

FREE MARKET ECONOMY

—Key to Economic Progress and Freedoms

M. A. Rangoonwala



FORUM OF FREE ENTERPRISE
PIRAMAL MANSION, 235 DR. D. N. ROAD,
BOMBAY 400 001.

“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

INTRODUCTION

This booklet contains the scintillating address which Mr. M. A. Rangoonwala, the past President of the International Chamber of Commerce, delivered as the Chief Guest on January 12, 1982, at the function held to celebrate the Forum's Silver Jubilee.

Mr. Rangoonwala minces no words. He packs his piece with a deal of eminent good sense, telling us how a nation can put its economic house in order. Politicians with their "socialistic" hang-ups would do well to take a leaf out of this book.

We need, time and again, to be told in clear and unequivocal terms what a sorry pass things have come to — more sad in the light of our innate potential. We are often unable to see the gravity of the situation, as our decline has been insidious and gradual and we are therefore cushioned against any "future shock". Mr. Rangoonwala has made an unanswerable plea for the return of the play of market forces in the economy, and his words can be ignored only at our peril.

The vitality and ebullience that competition infuses into commerce and business is his theme. If profit is made a dirty word to be apologetically defended, then there is little hope of alleviating the poverty of the masses. He rightly explodes the myth of an omniscient Government possessed of powers mystical and wonderful to enable it alone to decide what is in the public interest and what is not. As he

says, the forces of commerce are unifying, while those of politics are divisive.

Central to Mr. Rangoonwala's speech is the emphasis on the basic truth that Government's laws, rules and regulations do not control commodities or business, but, in the last analysis, they control people. When controls are viewed in this light, it is seen how reprehensible most of them are. It is disturbing to see the phenomenon of the Government entering thoughtlessly into every area of the economy — ostensibly in defense of, as the overworked phrase goes, the weaker sections of society. Such intrusions have a suffocating effect on private enterprise and the economy. Our Government has just recently made a very cautious, and rather hesitant, shift towards liberalization of controls, which, small though it is, is to be welcomed. Let us hope that the Government will not be persuaded to retract even this little, under obtuse political pressure and bureaucratic power-clinging. The unacceptable face of socialism is no more pleasing than the unacceptable face of capitalism.

Mr. Rangoonwala also deals with another major problem — the canker of corruption which eats into the vitals of a society. Such a state of affairs was, in the first instance, bred by what Rajaji called the "permit-licence-quota raj". It is a truism — and, like most truisms, consigned to the unconscious part of the public mind — that amorality has become a way of life. Cynicism corrupts, and absolute cynicism corrupts

absolutely. We are suffering from "fatty degeneration of the conscience". Life is becoming more and more easy for the criminal and more and more difficult for the law-abiding citizen.

We are extremely grateful to Mr. Rangoonwala for having brought to the surface of our minds these candid home truths. Each citizen has the unceasing responsibility to ponder these truths and do what he can to ensure that they prevail. Each citizen must be willing to pay the State not only in taxes but in time and in thought. Politics will never be cleaner and our economic future will never be brighter, unless and until our citizens are willing to give of themselves to the land which gave them birth. Let us never forget the words of Daniel Webster: "Nothing will ruin the country if the people themselves will undertake its safety; and nothing can save it if they leave that safety in any hands but their own."

N. A. PALKHIVALA

President

Forum of Free Enterprise

June 7, 1982

A. D. SHROFF

(1899-1965)

Founder President

Forum of Free Enterprise



After graduating from Sydenham College in Bombay and the London School of Economics, Mr. Shroff started as an apprentice at the Chase Bank in London. On return to India, he joined a well-known firm of sharebrokers and was also teaching advanced banking at the Sydenham College of Commerce & Economics. For over forty years, he was associated with a number of industrial and commercial enterprises, many of which owe their origin and development to him. He was a Director of leading concerns like Tatas.

Mr. A. D. Shroff, eminent economist and industrialist, was associated with promotion of planning in the country even before Independence. When Netaji Subhas Chandra Bose was the President of the Indian National Congress in 1938 he appointed a National Planning Committee with Pandit Jawaharlal Nehru as the Chairman. Mr. Shroff was one of the members of the Committee.

