivity has been checked by the high cost of fertilisers, pesticides and implements as if agriculture should subsidise inefficient industrial development. The price of fertilisers must be subsidised at least for holdings below 25 acres while operations with pesticides should be free like operation against communicable diseases. Selectivity for the operations could be related to change in practices already shown by the cultivator. Similarly destruction of rodents could be easily undertaken by the Government as a little follidol in a tube clears rats from any area. Thirdly, productivity could be pessured if new rights in land, credit and other assistance from government is not given indiscriminately but only to those who show self-help for improvements.

Credit, now available to the higher strata of agriculturists from co-operatives and to the rest at prohibitive rates of interest from money lenders has made agriculture, with income coming only once a year, a most difficult occupation. Co-operation is now recognised as a failure and its substitution by rural banks has begun. These banks should not share the fate of co-operatives by failure to take the security of land, houses and even tenancies, which by separate legislation should be made transferable, whereby not only tenants will become richer but also more prudent as they would not borrow unnecessarily. There should be no delay in having branches of scheduled banks and rural banks available to service credit to all villages. Those with co-operative loans now could be allowed to transfer their credit to these banks, provided they add the security of land or tenancies.

Stability of prices is required as a foundation for improvement investments. The system of floor prices and procurement will, therefore, have to continue, provided first floor prices are for all principal grains, including sugarcane, cotton and oilseeds, and that they are related to the cost of production to eliminate the present combination of surpluses and scarcities of competing crops at the same time. Further, if warehousing is short, procurement is to be on the system of forward purchases, the contract being for future deliveries. The system of forward purchases will also steady prices, particularly if grain is required for rations of those who are on dearness allowances. The Food Grain Policy Commission could be transformed into a Bureau of Agricultural Costs and Prices, which can provide regular publicity useful to producers, consumers and the trade.

The outlay on agriculture in the Fourth Plan deserves to be maintained with revision already proposed for Minor Irrigation and with reduction perhaps in Co-operation from

the figure of Rs. 151 crores, Community projects from Rs. 115 crores, Central support to Financial institutions from Rs. 263 crores and buffer stocks from Rs. 125 crores. In their place, the provisions for animal husbandry, fisheries and forests could be increased, not by injudicious grants on political grounds but with subsidies related to self-help. The large provision for agricultural research and education has failed to make any change in rice and pulses and in any case has reached only the higher strata of agriculturists. Crop insurance to smaller agriculturists who try new practices could be introduced. Agricultural officials should be judged by what is actually achieved by them with percentage records in their confidential records and with ranking for promotion accordingly. The Food Corporation of India, which has been charged with corruption recently, deserves to be evaluated particularly in respect of its handling charges which add 33.3 per cent to the prices. The Cotton Corporation will burden the taxpayer with loss not only on account of unrealistic prices but bad purchases. All Corporations in the Agriculture Ministry require precise evaluation as they tend to be sinecures with little to show for the much which they spend. The Fourth Plan provision of Rs. 2,217 crores should suffice excluding the provision of Rs. 1,607 crores under the Employment Programme.

The Plan provision of Rs. 2.448 crores for power will develop only 23 million kw leaving a potential of 41 million kw required not only to existing supply and remove deficiency but also to meet new industrial development and rural electrification. It seems necessary to have two Corporations, one for generation and another for distribution. They could also offer shares to the public and take loans from banks. Up to the end of 1970, the investment of Government was Rs. 4,586 crores, with a fairly steady return though at different rates in different States. The public response for participation up to 49 per cent may be possible. From this and from bank loans the additional development can be financed without increasing the Plan allocation. With public participation, the higher standards of private companies in respect of economy and efficiency will be generalised. The Rural Electrification Corporation set up in 1969 may not attract public participation as it may not work at profit for a long time to come.

Industry is in a pathological condition not only registering a mere 2 per cent increase during 1971-72, which was as high as 9.6 per cent in 1962-63, but also failing to utilise even half the capacity established, with 13 classes of industries with capacity utilisation of 20 per cent and less. and 12 under 40 per cent and 22 under 60 per cent, against 17 under 90 per cent and 16 above 90 per cent. There is so far no examination in previous plans and in the Approach to this Plan of the causes responsible for the diseased condition of industry. First and foremost is the neurosis arising from Government's conviction that property is theft, industrialists are criminals and the whole function of Government is to exercise controls, presumably in favour of the consumers but really in favour of Government itself and of labour. Company Law is a jungle in which only the wary can survive, while other controls, including that of Capital Issues favour those who have influence or worse. The abolition of the Managing Agency system has destroyed leadership in enterprise, while the Monopolies and Restrictive Trade Practices Act is keeping out investment not only from those who alone can make it initially but can lead small shareholders also to do so. Lastly, the threat of ceilings on urban property and income has taken the heart out of the class that for more than 100 years put India on the world map of industry. It may be impossible to retrace the steps already taken but the Planning Commission should make it clear that industrial expansion requires all kinds of capitalists, that they ask sacrifices of current consumption to provide employment for others who can do little for themselves or for others, that rapacious and dishonest capitalists will perish as in other countries in free conditions, that a section of the capitalists who have taken advantage of their position will loose ground as soon as their economic calibre alone is put to test.

