# Is Nationalisation of Industries in Public Interest?

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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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## I

## Historical Background

From time to time, demands are made even by persons in power for nationalisation of various industries. For instance, recently two Union Ministers have been voicing a demand for nationalisation of TISCO, TELCO, Hindustan Motors and a few other industrial units.

Nationalisation of industries is a tool of public policy. The supreme test of nationalisation of any industry is whether such a step is in public interest or not.

Nationalisation is a child of Industrial Revolution. With Industrial Revolution, the muscle power of man was expanded manyfold. By using machines, man found that he could produce several times goods which earlier had taken him several days to produce. A few persons became owners of these wealth-producing machines. They hired many persons to work on these machines. The worker was exploited by giving him poor wages (since starvation was his only alternative), making him work long hours, and in poor working conditions. Even children were made to work in deplorable conditions.

The result was that a few people who owned machines, known as Capitalists, became fabulously rich while the many who toiled as workers to produce wealth lived in misery and inhuman conditions.

While such conditions prevailed in England, where Industrial Revolution started, the natural result was an ethical protest by men with social conscience. These people known as socialists, argued that because machines (or capital) were owned by a few persons, there was exploitation of man by man. This could be ended only by transferring the ownership of that capital to the State by nationalisation. In that event, the State being run in public interest, there will be no exploitation of man by man. Social justice will prevail, thus argued the earlier day socialists.

Various groups of socialists like the Fabian Socialists in U.K., and social democratic parties in European countries actively propagated the idea of socialism, which held a great appeal to all right-minded persons.

Fifty years ago, one who did not plead for nationalisation was not considered a socialist in Europe. However, today, one who pleads for nationalisation is not considered to be a socialist!

The reason for this change is that they had in the meantime come to power, and experimented with nationalisation and found it did not work in public interest. On the contrary, many a time it worked against public interest. They found other suitable alternatives.

There were some important reasons why nationalisation failed to satisfy the socialists.

First, it was found that as soon as an industry was nationalised there was a fall in efficiency and productivity. Everybody's business became nobody's business. State as an owner is an impersonal entity, and the personal supervision and interest of private owners was found missing. Even communist Governments which go in for wholesale nationalisation have found it necessary to allow private enterprise in some form or other in order to provide goods and services required by the people. There is the wellknown statement of the Chinese Vice-Premier Deng, "What does it matter whether the cat is black or white so long as it catches mice?"

The second reason was the oppression of workers which resulted from nationalisation. Whether owned by private individuals, companies with shareholders, cooperatives or government, technical and managerial problems of industries are the same. With nationalisation, the men in charge changed from private persons to government servants. These bureaucrats had no personal stake in these enterprises as their jobs were secure irrespective of performance. They started exploiting workers, and were indifferent to trade unions.

Under private ownership, unions could not only fight managements but ultimately go to the Government for intervention in their favour. In nationalised industries, the Government has a vested interest in management and was not always sympathetic to workers and their unions. The unions found that in the last stages of their fight in any industrial dispute they were really facing the police and the army and not the managements of the nationalised enterprises.

Several years ago, the present Industry Minister, Mr. George Fernandes, was leader of a transport workers' union in Bombay. During an agitation he publicly complained that the General Manager of a nationalised unit had plainly told him that he did not care for the union, because as a bureaucrat he got his salary end of the month and it did not matter to him what the union did. This is the typical approach of Government employees put in charge of nationalised industries. It undermined trade union's and workers' rights in democracy.

It is not surprising that TISCO workers' union has opposed the proposal for nationalisation of that company. Many trade union leaders in India have started realising that workers' salaries and interests are better served under competitive private enterprise than in nationalised industries.

Another group which suffered under nationalisation was consumers. Industries exist to produce goods and services required by the public as consumers.

Nationalised industries, especially if they are monopolies did not bother about consumers. On the other hand, they started exploiting consumers. Complaints against monopoly and semi-monopoly nationalised enterprises like LIC, banks, IAC, state transport, State Trading Corporation illustrate this in our country.