He was one of the eight authors of the well-known Bombay Plan presented to the country by private enterprise in 1944. He was also an unofficial delegate at the Bretton Woods Conference in 1944 which set up the World Bank and the International Monetary Fund.

He served on a number of committees including the well-known Shroff Committee on Finance for the Private Sector set up by the Reserve Bank of India.

FREE MARKET ECONOMY —Key to Economic Progress and Freedoms

By

M. A. Rangoonwala*

It is a great honour to be speaking at the Silver Jubilee celebrations of this august institution. I offer you my deepfelt thanks for inviting me. And I offer you my sincere congratulations and those of the world business community represented in the International Chamber of Commerce, on your first, immensely successful, 25 years. May you go from strength to strength during the course of your next quarter century!

The Forum was, of course, founded by a very great man, the late A. D. Shroff. And the high standards he set have been admirably maintained by the eminent persons who have followed him as President — the late Murarji Vaidya, J. H. Doshi, and your present distinguished leader, N. A. Palkhivala, who enjoys the profound respect not only of his fellow countrymen but of informed people and decision-

* The author is the immediate past President of the International Chamber of Commerce. This is the text of the inaugural address at the Silver Jubilee Celebrations function of the Forum of Free Enterprise in Bombay on 12th January 1982.

makers throughout the whole world. His annual lectures on the Union Budget must rank as one of the most remarkable phenomena of the modern age and I'm sure I do not need to remind you how fortunate the Forum is to have such a celebrated statesman in its Presidential chair.

I have been greatly impressed by the work this Forum accomplishes in this huge country. May I suggest that one of your objectives for your next 25 years should be to share your ideas and methods — your recipe for success, as it were — with as many other countries as possible. So very many of them desperately need their own Forums of Free Enterprise. Could not India take the lead in encouraging their establishment elsewhere? The ICC would be more than willing to help with such an initiative. Your shining example would be a major asset in inducing others to pursue the same path towards a better future for a larger part of mankind.

It is with some hesitation that I rise to address you today — you the descendants of those great entrepreneurs which this sub-continent produced. They were far-sighted individuals who both believed in and practised free enterprise. They ventured all over the world, men of no formal education or technical know-how, but honest and hard-working and with a firm and confident faith in the free economy system. Is it not presumptuous of me to lecture the sons and grandsons of such masters of entrepreneurship on the virtues of free enterprise? Or is it perhaps salutary

to remind ourselves of those virtues in an age which so takes freedom for granted that it is being whittled away under our noses, diluting the blood of entrepreneurship in our veins without us fully realising it?

Any individual who did business at the beginning of this century would be shocked by today's world if he had not gradually got used to it over the passage of time — as many of us have. He would be shocked not so much by the oneness of the world and the closeness of different countries forged by the revolution in communications and transport — advances of which humanity is justifiably proud. Rather he would be shocked by the degree to which business is restricted, hampered and fenced in by government regulations and controls. In this sense, distances are far greater than before. You may be able technically to finalise a deal over the telephone or by telex in a few short minutes or hours — and may even be able to rush supplies to wherever they are needed with what must effectively be considered no delay at all. But and it is a very important 'but' — these technical gains in speed are frequently more than offset by the tediously protracted processes of completing official formalities and seeking bureaucratic permissions and approvals. In this respect, we live in many different worlds which relate with each other only over and around considerable man-made obstacles. As has been the case throughout history, the unifying forces of commerce are frustrated by the divisive forces of politics.

Barriers to trade and investment between countries, though regrettable by the absolute standards of the one-world ideologue and frequently harmful to the cause of maximising global economic efficiency, are not alone and of themselves a major catastrophe. What does the real damage is that government controls and restrictions extend deep and wide into our national economies, thwarting and distorting competition and the free enterprise system on a massive scale.