The second cause for the decline of industry is the sheltered market conditions provided by the licences of Government in which cost and quality consciousness have been lost. The Government has not realised the simple truth that in a deficient economy, restrictive controls are ironical, when every one and everything must fill up the gaps. If foreign exchange is limited, controls should not apply to that part

of it, which is willing to come on its own and is agreeable to be repaid by its exports. Considering the excess capacity in U.S.A. and even in Europe, foreign investment will surge to take advantage of the large market and of the central position of India in Asia. It is a pity that the opportunity arising from the closure of the Suez has not been seized to develop our industrial potential. If industry collapses, as it is likely to do not only from the strikes of labour but also the strikes imposed on capital, those deprived of employment on one side and those deprived of conventional necessities on the other will come to know that they have to thank the controls of government.

Thirdly, Government has pampered labour considering it as socialism, when nothing can be more unsocialist than strikes which render the limited investment and capital idle. wage hikes which price out production in external markets and from the reach of poorer internal consumers, inefficiency, which ruins costly machinery, indiscipline which paralyses authority and inventiveness, and surplus manpower which prevents labour saving improvements. It is only the ignorance of the public and the patience of the consumers, which has allowed a small section of population, paid already far above its qualifications, to behave as if industry, market and even accidents like the sheltered market and high prices belong to it. It may only learn better when the unemployed rise and demand that they have something before the lucky ones inside factories have everything. The simple strategy has been proved that suspension of labour regulations enables sick mills to revive and even make profits. In all new enterprises and in all old ones which require additional men to work idle capacity, the wages paid should be determined by the Bureau of Costs and Prices. The two levels of wages will convince those on the old one how fortunate they are and how they must work competitively before they are wasted out.

Industry has failed because of failure to get services of the Railways, and supplies of steel, electricity, foreign imports, coal, either adequately or promptly. In addition, there is so much centralisation that neither government nor other authorities take decisions which are proper, prompt or profitable. Apart from measures in each of these, there should be an independent agency of experts, which can test check costs, equipment, efficiency and even inventiveness. These "trouble shooters" are a feature in many large companies in other countries and are a necessity, when the Indian State Enterprise is the greatest company outside Communist countries. The Communist countries have their own methods, like pace setting, efficiency cells of workers themselves, inter-unit competition, which deserve to be studied since the rights of communism do not belong to those who ignore its methods. It is also desirable that ministers and secretaries in charge of economic subjects have some knowledge and experience of them. In any case, the education of a new minister in his work is too costly to enterprises.

State Enterprises also frustrate socialism for the dubious benefit of giving the heights of power to Government. Richard Plaster recently proved that through indirect taxes, which now reach 80 per cent, the poor are paying for these enterprises, which produce little or nothing for them. He might have added that the inefficiency and indifference of the employees adds to the cost of production, swelling the prices which are now the highest in the world, not only unfair to the consumers but also to dependent industries and exports, which have become uncompetitive. The only correction possible is to put all State Enterprises in the Joint Sector, with public participation up to 49 per cent, which will not only introduce the spur of personal interest in the management but will also allow decentralisation with the confidence that it will not be misused by those who have a stake. **At** the same time, the public contribution will save government from taxing the poor further for capital for expansion.

Nationalised banking also has been against socialism as it has raised the rates of interest by more than 3 per cent and has diverted credit from employment creative concerns to individuals who can only employ themselves. The poverty of thinking that a autorickshaw deserves priority over the? factory which makes it shows the quality of Government thinking. The fact that Custodians have not been replaced shows that Government only wanted power at the top and Is not willing to share it even with the organisation created by the Banking Act.

Scarcity and high prices of raw materials produced by the Public Sector or imported by the S.T.C. must at least end for large-scale industry, which has a higher proportion of production and employment. For construction, raw material must be supplied at international prices, as the factories will not otherwise be ever competitive. In fact, if such prices can be allowed for export production which benefits temporarily and only foreign purchasers, it is most unjustly denied to the production for our people. This applies also to machinery produced in the Public Sector, which is better subsidised to sell at international prices. Even a State Minister has pointed out that the steel factory investment would be greatly reduced if indigenous parts were not used. He could have added that the use of these parts will lead to over-capitalisation which will permanently increase the price of steel not only in this factory but in all other factories, which tend to come level at least with prices. Any subsidy to indigenous production of machinery can be from a Relief Fund, to be liquidated, if at all from future earnings.