Consumer interest is served by competition among producers, not by nationalisation.

There was no remedy for all new problems because parliamentary control over nationalised enterprise proved illusory. Parliament does not have time or expertise or any effective continuous mechanism to regulate these enterprises in public interest. Parliamentary committees in our country and elsewhere have pointed out how bureaucrats who run nationalised industries manage to evade parliamentary scrutiny and control.

Democratic socialists in the west, as also socialists like U Nu of Burma and Singapore Prime Minister Lee Kuan Yew, therefore, came to the conclusion that nationalisation of private enterprise did not lead to socialism, but away from it. Former British Labour Leader Hugh Gaiteskell, party theoreticians like C.A.R. Crossland and R.H.S. Crossman openly repudiated nationalisation.

Democratic socialists' modern jargon is an economy which is regulated by the State in public interest. Shareholding by Governmental financial institutions in private enterprises, and competitive Public Sector (i.e. one or more public sector enterprises offering competition to private units) are some alternative ideas of modern socialists. They do not want to block public funds by nationalising existing industries and be saddled with vast administrative tasks. It is commonsense that such scarce resources should be put to better, alternative uses and governmental administrative skills and energies, which are limited, should be used for more fundamental and basic tasks. In our country particularly, these basic tasks such as drinking water supply, village roads and post offices, primary education and health facilities, job-creating afforestation and guaranteed employment schemes have been grossly neglected because the

Government has been pre-occupied with nationalisation of industries and other issues.

It is, therefore, high time that proposals for nationalisation are given a holiday and more basic and urgent tasks are immediately attended to. The progress of the country depends on a partnership between people and Government, each attending to its own functions, and not by nationalisation. (—M. R. Pai)

II

# An Analysis of Arguments in Favour of Nationalisation

BY

**Prof. Gangadhar Gadgil**

Nationalisation has been a dead issue so far as the socialists in Europe are concerned. The British Labour Party no longer thinks in terms of nationalisation either for projecting a radical image or for achieving socialist objectives. The same is true of socialist or social democratic parties in other European countries. Even the communist parties in Western Europe are no longer ardent and enthusiastic advocates of nationalisation. Surprisingly, the Chinese communists too are offering a little more scope to private enterprise.

In India too nationalisation has ceased to be a battle cry of radicals, except of course the communists. Popular enthusiasm for nationalisation has also cooled off. There are varous reasons for this waning of interest. The politicians find that the public sector, which is already large and in control of key areas of the economy, gives them enough economic control and opportunities for patronage. In fact, they find that a public sector enterprise burdens them with a lot of difficult and unpleasant problems without presenting them with corresponding opportunities for economic achievement and political image building. The parties in opposition during Mrs. Indira Gandhi's long tenure of office also made the alarming discovery that a large public sector along with economic controls put enormous power and patronage in the hands of the ruling party. Such a concentration of economic power facilitates the climb to absolute power of a potential dictator. Thus a large public sector could jeopardize their very existence. On the other hand, politicians have found it convenient and useful to have a private sector. It can be blamed for things that go wrong. It can be easily frightened into compliance with their wishes, and it can when necessary achieve some useful economic results.

The Indian people also have discovered over the years that the public sector is not really the angel who would usher in an era of economic equality and plenty. Industrial labour has discovered that public sector enterprises are not necessarily better paymasters or employers, than those in the private sector. They have also found that a dispute in a public sector enterprise could turn into a confrontation with the Government. When such a confrontation occurs, labour generally loses the battle.

The consumers have found that public sector enterprises do not solve the problem of nagging scarcities of essential commodities and services. The scarcities have persisted over the years. Public sector enterprises are also monopolies and like other monopolies they treat the consumer with scant respect or consideration. The quality of goods and services they supply is often poor and to deal with these enterprises can be often as exasperating and frustrating an experience as that of dealing with the bureaucracy. Nor are those who run these enterprises above corruption and malpractices.