The fundamental *raison d'être* of the free enterprise system is that it harnesses for progress the energy and drive of individuals and their yearning for self-betterment. It achieves this through a competitive process which encourages people to work hard and efficiently in producing what consumers wish to buy at minimum cost. Remove competition, and private enterprise stands defenceless. Profit ceases to have either economic significance or moral justification. If we allow controls to proliferate which strangulate both competition and individual initiative, why do we need private enterprise at all?

In my own mind, I have no doubt whatsoever that the free market economy is the key to all freedoms. In fact, the market and freedom are really synonymous terms. We should never forget that the only thing governments can control is people. One yard of textile does not care what its price is. But people care : the people who manufacture the textile, the wholesalers

who sell to the retailers, and the retailers who sell to the consumers. And that is all controls can ever mean: 'people' control. It is never prices or goods and services but only people who are controlled, subsidised or supported by government. It is this that so many citizens fail to see or choose to ignore.

The expression "control" frequently conjures up an image of government action to help people. But when we give it its correct descriptive title of "people control", quite another image comes to mind. For, obviously, when government controls people it necessarily deprives them of some freedom. Economic controls are automatically destructive of the market economy in which people voluntarily buy and sell on mutually acceptable terms. For controls involve compelling people to act in ways they would not necessarily choose voluntarily.

In many developing countries where there is a conscious striving for economic progress, almost every policy of government has come to be justified as necessary for development and the success of the PLAN. Yet there is scarcely any yardstick by which such claims can be measured and evaluated. This would be a difficult enough exercise even if we had access to the sort of sophisticated statistics and tools of analysis available in the developed countries. Given the notorious unreliability of total absence of data in the developing countries, it is downright impossible. So the policies and programmes campaigned for

by vocal sections of our population can all be justified as promoting development without fear that their actual impact might be subject to critical measurement.

I am not at all against the idea of government publishing its view on future developments in a country in the form of an overall development plan for the general guidance of its own agencies and the private sector. But that is all it should be. Unfortunately, as far as the private sector is concerned, our experience both now and in the past is just the contrary. I once engaged in a discussion with a planner in a high official position who clearly believed that, without his forecasts and guidance, his country's economy would be "flying blind". To him, as to all planners, the world of private enterprise was one in which everybody works at cross-purpose and takes decisions solely in his "private" interest rather than in the wider "public" interest — whatever that may be.

Planning always involves compulsion even when, as it usually is, dressed up in a variety of guises to misguide its victims. Government planners will, of course, try to persuade people that The Plan has been drawn up for their own good and that the only persons who will be subject to coercion are those whose activities are "not" in the public "interest". They will claim, in their new-fangled phraseology, that their plans are not "imperative" but merely "indicative".

They will make a great public parade of democracy, freedom and co-operation by "consulting all groups in society" — "business", "industry", "workers", and even "consumers" — to seek their help in drawing up The Plan and their acceptance of its specific goals or targets.

But, of course, if the planners really succeeded in accommodating the wishes of everyone, if The Plan allowed everyone to arrange their economic activities in the manner they intended to do anyway, then it would be quite pointless and useless exercise, a complete waste of time and effort. The Plan is only meaningful if it compels individuals to produce and consume different items — or different quantities of those items — than they would have done voluntarily given the freedom to choose in unfettered markets. If The Plan is to be meaningful, it must in the nature of things resort to compulsion.

Two excuses are invariably offered for the inevitable coercion. One is that the free market produces the "wrong" goods and only government planning and direction can assure the production of the "right" ones — with the bureaucracy, of course, possessing a monopoly of mystical powers to determine what is right and what is wrong. The second excuse is that the free market does not produce enough goods and that government planning is needed to speed up the production process. In actual practice, of course, govern-

ment planning does not so much speed it up as impede the progress.