The Fourth Plan provision for Heavy and Medium industry was of Rs. 3,337 crores and that largely for the completion of pending projects. In the interests of the poor, there should be no new projects, which are financed from taxes and prices. Expansion should be by public contributions. even foreign ones, which will be forthcoming on the guarantee of a minimum return related to Government's rate of interest on its borrowings. There should be no expansion of projects which are working persistently at a loss like steel. coal, fertilisers, until the idle capacity in them is fully utilised. At the same time, profits should be raised to provide for self-development. This could follow from the Bureau of Industrial Costs and Prices ruthlessly exposing the difference between costs and prices and between costs of different sectors. It would appear that Government is suppressing the reports of the Bureau as only from leaks the public knows for instance that the export price of steel pipes and tubes competitive with prices of other countries was Rs. 915 per tonne against which the internal price was Rs. 2,162 and much higher in the black market.

Cottage and small-scale industries had a provision of Rs. 294 crores, on the presumption that they provided wider and larger employment. The statistical proportions of employment between these industries and medium and heavy industries have not been ascertained. Even beyond the factories, the larger and cheaper production of the latter creates chain of employment in trade, transport and other services. In any case, the provision of Rs. 96 crores for Khadi and unmentioned village industries deserves to be evaluated as khadi has even ceased to be a political livery and its reported production may be no more than the resale of what has been sold before. Small-scale industries, which like powerlooms are only a decentralisation of larger factories, frequently by the same owners, deserve to be evaluated for the tax and labour concessions given to them. The credit facilities, including the hire-purchase system, which banks were pressurised to give are becoming bad debts, as in many instances, the loans were taken for their own sake, particularly for promotion expenses. Other industries tend to be sweated ones, even khadi paying only a daily wage of Rs. 1.36. There is no necessity for increasing the provision for these industries except to the extent they serve the interests of the consumers.

In the name of socialism, the economy of India has developed in favour of exploiters, including the Government. Although India's external trade was only of Rs. 350 crores in 1947 and was Rs. 3,158 crores in 1970-71, the three leading imports were of steel, machinery and petroleum, which served the common man not directly and very little indirectly. The Export Policy Resolution of 1970 similarly is concerned with increased capacity for export, as if the needs of the people are to be met by smuggling. Two principles, consistent with both social justice and development, which should be incontrovertible are, first that we should not sell abroad at lower prices than to our own people, as this is the worst form of colonialism, second that we should not export items that raise the internal prices, as this is unfair to a very poor people. But this is exactly what we are doing, with subsidies and facilities, which are corrupting as they are also exploitative. The Bureau of Industrial Costs and Prices found that we sold steel pipes and tubes abroad at Rs. 950 per tonne while they were available, if at all, to our people at Rs. 2,162 per tonne. How such sales put money into the

pockets of a few was established by zinc oxide, which is entitled to an import subsidy of 75 per cent, which may be sold at 500 per cent in the internal market. In addition, there is cash entitlement of 10 per cent, which with reference to the precise foreign exchange earned works up to 40 per cent. These disclosures of the Bureau, inspite of the devastating comment that "the loss in export is passed on to relatively poor consumers and to development projects" have not touched the Ministry, which is only thinking of more measures for increasing exports. The position regarding imports by the State Trading Corporation, which are reaching 90 per cent of the total, was challenged on its cost to actual users but the Minister refused to disclose the high handling costs. Some measure of these can be taken from the fact that the S.T.C. with a paid-up capital of Rs. 5 crores has up to 1968-69 paid Rs. 32-57 crores as income-tax, a dividend of Rs. 2.55 crores and has reserves of Rs. 13.4 crores. Instead of setting an example of service to the consumers, the S.T.C. like other government sales corporations has combined unlimited power with the worst commercial practices.

The trade of the country has little future. In the first place, on account of the difference in prices, as indicated in the case of steel tubes and pipes, our manufactured items cannot sell abroad except at most cruel taxes on the people. Our traditional items also will be priced out because of their prices being related to our inflation. Secondly, the direction of our trade has changed. The U.K. which had the first place is now fourth and U.S.A. which has the first place may go even lower. Japan which has the second place in our exports is basically a trade rival in Asia, which will take from us only supplies, which it cannot get elsewhere. U.S.S.R. which is the third, not having to balance accounts with money, is taking full advantage of its position. In 1970-71, it took our imports worth Rs. 209 crores and gave us exports worth only Rs. 104 crores. That we should be giving credit of more than a Rs. 100 crores, if realised by any thinking person in the country must horrify him. Not only this but our export trade with Communist countries which was Rs. 308 crores in 1969-70 is largely entrepot trade, being destined to our traditional importers, who pay more and do not give us the hard currency. In West Germany, it was disclosed that two classifications of our trade are kept, one direct with us and the other through Communist countries.

