

CRISIS OF CONTROLS

MURARJI J. VAIDYA



FORUM OF FREE ENTERPRISE
SOHRAB HOUSE, 235, Dr. D. N. ROAD, BOMBAY - I

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

**—Eugene Black
President, World Bank**

CRISIS OF CONTROLS

MURARJI J. VAIDYA

One of the vital issues which confronts us today is the question of controls — how far and how much. We have been told from time to time that this country suffers from various crises. Some people, like our revered Vice-President, Dr. S. Radhakrishnan, say that our country suffers from “a crisis of character”. Those who are responsible for our planned development tell us that we suffer from the crisis of development. At the Export Advisory Council meeting in New Delhi, one of the spokesmen of the Government, pointing out the difficulties in foreign exchange from which the country is suffering, said that we are suffering from a dilemma of development. The worst crisis which we are suffering from today is the Crisis of Controls.

The Government of India has become today control-minded and this control-mindedness is not merely restricted to the Planning Commission or to the Cabinet or to those who are responsible for making the policy decisions. It has permeated the entire administrative structure of the Government, from the Chairman of the Planning Commission, who happens to be our Prime Minister, down to the smallest administrator who is in charge of any control of any sort in any corner of the country.

As far as controls are concerned, for the last ten years, we are living under a planned economy and we are told by the spokesmen of the Government, by the spokesmen of the Planning Commission and by economists who favour the idea of a comprehensive planned economy on the Soviet model that controls are an integral and essential part of a

planned economy. When we oppose the imposition of intensive and extensive controls, we are branded as people who are opposed to the basic idea of planning. It has been made amply clear from time to time that the Forum of Free Enterprise is not opposed to the basic idea of planning, because, planning is as essential for the future development of a nation as it is to the development of a business, family or even the development of the personality of an individual. Every intelligent person or group of persons or nation must plan the future and decide what needs to be done and how it is to be done. But the difference arises on the question of the extent and the nature of the controls and regulations that are necessary to implement a plan.

The Forum of Free Enterprise has stated that while it accepts the concept of planning and regulation of our economy, in a broad manner, it believes that if this control and regulation that the Government is to exercise on the economy is to deteriorate into near-regimentation extending over the entire economic activities and life of the people, then it ceases to be democratic planning and democratic control and will turn into totalitarian control.

Let us examine the present situation. The Government of Free India came into power on the 15th of August 1947. Before that, almost since 1939 when the Second World War broke out, we have been living constantly under a spell of controls which extended from control over imports and exports and capital issues to the consumption and distribution of every essential commodity which was considered necessary and vital for the successful prosecution of the war by the Allies. We had food rationing, and control over even such consumer articles like fountain pens. We must view the present situation against the background of the fact that this nation has been living under the spell of controls ever since 1939. After we got our freedom, it was very natural for our people to expect, as they had a right to expect, that they will be able to heave a sigh of relief and be free from the throttling atmosphere of controls. They had a justifica-

tion and they had precedents before them. All other countries which were more directly involved in the war than we were, for instance, the United Kingdom which had suffered considerable damage to its economy, and countries like West Germany and Japan which suffered ravages during the war, had to impose controls during the war. But as soon as the war was over, they began to examine the various controls and devised ways and means of gradually removing those controls. However, today ours is the only free and democratic country in the world which is suffering from extensive controls. Therefore, the question arises whether in the light of the experience of other democratic countries in the world we are doing the right thing in continuing and extending the controls in various spheres of the nation's activity.

These controls extend to almost every economic activity in which the common citizen is involved. Let us take the life of the ordinary man in a city like Bombay. The first control is the control on the distribution of milk, which every household requires. Under the pretext of providing the whole of Bombay with wholesome milk at fair prices, we find that a situation has now arisen whereby every housewife has to wait in long queues at the street corner milkbooth in every part of the city to obtain one or two seers of milk which she requires for the family. If she wants even half a seer more, she cannot get it as she can get only what is registered on the card. Formerly, although we were occasionally getting bad milk, it was available in enough quantity. But under the control of the State we are depending upon the tender mercies of the State machinery to be able to get even half a seer more of milk than the registered quantity.

If we want to buy food at reasonable prices, we can get it only on a ration card. Although there is no rationing, we are virtually on rationing because if we want to buy outside the ration card, we have to pay very high prices, probably 50 per cent more. The inflationary policies of the Government have to be thanked for this state of affairs.

Let us take housing. We cannot get any additional accom-

modation unless we are prepared to pay a fantastic "pugree". There is supposed to be rent control in this enlightened State of Maharashtra. But people are not able to get enough housing accommodation, whether in the cities or in the towns or in the villages because there is control on building materials, and activity. Similarly, control extends to every need and every activity of the common man.