I want to dwell a little on this strangely powerful notion that government direction and coercion can in some magical way increase production above the level achievable by individual citizens applying their own enterprise and taking their own decisions in a regime of economic freedom. It seems to me self-evident that when people are free, welfare tends to be maximised — or, at least, optimised. This is because in a system of free markets and private enterprise everybody's reward tends to equal the value of what he produces. What he gets for his production (assuming he is allowed to keep it) is what it is worth in the market — the value placed on it by voluntary, uncoerced buyers. If he wants to double his income next year, he is free to try — and may succeed if he is able to double his production over the year, or if the market worth of his production rises. If he is content with the income he has — or if he feels he can only increase it by excessive effort or risk, then he is under pressure to raise his output. In a free market economy everyone is at liberty to maximise his own satisfaction, whether this consists of more leisure or more goods.

There is among planners a profound mystical belief in the power of words. They declare, for example, that they are not content with an annual growth rate of a mere 2.8% and stipulate that henceforth it shall

be 5%. And having thus stipulated, they assume that that in itself has propelled the economy half-way to their new target. I am not being frivolous. Such *must* be their assumption for, otherwise, it would be impossible to explain the deep earnestness with which they argue among themselves whether the growth rate ought to be 4 or 5 or 6%. The only thing they always agree upon is that it ought to be higher than whatever it actually is.

But *why* do they assume that setting their magic targets will increase the rate of production? By what processes do they imagine that the behaviour of millions of individual citizens will suddenly change to ensure that the national economy as a whole hits their targets? Is the man who is already making 50,000 rupees a year to be coerced into working for an income of 52,000 next year? Is the man who is making only 5,000 rupees a year to be forbidden to earn more than 2,500 next year? If not, what is gained by setting a specific annual growth rate as a government target? Why not just permit or encourage everybody to do his best and make his own decisions and let the average growth be whatever it turns out to be. Rapid economic growth is a *by-product* of good government policy; it cannot be a government policy in itself.

The effective route to rapid economic growth — assuming this is the aim — is to encourage production, saving, investment, and employment. And the way to do this is to maintain a free market economy

and a stable currency freely convertible into others at a rate determined by the market. It is to respect profits — which will in turn promote both investment and jobs. It is to refrain from oppressive taxation which drives away funds for productive investment. It is to refrain from wage controls and cumbersome labour legislation which destroy jobs. It is to permit interest rates to find their own levels and thus maximise saving and investment.

The way to slow down economic growth is, of course, precisely the opposite of this. It is to discourage production, saving, investment and employment by incessant government interventions, controls, threats, harassment and exorbitant taxation. It is to frown upon profits, to repeatedly declare them excessive, to control prices by law or intimidation, to hold interest rates down artificially, to bestow exceptional privileges and legal immunities on labour unions so that their demands become chronically excessive and threaten chronic unemployment — and then to try to offset the ill-effects of all these policies by higher government spending and consequent deficits which have to be financed by inflationary recourse to the currency printing presses.

All persons of goodwill share the same goal of raising the living standards of mankind. The differences — about which men fight, including men of goodwill — revolve around the methods to achieve the goal. Let me briefly compare those methods.

The free market method permits individuals to use their own money, skills and hardwork to back their own economic decisions in the market place. They reap the rewards of good judgement and suffer the consequences of poor judgement. Under this system, no one buys or sells or participates unless his judgement tells him to.

The socialist or centralised method means that government compels individual citizens against their will and better judgement to contribute their money or time to implement its ideas and schemes. There is no sure way to determine whether the official decisions are commercially sound because the only true economic measurement there is — the test of the market — is forbidden.

And there is a third method now popular in several developing countries — a method which I call the “compromising way” and which stems from the delusion that a middle path exists between the market method on one side and the socialist method on the other. In my book, this middle path is the socialist method. The fact that government may permit a great deal of private ownership and some private initiative in partnership with itself in no way means that government is not fully in charge. When you think about it, why should government bother to nationalise productive assets or need to compel people to act in this way or that if they co-operate voluntarily and submissively? Stalin would never have murdered any-

one if he had been sure that everyone would willingly have done exactly as he wanted.

The advocate of the third method may sincerely and indignantly deny that his is the government way. He will claim to favour only certain specified controls by government. But, in so doing, he opens the way for one control after another because he cannot put his finger on any generally accepted principle defining the limits of government activity, and thus he has no logically defensible ground for protesting against an indefinite number of additional controls. This is how — even though they may be quite innocently unaware of the ultimate consequences of their acts — the proponents of the third method are paving the way for socialism and coercion.