This general disenchantment with the public sector and nationalisation is reflected in the election manifesto as well as the statement on economic policy of the Janata Party. The 'Economic Charter' incorporated in the Election Manifesto makes no mention either of nationalisation or the expansion of the public sector. It certainly calls for deletion of property as a fundamental right. But this is advocated mainly in order to remove hurdles in implementation of land legislation and redistribution of land. The emphasis in the manifesto is on Gandhian values and on development of small industries as well as agriculture in accordance with those values. The only expansion of public sector envisaged is in the development of a public distribution system. One notices the same approach in the Statement on Economic Policy. This can be seen from the following quotation.

"In such an integrated economy, public sector, private corporate sector, small scale sector, cooperative industries, cottage industries and self-employment will all have a meaningful place. The public sector has to use its dominant position to serve the people, promote agriculture, cottage industries and small scale industries, accelerate development and set the tone to the national economy. In order to do this, the public sector will have to improve greatly the efficiency of public enterprises and their managerial capabilities. The Janata Party's concept of a socialist economy would require the various sectors to work within the framework of national priorities".

Thus, the statement makes it clear that the private sector has a place in the Janata Party's concept of a socialist economy. Further, it calls not for an expansion of the public sector but for its more efficient operation and use of its dominant position to serve the people.

Even the section on "Dispersion of property and curbing of concentration of Economic Power" does not call for nationalisation of big business houses. It only calls for curbs on expansion of these houses and the break-up of the inter connections of business groups. This can be seen from the following excerpts:

"The Janata Party is of the view that the Government may allow these industrial groups to expand only in those areas where such expansion is clearly in national interest and in accord with national priorities............In order to break the monopolist stranglehold of a group of companies over the market in the goods they produce, these interconnections of groups will have to be broken. In this view, the Committee is glad to note that the Government has already under examination the strengthening of Monopolies Commission."

Even after the Janata Party formed the Government at the Centre, the thrust of industrial policy was in the direction of removal or relaxation of unnecessary controls, dilution of foreign equity holdings of FERA companies, stricter control over MRTP companies and encouragement of small and village industries.

As regards the public sector enterprises, they were expected to improve their performance and generate resources for further economic development. They were called upon to justify themselves in competition with imported goods as well as goods produced by the private sector. For this purpose, the import of capital goods, some of which were already being produced by public and private sector enterprises, was liberalized. Secondly, the ten per cent price preference that was given to the products of public sector in the purchase made by the Government was withdrawn. The Gandhian concept of Trusteeship rather than nationalisation found favour with the top leadership of the Janata Party.

Mr. George Fernandes, the Industries Minister, was following this broad policy framework, when he inveighed against the big business houses and the system of family management. After all, the Janata Party was in favour of the break up of interconnections within business groups and was also committed to a participative style of democracy. At the same time, it must be conceded, that he was somewhat out of steps with the thinking and priorities of the Janata Party. He could not persuade the Janata Party to accept immediately and **in toto** his views regarding family management and big business houses.

Mr. Fernandes has subsequently come out with a proposal for nationalisation of certain key industrial enterprises in the iron and steel, automobile and aluminium industries. This proposal was put forward initially at a meeting of the Janata Party National Executive. He has subsequently expressed these views in various public forums.

He has put the following arguments in support of his proposal. These enterprises are very large in size and constitute the key sector of the economy. It is desirable that the key sectors or commanding heights in the economy should be in the public sector. Secondly, these enterprises are controlled by big business houses. Their nationalisation would, therefore, reduce the power of the big business houses which is an objective to which the Janata Party is committed. Thirdly, these industries and particularly the units in automobile industry have not modernised. This is the responsibility of enlightened managements which work in public interest. As this responsibility has not been discharged, the big business houses have really forfeited the right to manage these enterprises. Fourthly, these enterprises really depend on funds provided to them by public financial institutions. Thus, they depend on public funds. There is no reason why industries financed by public funds should be under private control. Fifthly, large industries are expected to serve certain public purposes such as industrial development of backward areas, encouragement of the growth of ancillaries and related small industries, innovation in the fields of technology and management, rural development, increase in employment and welfare of employees. These purposes are not, according to Mr. Fernandes, being adequately served by the industries in the private sector. Finally, the Government is compelled to take over in public interest and in the interest of workers, the sick enterprises in the private sector. Thus, the Government is called upon to bear the losses arising from inefficiency and mismanagement in the private sector. But it is considered improper for it to take over the profit making units in the private sector. This is an unfair arrangement. It would be quite in order for the Government to take over the profit-making units in the private sector to offset the losses it has to bear due to takeover of sick units.