Let us take another class of people, the business people. Beginning with the small shopkeeper right up to the biggest industrialist in the country, every enterpriser is in the grip of controls. There is nothing that a businessman can do without asking for some permit, undergoing some control or requesting some Government officer for something or the other. If a shopkeeper has to deal in a commodity, he must have a permit, he must have it entered in his sales tax permit stating that he is entitled to have such and such a commodity. He cannot deal in more commodities without entering it in his licence. If he wants to import or export anything, he must have a permit. You will be surprised to know that, although the Government has been shouting from house-tops that we must try for more exports in order to balance our foreign exchange budget, there are today hundreds of items of export which are controlled. When I recently attended a meeting of the Export Advisory Council in New Delhi, I asked the Minister for Industries whether he could tell me how many items of export are still controlled, and why, when we want to promote our export there are controls on exports of certain commodities. I pointed out that at the previous meeting of the Council, the Commerce Minister had indicated that there were 375 items under control. Out of the 375 items, 70 had been freed from control now, which means there are still 305 items under control for the export of which we require some permit. To obtain such permit in a Government office one is put to much harassment. How can we have export promotion when we have so many controls over exports and the entire machinery of the Government from top to bottom is control-minded? I wonder whether the

manner in which we are living under controls is really in tune with the democratic system that we have adopted in our country.

Let us take the case of the industrialist. People who have anything to do with industry know to their cost that it is not possible to start any industry without obtaining some permit or other. The Government of India has classified industries with a capital upto Rs. 5 lakhs as small industries, and says that every encouragement will be given to them. For such an industry no licence is necessary. But in order to start an industry, you require accommodation for your factory, permit for purchasing various building materials, licence for importing machinery, and raw materials which are in short supply. Thus, although a small-scale industrialist is free in theory to start an industry, he cannot do it without getting some permit. This situation is worse in the field of bigger units. In a planned economy where we must have more production, and more foreign exchange, and we must create more wealth and improve the standard of living of the people, it is not proper that we should have all these controls which hamper the nation. Therefore, it can justly be said that we are suffering from a "Crisis of Controls". These extensive controls suffocate and stifle the growth of the economy.

People who were formerly importers are very much handicapped. They find that they have to obtain permits for importing everything. On top of it, we have today the State Trading Corporation, which like an octopus, is spreading its tentacles day by day, and extending its activities. People must give up import trade or import through the State Trading Corporation today. In such a situation, more and more people go into industry. But they come up against so many hurdles and difficulties that it is found to be very difficult to start an industry and to run it. Under these circumstances, it is not easy to develop our economy. It is very well to talk of big plans running into hundreds of crores of rupees. It is very well to say that the Third Plan is going

to be of the order of Rs. 10,200 crores. But the common man asks: "How does it benefit me because if I want to do anything I am frustrated by controls." It appears that no country — except countries like Russia and China where everything belongs to the State and people have to do what they are told to do — has suffered from such a long spell of controls in the last 20 years as India has.

The question, therefore, arises whether it is desirable or possible to do away with these controls. Our Planning Commission, the Government of India and Parliament should give up this psychology or psychosis of control. Once it is decided as a matter of policy that in future we shall have less and less and not more and more controls, we can set in motion the machinery of our planning and of our administration to find out how we can go on dispensing with one control after another and thereby create a situation where people live without fear of the inspectors, permits or for that matter of the Planning Commission, because today nothing can happen without the Planning Commission. The Prime Minister has denied the allegation made by Mr. M. R. Masani in Parliament that the Planning Commission has become a Super-Cabinet. I hope that he will take steps to see that it is not a Super-Cabinet. The fact of the matter is that, because the Planning Commission is presided over by the Prime Minister and some Cabinet Ministers are in the Commission, e.g., the Finance Minister, the Defence Minister, the Minister for Labour and Planning, it is but natural that any decision or recommendation made by the Commission cannot possibly be turned down by the Government. How can one imagine that when the Prime Minister himself is a party to the decision of the Planning Commission, the Cabinet would turn down a decision taken by the former, knowing full well the personality of our Prime Minister? Therefore, in effect, a situation has arisen — although it was not intended — that through the whole range of people from the Planning Commission down to the inspectors, we have this control-mindedness. Only if we have less and less of controls and depend on

the honesty, integrity, initiative, enterprise and ability of the common citizen, we will be able to have a real planned development and a rapid increase in the standard of living of the people. After all, a nation consists of individuals. It does not consist of officers, ministers and Government machinery. The level of the nation can be raised only if everybody is allowed to develop to the maximum extent of his capacity.