I accept that, if we are forbidden a free market economy, then a half-free one is better than none at all. But I hope we all agree that a half-free one is not only very far from ideal but is also invariably unstable in the sense that the coercive part is inherently expansionist. And that is bad for business confidence, bad for investment, bad for jobs and bad for economic growth and development.

Let me try to pinpoint some of the specific consequences of the socialist method which has been adopted to a greater or lesser degree in practically all countries of the world today. I shall, however gear my remarks towards the developing countries and towards the impact on the business sector.

Does anyone seriously believe that government intervention in the economy nowadays is merely to protect the weak or to redress the inequalities supposedly produced by the free enterprise system? I hope not. For, in reality, the intervention goes far beyond that. The truly disturbing aspect today is the intervention — large and growing — that takes place purely and simply to placate or curry favour with organised, vocal and politically powerful groups in society irrespective of their economic condition.

Out of this arises much of the wastage of human and other economic resources which holds production below its potential capacity. Because the assets and dynamism of the free enterprise system are suppressed, distorted and prevented from translating their full capability into actual output of goods and services, poverty and misery persist and a large part of humanity lives in constant fear of unemployment and starvation. Glaring examples of this can be found in the developing countries of Asia, Africa and Latin America. And I would like to highlight some of the policies pursued in these regions in the name of industrialisation and economic development but which have the perverse effect of perpetuating poverty and backwardness. Not that I believe their poverty is entirely of their own doing, I may add. The developed world is far from blameless in pursuing policies — particularly on the trade front — which inhibit the progress of poorer countries and set the additional obstacles to overcome which they could well do without. But let

us look at ourselves for the moment since prosperity — like charity — begins at home.

Agriculture is the mainstay of almost all the under-developed countries. In view of their high population growth rates, their agricultural sectors must grow to absorb a significant proportion of the expanding labour force and ensure they are adequately fed. Yet, at least until recently, we have as a whole been criminally neglectful of this reality. Deluded and obsessed by the idea that development means industrialisation, we have showered our scarce resources on industry, often oppressing and exploiting the agricultural sector to enable us to do so.

History should have taught us that, in any country where agriculture is squeezed for the benefit of manufacturing industry, a rebound is inevitable sooner or later. In the short run, exploitation may appear to be costless merely because reactions in the agricultural sector are slower than elsewhere. Agriculture is a way of life and economic influences take time to unsettle deep-seated custom and habit. But, ultimately, reactions and adjustments are inevitable. Investment and effort fall back; production declines. Stung by the injustice of government controls, the peasant reverts to subsistence farming and self-sufficiency — and there is no longer anyone to be exploited. In the process, industry loses its support base; the agricultural sector can no longer supply its food and raw materials and buy its finished goods. This scenario is

the common, tragic experience of so many developing countries over the past few decades.

And what of manufacturing industry? I am certainly not against industrialisation; nor do I believe that industry should never be given protection under any circumstances. There is a respectable case for protecting infant industries which I fully recognise. But I also recognise, as all psychologists agree, that a child who is protected too much and too long never grows up to be a real man and suffers from complexes all his life. The same is true with infant industries. So, where we must resort to protection, let us do so in full awareness of this danger and design the intervention accordingly.

My main criticism of the industrial policies of developing countries is that local industry is offered too many subsidies and too few incentives. On the one hand companies are provided with state handouts to encourage them to expand; on the other they are denied the foreign exchange to purchase equipment without which expansion is impossible. How can a subsidy be considered an incentive if it is immediately nipped in the bud by the same policy-makers responsible for it?