It is surprising that responsible ministers of the Government of India should advance such flimsy arguments in support of a basic change in the policy of the Government of India. One would expect from him more weighty arguments particularly because his proposal involves a departure from the programmes and policies outlined in the election manifesto of the ruling party. However, as the arguments have been put forth, they need to be examined.

Let us concede for a moment, that the key sectors of the economy should be under public control. Even when this point is conceded, it cannot be argued that the sector in which these enterprises operate is not under public control. Thus, the Tata, Iron & Steel Co. produces less than 25 per cent of the output of steel coming from the big plants. The rest of the big steel plants are in the public sector. Similarly, the public sector produces a significant part of the country's aluminium output. Any further expansion in aluminium production would be at least mainly in the public sector. As regards automobiles, the public sector does not produce any commercial vehicles and passenger cars. But, trucks, required by armed forces are being produced in the public sector. Further, various State Governments are participating in the manufacture of scooters through joint sector units. In any case, there is nothing to prevent the Government from starting a large automobile manufacturing unit in the public sector.

The public sector is not the only instrument through which the Government can exercise effective control over the key sectors in the economy. There are numerous other instruments of control. In the first place, direct control can be exercised through the system of licensing as well as production and distribution controls where they exist. Licensing has been used to direct the flow of investment in particular industries and areas. It has also been used to prevent expansion of big business houses and to encourage small industries. Production and distribution of various commodities such as sugar, cloth, cement, etc. have been controlled from time to time by Government in public interest. Regulation of imports and exports and allocations of foreign exchange resources have been effectively used to bring down prices of edible oils, meat, vegetables etc. in the last two years. Export obligations for securing releases of foreign exchange had been used to promote exports. Taxes as well as fiscal incentives have been used to encourage or discourage production and investment in various channels. The investment allowance has encouraged investment in those industries, where it is admissible. Concessions in or exemptions from excise duties have been used to stimulate production in general and also to give preferential treatment to small and cottage industries. On the other hand, excise duties have effectively discouraged production of what are considered luxury articles. A number of fiscal incentives have been given to encourage the location of industries in backward areas. The Government also exercises control over rates of interest and allocation of credit by banks and financial institutions. Thus, industries located in backward areas as well as small industries are given credit at concessional rates of interest. Preference is given to small industries and other priority industries in allocation of funds of financial institutions. On the other hand, big business houses enjoy a low priority in the allocation of such funds. The financial institutions, which are under Government control, are in a position to exercise considerable influence over the activities of companies, which borrow funds from them. The conversion clause in the loan agreements, gives them the option of converting 20 **per cent** of their loans into equity. This clause has given the financial institutions a great deal of control over a number of companies in the private sector. Government is the biggest buyer and seller of commodities and services in the country. Its policies in these areas can considerably influence the operations of the private sector. The company law, with its numerous regulations and restrictions, is another powerful instrument in the hands of the Government. The MRTP Act gives the Government the power to control growth of large business houses and use of restrictive trade practices. FERA takes care of companies under foreign control. Labour legislation enables the Government to control terms and conditions of employment. Finally, the Government enjoys such large discretionary powers under the various regulatory acts, that it in effect enjoys a tremendous power to persuade, cajole or coerce enterprises in the private sector to do what it desires.