West Germany is a nation which was completely ravaged by the war. A distinguished Frenchman has said that the manner in which the control over foreign exchange was removed by Dr. Ludwig Erhard in that country was a miracle. The shortage of goods disappeared within a short time, and people could get the essential goods. It is the miracle of development. The fear that there is a shortage or a control leads to hoarding not merely on the part of the trader or manufacturer, but also on the part of the consumer. This is an economic truism which our planners have to bear in mind. If it is announced that we will have rationing of sugar from next month, every one of us will try to buy as much sugar as possible and keep it in our homes although we do not need it immediately. That is human nature, and economics and human nature cannot be separated. Unless the basic characteristics of human nature are borne in mind, we cannot make a success of any plan or control. Therefore, if this control-mindedness is removed, only then we will be able to create an atmosphere when people will think of developing the nation's economy in a free and full manner. It is only by creating that atmosphere that it will be possible to restore to the people the loss of individual freedom and liberty suffered to a large extent from these controls.

How do controls lead to loss of freedom, it may be asked.

Excellent authorities, not only people of our country, but men of international reputation, can be cited to support this view.

“Economic control is not merely control of a sector of a human life which can be separated from the rest; it is the control of the means for all our ends.”

— F. A. HAYEK

“The control of the production of wealth is the control of human life itself.”

— HILAIRE BELLOC

Therefore, it is obvious that we cannot run away from the fact that once economic controls are imposed on the life of a nation, it leads to a situation where more and more controls become necessary and more and more power is given to those who are in charge of the administration of the controls. This in turn results in all manner of undesirable anti-social activities not merely on the part of the shopkeeper, businessman or the manufacturer but also on the part of the Government servants in charge of these controls and on the part of the common citizen. There is all-round demoralisation.

In the United Kingdom, the National Health Scheme has been operating for several years now. One pays a few shillings every month according to one's income and gets free treatment for any illness, from the common cold to a major operation. Even in that country where the common citizen is known for his sense of civic responsibility and patriotism, a situation has arisen where people are misusing the facilities offered by the scheme, by getting reimbursement under false pretexts and buying other commodities with that money.

The Prime Minister said the other day that there are many anti-social elements in our society, which he described as an acquisitive society. But our society is not merely an acquisitive society, but today it is also a “perquisitive society”, because everybody wants perquisites. Let us take the Ministers, who claim that they are followers of Mahatma Gandhi and must live in a simple manner. They get

the honesty, integrity, initiative, enterprise and ability of the common citizen, we will be able to have a real planned development and a rapid increase in the standard of living of the people. After all, a nation consists of individuals. It does not consist of officers, ministers and Government machinery. The level of the nation can be raised only if everybody is allowed to develop to the maximum extent of his capacity.

West Germany is a nation which was completely ravaged by the war. A distinguished Frenchman has said that the manner in which the control over foreign exchange was removed by Dr. Ludwig Erhard in that country was a miracle. The shortage of goods disappeared within a short time, and people could get the essential goods. It is the miracle of development. The fear that there is a shortage or a control leads to hoarding not merely on the part of the trader or manufacturer, but also on the part of the consumer. This is an economic truism which our planners have to bear in mind. If it is announced that we will have rationing of sugar from next month, every one of us will try to buy as much sugar as possible and keep it in our homes although we do not need it immediately. That is human nature, and economics and human nature cannot be separated. Unless the basic characteristics of human nature are borne in mind, we cannot make a success of any plan or control. Therefore, if this control-mindedness is removed, only then we will be able to create an atmosphere when people will think of developing the nation's economy in a free and full manner. It is only by creating that atmosphere that it will be possible to restore to the people the loss of individual freedom and liberty suffered to a large extent from these controls.

How do controls lead to loss of freedom, it may be asked.

Excellent authorities, not only people of our country, but men of international reputation, can be cited to support this view.

enjoy the freedoms granted to us under the Constitution to carry on every trade and avocation according to the choice of the individual citizen.

In this context, it is very interesting to see what Mr. G. D. H. Cole, a very well-known economic writer, says in his latest book called *History of Socialist Thought*. He says: "I am neither a communist nor a social democrat, because I regard both as a creed of centralisation and bureaucracy, whereas I feel sure that a socialistic society that is to be true to its egalitarian principles of human development must rest on the widest possible diffusion of power and responsibility so as to enlist the active participation of as many as possible of its citizens in the task of democratic self-government."

That is what we need in this country and we must enlist the active support and the fullest co-operation of each and every citizen of this great nation. It is only in this manner that we can develop this country and promote social justice and not by involving ourselves in a crisis of controls.

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

Based on a speech delivered under the auspices of the Forum of Free Enterprise in Bombay on September 18, 1960.

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

—A. D. Shroff

HAVE YOU JOINED
THE FORUM?

Annual Membership Fee is Rs. 10/-

Bona fide students can get our
booklets for a year by becoming
Student Associates on payment of
Rs. 2/-.

Published by M. R. Pai, for Forum of Free Enterprise, "Sohrab House,"
235, Dr. Dadabhai Naoroji Road, Bombay 1, and printed by S. Krishnamoorthy
at Western Printers & Publishers (Prop. K. S. Mistry), 15/23, Hanam Street,
Bombay 1.