In practice, the controls and restrictions most developing countries are addicted to seem to provide the greatest incentives for expansion in those lines of production least intended, least desired, and least viable in the longer run. For example, the import

of luxury goods is always tightly restricted and so everyone finds the highest advantage in manufacturing them. And a second example. The practice of so many developing countries of maintaining the official exchange rate of their currencies at an artificially high level encourages the production of goods the bulk of whose material is imported, since imported materials bought at the official rate are usually cheaper than domestic supplies — assuming that the latter are available even. Conversely, incentives to pursue efficiency and avoid waste are almost non-existent. Indeed, more than that, the tax system of most developing countries positively encourage wasteful expenditure and the squandering of resources — frequently in the form of ostentatious living and conspicuous consumption — as well as off-the-record speculative investment.

I was recently in Jordan in the course of visiting a number of countries in that region. I was astonished to learn from the Governor of the Central Bank in Amman, that a small country like Jordan, with a population of $2\frac{1}{2}$ million people, receives remittances of $1\frac{1}{2}$ billion U.S. Dollars annually from Jordanians working abroad. I was informed that the secret for attracting such large sums to Jordan, is that all income derived in Jordan from the investment of those remittances, is tax free. When we compare these figures with remittances received, from workers abroad, in our sub-continent, the results are very disappointing.

It must be assumed that the people of this sub-continent react to the disincentives and controls they face, by remitting the minimum necessary and investing the balance in other countries. I have long believed that even though we cannot discover the true figures, the non-petroleum producing developing countries as a whole, invest much larger sums in the developed countries than vice versa. This small anecdote provides just one more reason to justify my belief.

While costly nonsenses persist in the industrial and commercial sectors of developing countries, agriculture — the largest part of developing economies and the traditional source of income, foreign exchange and employment — is reduced to stagnation and impoverishment to the point where it can scarcely make any contribution to national progress and prosperity. Incidentally, it is ironic that, while most developing countries shout themselves hoarse with indignation at the adverse shifts in the terms of international trade inflicted on their primary producers by the developed world, those same producers suffer at least as much at the hands of their own governments who rig the terms of *domestic* trade against agriculture and in favour of manufacturing. On the other side of this divide, a new class of industrial entrepreneur — which should be providing the real hope for the developing world's future progress — is thoroughly spoiled by easy gain. Its members degenerate into mere opportunists, looking only to get rich

overnight with little if any positive contribution to enlarging social welfare. For they are faced with neither incentives nor pressures to cut out waste, use resources efficiently, and push aggressively for the expansion of the national economy.

Can successful development really be achieved on this basis? Are the foundations thus laid sound enough to further that cherished goal economists now call "self-sustained growth"? The answer must be a resounding no. We can see from experience that development may continue for some time in these conditions so long as ever-increasing doses of foreign aid and loans are injected. But no real domestic effort — certainly not on the scale required — can be forthcoming against this background.

There is in the voluminous literature on economic development a theory known as "the big push". That theory argues that massive injections of foreign aid and loans are needed by stagnant backward economies in order to get them started, as it were — after which they will generate their own momentum. But this presupposes — to continue the analogy with the motor car — that both the battery and the dynamo are in good working condition to receive and conserve all the energy initially generated. If there is a leakage which wastes the energy, the car can only run with a continual "push" from outside. That is exactly what is happening in the economies of so many underdeveloped countries. Development has been accom-

panied by increasing dependence on foreign aid and loans as wrong internal policies have stifled what home-grown dynamism there was.

The lure of easy gains in industry and confiscating rates of taxation corrupt our businessmen, first by subverting the generally accepted code of conduct in the business community itself, and secondly, by inflating the ranks of businessmen through the accumulation of opportunists who call themselves businessmen but who have no sense of belonging to the business community and no moral responsibility to society generally — not to mention a lack of suitable talent and experience. The environment for making money is so easy that the most incompetent and naive of men are tempted to enter the field who would be rapidly eliminated under normal competitive conditions. This is not, of course, to suggest that new and small businessmen should be prevented from setting up — nor even that they should not be helped to develop. The only consideration is that those who enter the field should be prepared to shoulder the social responsibilities of a true businessman and identify their stake in a country with its future progress. And a vital aspect of their social responsibilities is a willing acceptance of both the disciplines as well as the rewards of business life. By this I mean fighting for the preservation of the competitive market economy system not only with words but also with deeds. We can carry no conviction or credibility if we praise the market system in principle while belying

our words with constant demands for subsidies, tariff, control and other devices to protect us from the bracing winds of competition.