These powers do not exist merely on paper. They have been effectively used by the Government to attain various objectives. Mr Fernandes has himself used these powers to encourage investment, by big business houses in the cement industry and also the development of mini cement plants. He is using them to encourage modernisation of the automobile industry. Incidentally, the same powers have been used so far to hamper its growth. Public financial institutions hold a large percentage of shares of the Tata Iron & Steel Co. and are within inches of acquiring a majority of the shares of the company. In any case, the Government has a large representation on the Board of Directors of that company and its operations are largely controlled by it. Industries have prospered or have been ruined as a result of changes in Government policy.

One can, therefore, see that the nationalisation of the enterprises is not necessary for giving Government effective control over their operations. They can be directed or persuaded to follow any policies which the Government would like them to adopt in the public interest. In fact, it can be argued that public sector enterprises can and do violate or ignore Government directives more frequently than is done by private sector enterprises. The nationalised banks are less afraid to violate Reserve Bank directives than they used to be when they were in private hands.

This description of enormous powers enjoyed by the Government over the private sector indicates the hollowness of the argument that considerable economic power is concentrated in the hands of large business houses. If they had such power, they would have prevented the nationalisation of banks and insurance companies, which are the major sources of industrial finance. They would not have allowed the textile industry to be brought on the verge of ruin by a misconceived controlled cloth scheme. They would not have allowed political parties committed to socialist policies to enjoy power in the country. They would also not have tolerated confiscatory rates of taxation of personal income and wealth. If the political history of India since Independence proves anything, it is that the big capitalists have been utterly ineffective in influencing public policy or in preventing political parties hostile to them from holding power. By and large, they have been at the mercy of politicians and have had to kowtow to them to obtain a few measly concessions. Mr. Fernandes as a trade union leader had far greater political clout than the Tatas or Birlas ever had. The concessions they might have obtained were favours bestowed on them by politicians. They could not prevent Mrs. Indira Gandhi from acquiring dictatorial powers and if we assume that they were her supporters, they could not help her to remain in power.

Nonetheless, the Janata Party is committed to curbing the power of big business houses. But, it aims to do so by breaking up the interconnections that hold large business groups together. It wants that no producer should have a stranglehold over the market. But its election literature does not anywhere indicate that it looks upon nationalisation as a means of achieving these results. The MRTP Act, Licensing Policy, lending policies of public financial institutions and workers' participation in management are the instruments it has in view for this purpose. In fact, the emphasis of the Janata Party is on decentralisation of economic and political power. It is in favour of development of small and cottage industries, more effective implementation of land reforms and consequent transfer of land to small farmers and landless workers. It wants to transfer more financial resources to the States. A proposal to concentrate economic power in the hands of the Union Government through nationalisation is not consistent with this broad approach. Gandhiji by whose philosophy the Janata Party swears, was not in favour of nationalisation. He advocated instead the concept of trusteeship.

If Mr. Fernandes really wants to abide by the election promises of the Janata Party, he should welcome the Sachar Committee proposal to make the MRTP Act applicable also to public sector enterprises. He has, however, not publicly welcomed or endorsed the proposal. It seems he is opposed only to monopolies in the private sector and not to those in public sector.

Another ground on which Mr. Fernandes favours nationalisation of the three industries, is that they have not modernised or contributed to technological progress. He is particularly critical of the automobile industry on this score. So far as the iron and steel industry is concerned, Mr. J. R. D. Tata has very effectively replied to this criticism. He pointed out that apart from a number of technological achievements dating as far back as the First World War, the Tata Iron and Steel Co. had recently developed a new and totally indigenous process for commercial production of sponge iron, using non-coking coal as direct reducing agent. The Orissa State Government had expressed a desire to exploit the process jointly with the company. The Government of India, however, had not approved the proposal. On the other hand, it is reported to be undertaking a similar project in collaboration with a foreign firm.

