

# FREE ENTERPRISE—THE KEY TO PROSPERITY

## THE WEST GERMAN EXAMPLE

By

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After Independence, we have achieved such great progress in industrial and commercial fields that we could hardly achieve in 50 years before Independence. But those 50 years marked the phenomenal fight against all sorts of odds because the then Government was not interested in seeing that we did any progress in any sphere. Every sort of obstacle was then put in and in spite of this Governmental attitude those who ventured into private industry struggled hard to establish themselves. That struggle in each industry is a chapter which would read like an interesting novel. They have exhibited a spirit of enterprise which is worth appreciating and can be compared to that in any other country of the world.

Those in business and industry have also exhibited a spirit of national outlook in spite of all the pressures which were brought to bear on them. The developments in the sphere of private industry took place mainly from after the first War till 1940 and were simultaneous with the political movements conducted in the country. Those efforts were also carried on during the period when social and educational reforms were being pushed in the country. It is a matter of common knowledge that funds for the development of our educational institutions, social institutions and services, and for the political movements have come from the efforts and the earnings of those in private enterprise. Those in private enter-

prise, therefore, have not only struggled to earn money for themselves but have also lent very substantial help to efforts for the all-sided development of our country and in achieving our Independence.

After Independence, of course, the entire outlook of the Government has changed. The Government is indeed trying to develop the country in every possible way. In this short period, we have no doubt been able to achieve quite a lot, both in the private and public sectors. There are many aspects of this development with which one may not agree and may criticise. But by and large, opportunities have arisen and if anyone has come forward to seize them to the fullest, it is the private sector that has done so. In the First Plan period, targets assigned to the private sector for new investment and expansion programme were Rs. 233 crores. These were substantially exceeded by the end of five years! In the Second Plan also, private enterprise has already nearly achieved what has been assigned to it. There are no doubt a number of difficulties and also many handicaps. There are for instance restrictions on capital formation, capitalising reserves, in distribution of profits, in labour matters, in obtaining adequate imports of essential raw-materials, and many others with which the men in industry and trade are aware. But in spite of these the essential spirit of enterprise which the Indian citizen has within him

has exhibited itself to show to the world that it can surmount all difficulties and thus serve the cause of the country. I wish that what we in private sector have achieved will be appreciated in Government circles and that the Government will give further opportunities to private initiative and enterprise to do more for an all-sided development of the country.

In this context, let us examine the economic regeneration of West Germany because it is of interest to all nations whose aim is rapid and large-scale economic development. I was in Berlin in 1947. At that time, more than 60% of the city was still a mass of rubble. There were no proper electrical services, nor telephone services, nor gas. A porter would carry your luggage from a station platform to a taxi just for one cigarette. Such was the plight of the people. And, today, West Germany is the leading nation of Europe and has even surpassed the victorious nation, England. It is worth seeing how this change has taken place. Prof. (Dr.) Ludwig Erhard, who was given the charge of economic affairs in that country, reviewed the position when he took charge. He felt that he must release the natural force of individual initiative and enterprise and allow it a free scope to develop. It is a very common principle of economics which is known to all, but seldom applied. So, he decided to remove all controls. It was a very bold decision and was vehemently opposed even by the Cabinet. But he said that apparently there might appear to be some chaos for a few months, but that had to be faced for in the end the incentive provided would gear up the whole nation to work and produce. When the supply of goods and services increase things will settle down. So we must do this in the larger interests of the

country. He predicted that decontrol would stimulate the desire in the minds of all German citizens to come forward and work hard in order to gain more benefits. And that is exactly what happened. In spite of shortages of housing, food and other necessities and numerous difficulties with which they were confronted, they took the bold decision to remove controls and they did so. As was anticipated, to start with there was chaos, but soon forces of individual initiative and enterprise gathered momentum and goods and services were produced in plenty. No doubt, all this was helped by the large amounts of loans given by the American Government. But the money was made available to those who came forward with an enterprising spirit. They were allowed to go ahead and produce, and develop the country while earning a reasonable reward for themselves. Today the foreign reserves which West Germany has built up are more than twice those of England. This one instance can tell us what the simple principle of economics — individual initiative and enterprise with incentives — when given scope could achieve.

This has happened only after the Second World War, when we were also trying to build up our economy, when England was trying to rebuild her economy and when so many other countries were trying to build up their economy. Yet this small nation, which was totally destroyed, under the free enterprise system has been able to build up so rapidly and with such phenomenal success that now even the leader among free enterprise economies, the U.S.A. has begun to consider whether or not it should adopt certain policies which helped West Germany to build up her economy.

We have this real example of West Germany before us. Let us

not forget it when we are planning to rapidly build up our economy. When Prof. Ludwig Erhard was in New Delhi in 1958 for the International Bank Conference, everyone went to him and congratulated him saying that he had achieved an economic miracle in West Germany. When he addressed a meeting in New Delhi, he gave the following explanation.

“The success of Germany in her reconstruction effort has in many quarters led people to imagine that I, responsible for our economic policies during these last 10 years, have found the magic key and know a ready formula by which all difficulties can be mastered. The world has thus conceived the slogan of the **German economic miracle**. If I reject this term it is because what happened in Germany was not a miracle: an economic policy based on the principles of freedom made human labour again appear valuable and useful and the industriousness and devotion of a people were again made to serve human well-being.”

Since we in this country are seeking better standard of living for all and desire rapid and large-scale economic development, we can benefit from this practical application of a simple principle and

the advice of Dr. Erhard. In the same speech, he observed: “I share the view that the economic and social development of India does not permit the mere imitation of any pattern, as it is only the creative force of this country and its people which will show the right way. However fully economic planning may be accepted, in particular in a phase of development, economic life is not shaped at the draft-board, but by human beings, and anybody who thinks he can disregard basic human nature is heading for frustration. This means that the human individual must be rendered conscious of the sense and the value of his work and effort, and must be shown better performance leads to the personal advantage of a better life. He must be given the chance of individual development, and must enjoy the fruits of his own success.”

Some people ask me by what method would a nation achieve more rapid progress—by free enterprise or by planned development by controlled public sector? Do I need to answer that? The results obtained in West Germany speak for themselves. I do hope the Planning Commission and Government make a note of it when we are now considering the preliminary outline of the Third Five-Year Plan.

*The views expressed in this leaflet do not necessarily represent the views of the Forum of Free Enterprise.*

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