The Plan for our foreign trade should be to restrict our export only to our surpluses and that on a payment and not barter basis. Though it will take some time to unscramble the present lines, those in need of our exports must take them. On the import side, we must cut down on imports of machinery, cotton, chemicals as the insufficiency could be allowed to be made up by manufacturers directly importing against their own countervailing exports. On capital account, our loans should be just enough to cover amortisation of previous loans, as we do not require further industrial development, till existing capacity is used or foreign enterprise comes in with no title to repayment except from its own exports. In internal trade, the S.T.C. should serve the economy and not itself. Other selling corporations should be competitive in prices and quality.

The Fourth Plan provision for Transport and Communication for Rs. 3,173 crores requires to be recast. It has already been proposed that the provision for roads should be raised to Rs. 2,500 crores. Provisions of Rs. 203 crores for air transport, Rs. 520 for telecommunications, Rs. 40 crores for broadcasting could be reduced as they are for the benefit only of a limited section of the population. The provision of Rs. 1,575 for railways has been spent without imagination, for instance wire fencing of stations and goods yards. while Railway Police assisting at the exits would extinguish ticketless travel and pilferage, double tracking would speed movement, utilising more rolling stock and staff, with quicker turn round to eliminate the present hold up of coal and other essential supplies. Also, the incentive system in workshops should be generally extended so that the staff gets a personal interest in the profits of the Railways. To further personal interest, Railways should be brought into the joint sector, which will attract private capital now piling up as deposits in banks. Broadcasting should also be brought into the joint sector, as it is capable of financing itself.

Education has been proved to be window-dressing from the number of illiterates reaching 386 millions from 301 in 1951. The staggering waste is now know from dropouts,

only 27 out of 100 enrolled reaching the Fifth Standard and oniy 20 reaching the Eighth. The courses of correction open are to enforce compulsion in respect of children enrolled. instead of hunting for parents who have not enrolled their children. Secondly, the Kerala shift system should be generalised with three hours for each batch of children, which will enable not only the admission of more children but also allow children to render work in the fields, without leaving school. If necessary the course of studies could be extended or some subjects of academic interest dropped. Thirdly. holidays should be related to agricultural seasons so that they coincide with the peak of work in the fields. **And** lastly. agriculture, at least its defects, should be taught from the earliest stages. Admission to secondary schools and university should be strictly on merit to meet the problem of admissions and to get maximum value from education. To make girl's education attractive, singing, dancing, drama dnd housekeeping should be taught as regular subjects. There should be no further extension of professional, or for that matter of university, education as supply has already outrun the demand. To create quality in education, now sadly lost as teachers are only concerned with enrolment, selection grades should be awarded to teachers who distinguish themselves by reducing dropouts and securing the best examination results. Secondly, all new schools should be in private sector, with Government only paying the salaries of the teachers and being relieved of other expenditure.

Health and Family Planning have failed to justify the expenditure of Rs. 437 crores on them. The provision of Rs. 85 crores on medical education could be cut down as 101 colleges with annual admission of 13,000 are as much as the country needs since doctors refuse to spread out to rural areas. Family Planning expenditure of about Rs. 300 crores needs a review as the increase of population by 24.8 per cent coincides with this outburst of spending. Apart from collusion, the persons offering themselves for surgical treatment, the only effective one, are not only feu but come from higher classes and higher age groups, which have little fertility. Raising the age of marriage and treating marriages below that age as legally void could make a dent on the problem, which otherwise can be solved only by rising standards of living.

Finance for the Plan should not be an obstruction if the Fourth Plan provisions are increased only by Rs. 5,000 crores required for the Employment Programme, bringing the total to about Rs. 20,000 crores. The proposal of the Commission for a total of Rs. 30,000 would be inflationary to the point of immediately paralysing the plan. Budgetary resources cannot be increased as saturation point has already been reached and even reduction is necessary to increase production, particularly in Corporation Tax 50 per cent of which is passed to indirect tax, paid by 90 per cent of the people. The savage rates for foreign companies are keeping out foreign investment and making the people bear the burden of government loans for enterprises, which work at a loss. Balance from current revenues may be more as most taxes are under-estimated but if there is deflation, as is necessary for other reasons, there will be a serious fall in excise revenues which are on an ad *valorem* basis. Contributions from public enterprises should rise, not only from private investment but better management, if they are converted into the joint sector.

The views expressed in this booklet are not necessarily the views of the Forum of Free Enterprise.

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

– Eugene Black

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