As regards the automobile industry, Mr. Fernandes has ignored the technological effort on the part of the industry which has resulted in almost 100 per cent indigenisation. He has also ignored that Indian trucks are now being sold in foreign markets in competition with trucks produced by world's largest and most efficient automobile manufacturers. While ignoring these achievements, he has most unrealistically criticised the industry for not developing more efficient engines and improved models of cars. Research and innovation of the kind Mr. Fernandes has in mind requires expenditure running into crores of Rupees. The automobile units would be able to afford such expenditure only if their turnover and profits are several times larger than what they have been all along to keep automobile sales down through heavy taxation of automobile spare parts, petrol and oil. Incidentally, a recent report of the National Council of Applied Economic Research has pointed out how heavy taxation has hampered the development of automobile industry and road transport. How then can Mr. Fernandes expect the industry to spend crores on research and development?

Incidentally, the record of public sector units in the area of research and development has not been any brighter.

The defence industries depend heavily on the import of technology. So do units like BHEL, Hindustan Anti-Biotics, the fertiliser factories and host of other units. One would not like to blame them for this. Such dependence is inevitable at the present stage of industrial development which the country has reached. It would be silly to duplicate at considerable cost research already carried out abroad, instead of buying it at a relatively much lower cost. This is true as much for the private sector as it is for the public sector.

Perhaps, the most untenable argument advanced by Mr. Fernandes in favour of nationalisation is that the private sector depends on public sector funds. If they are developed with public funds, they ought to belong to the public. Even assuming that the funds are really public sector funds as claimed by Mr. Fernandes, that does not justify nationalisation. The funds are not given gratis or as a gift. They are borrowed on commercial terms. Private sector industries pay interest on them and returns the principal over a period of time. Thus, the public sector gets what it is entitled to. A lender cannot claim ownership of assets against which he lends, where his interest and principal are paid.

Secondly, the funds with the public sector banks are not public sector funds. They belong to the people and firms which maintain deposits with them. Even the funds with public financial institutions are mostly funds borrowed by the Government from the public or from abroad. The public sector institutions only act as intermediaries. They happen to be the only or principal intermediaries because of Government policy, as a result, of which the Government has created for itself a virtual monopoly of lendable funds. If this is a ground for nationalisation, hardly any company would remain in the private sector.

It is unreasonable to argue that private sector companies should depend exclusively on their internal resources or on equity capital raised from the public. They cannot accumulate sufficiently large internal resources because of high rate of corporate taxation as well as high indirect taxes on their products. They cannot raise adequate funds in the equity market because their return on equity is unreasonably low in relation to the current rates of interest. The low return on equity as well as high rates of interest are both consequences of Government policy.

Large industries, according to Mr. Fernandes, are expected to serve various public purposes such as industrial development of backward areas, encouragement of development of ancillaries, research and development, rural development, welfare of employees and growth of employment. These he claims, are not being properly served by the big industries. This statement is not, in the first place, quite correct. An increasing percentage of private sector units are being located in backward areas. The percentage of bought out items in relation to total production of big engineering units has steadily increased over the years. Most of the big industries have actively encouraged the development of a number of ancillaries. Many of the big industries have fairly good record of research and development. A number of the big business houses like Mafatlal, Tatas and A.C.C. have done pioneering work in rural development even when there was no tax incentive for such work. Except perhaps in the case of housing, performance of private sector in respect of wages, perks and welfare expenditure is comparable to if not better than that of the public sector. The private sector does not employ workers in excess of its requirements as some of the public sector units appear to do. But otherwise the big units in both public and private sector are capital intensive. To a large extent, this is technologically unavoidable. The conditions under which Indian industries operate are also responsible for the bias in favour of capital intensive techniques of production.

Mr. Fernandes contends that when private sector units turn sick, the Government is compelled to take them over in the interest of the workers and the public in general. If the Government is to take responsibility, he argues, for the loss making units in the private sector it should be also entitled to take over profit making units. This presupposes that the Government policy of taking over sick private sector units is sound and is advocated by the private sector. Both these presuppositions are not correct.