I must say also in this context, that I was delighted to learn that one of the first major achievements of this Forum — way back in 1957 — was to publish a Code of Conduct for private enterprise which rapidly proved very influential. We in the ICC are working along similar lines to encourage high standards in the business community worldwide. After all, those standards were prescribed in the holy books of the world's major religions a very long time ago. It is high time the business community ensured they were effectively implemented.

The scope for large and easy gains in much of the developing world also prompts and enables businessmen to corrupt the exploding ranks of bureaucrats who control their activities. This is a simpler way of corrupting society than through politics and the electoral process. Ultimately, corruption spreads on so large a scale into every corner of society that even the most honest and law-abiding of citizens find they cannot live if they do not jump aboard the band-wagon. An individual is sometimes forced to become corrupt and immoral out of sheer necessity, and a stage arrives when that is accepted as normal. At that stage, no law can be effective against offences which have lost all moral odium. In the end, no one really

benefits. Indeed, there is a net wastage to society as a whole from which everyone suffers.

Once a country embarks on the road of controls, the controls multiply. It is a general rule that ten controls are needed to enforce one, and the controllers soon develop a vested interest in both perpetuating and extending their functions. Professor Parkinson will not mind, I am sure, if I add this little footnote to his illustrious and well-known law. So much executive and administrative talent in developing countries — what is in fact their most scarce resource — is wasted in purely negative effort, devising, implementing and enforcing controls. And, at the same time, the energy of a vast group of enterprising people is directed towards frustrating the controls. How tragic it is that so many brilliant minds on both sides, because they are denied the opportunity of self-fulfilment in any constructive pursuit, fritter away their talent in activities which bring untold misery to their fellow citizens.

Controls and high taxation serve no useful purpose. They damage all incentives for development and progress. The desirable ends they are sometimes intended to serve can be achieved by alternative measures in the fiscal and monetary field.

Let me now sum up. The development of poor countries should proceed from within. And it should be founded on an entrepreneurial urge which expresses itself through the competitive processes of a free

market economy. Controls which corrupt and stifle dynamic forces should be eschewed. If this policy was combined with the widespread acceptance of birth-control, we could raise growth rates and living standards rapidly and sustainably.

The developed countries can help by exporting the ideas implicit in a free enterprise economy and by setting an example of the advantages of this type of economic organisation. More concretely, they can help by keeping their markets open to the growing manufactured exports of developing countries and permit them to reap the benefits of the gains from trade which will increase as development advances. This would be a real partnership for global progress -- soundly-based and effective.

There is enough for all if we work hard and are prudent, though there may not be enough for our greed if we choose to live beyond our means and opt for grandiose schemes and ostentatious standards of living financed by social securities, loans, subsidies and other handouts.

The framers of economic policies in our region must devote more thought and attention to the sorts of criticism I have tried to spell out. For if controls are not lifted, if taxation is not dramatically reduced, if deficit financing is not curbed, if governments as well as private individuals do not learn to live within their means, then the crisis will come. It may not happen next year; It may not happen for 5 or 10 years. But

the way a privileged class of persons is being allowed to grow and prosper at the expense of the rest of the population, such an "explosion" is bound to occur.

The one way to avert such an explosion is to recognise the delicacy and urgency of the situation, and be bold enough to face the facts and re-arrange our economic affairs without delay.

Let us hope and pray that the Almighty may give us the guidance and strength to stand firm for what we believe to be right, overcoming our selfishness and greed, so we can make a bold, true and constructive contribution towards bringing sense and realism to this difficult economic situation for ultimate peace and prosperity in the world.

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

FORUM OF FREE ENTERPRISE

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

Membership is open to all who agree with the Manifesto of the Forum. Write for further particulars (state whether Membership or Student Associateship) to the Secretary, Forum of Free Enterprise, 235, Dr. Dadabhai Naoroji Road, Post Box No. 48-A, Bombay-400 001.

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