Sick units in the private sector should not be baled out by the Government. They should be allowed to go into liquidation or to be bought over by the entrepreneurs who believe that they can salvage them and earn profits. The losses should be borne by those responsible for them or by those who have unwisely lent funds to the sick units. It is grossly unfair that the taxpayers, i.e., the people, should be called upon to bear these losses. But this is precisely what is done by the Government when it takes over the sick units. Incidentally, the real capital assets of the sick units do not disappear when they go into liquidation. If they are productive, they are purchased by those who believe that they can be used profitably. Their value is reduced, which is in public interest. Those who buy the assets have to employ labour in order to put them to productive use. The labour may not be employed on the same terms as before. But this is inherent in the logic of the situation.

The workers' legitimate interests ought to be protected. But the proper way to do this is to have an employment security scheme, which would entitle unemployed workers to a certain minimum monthly income during periods of unemployment. To run loss making units in order to ensure continued employment to workers is an unwarranted social waste. This would amount to creation of a new rentier class of organised workers. Resources which could otherwise be used for increasing production and employment would be used to sustain this rentier class. Such a policy would also create a sense of irresponsibility among the workers. They would be assured of their wages irrespective of whether the work they do is productive and profitable or otherwise. They, therefore, would not feel any sense of responsibility for the commercial success or viability of the enterprise for which they work. This is not the way to make the workers responsible partners in enterprise as the Janata Party would like to do.

Behind all these arguments of Mr. Fernandes is a presumption that the private sector is not a part of national economy. It is considered to be beyond the pale of public control, and its existence is considered to be contrary to public interest. This is far from true and this is certainly not the view of the Janata Party as can be seen from the following extracts from its statements on economic policy.

"In short, the Janata Party would work for the integrated and planned development of the national economy ......................In such integrated economy public sector, private corporate sector, small scale sector, co-operative industries, cottage industries and self-employed people will all have a meaningful place."

In other words, Janata Party is committed to the creation of a pluralist national economy in which various sectors, including the private corporate sector, have a legitimate place. It considers it to be in public interest that the private sector should exist. It does not consider it desirable that the economy should consist of only one sector of nationalised industries. It expects the private sector as well as the public sector to work within the framework of national priorities.

Mr. Fernandes might argue that he is not against the private sector but only the big business houses in the private sector. But to nationalise big business houses and concentrate further economic power in the hands of the enormous public sector would be a remedy worse than the disease. His party is aware of this and favours use of MRTP Act, the Industries Development and Regulation Act and the Companies Act, for curbing the power of big business houses. In fact, it is not averse even to the expansion of big business groups. The Statement on economic policy states "the Janata Party is of the view that the Government may allow these industrial groups to expand only in those areas where such expansion clearly is in national interest and in accordance with national priorities."

As noted earlier the Government has such enormous regulatory powers that it can easily make the private sector, including the big business houses, operate within the framework of national priorities. In fact, in the interest of creating a genuinely pluralist economy, it is necessary to reduce these regulatory powers and also to put curbs on the public sector, which controls 40 per cent of the industrial production and which enjoys considerable monopoly power. The Janata Party has already moved in this direction by eliminating a number of controls, relaxing other controls, decanalising the imports of certain commodities and also withdrawing the 10 per cent price preference to public sector enterprises. The Sachar Committee has recommended that the MRTP Act should also be made applicable to public enterprises. Further, the Prime Minister and the Finance Minister have strongly admonished the executives of the public sector enterprises for the poor performance of that sector.

It would, therefore, be logical for Mr. Fernandes to make efforts to improve the performance of the public sector enterprises and to put curbs on the concentration of enormous economic power in their hands. However, instead of doing this, he is expressing extreme annoyance with the criticism of the public sector and advocating its further expansion, through nationalisation and also through its participation in the production of consumer goods. In fact, he went so far as to reassure the executives of public sector enterprises after they had been admonished by the Prime Minister. He is reported to have observed that the executives of public sector enterprises need not feel apologetic of their performance. He called upon them, it is reported, to vigorously defend the public sector and strive for its expansion. He asserted that the concept of mixed economy was the bane of the public 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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