

ROLE OF PRIVATE ENTERPRISE

Some Unjustified Charges

By THAKORELAL M. DESAI

That for several years now, private enterprise has been the target of sustained but very largely unjustified attacks by politicians and public men is an undisputed fact. While the Prime Minister has, on occasions, tried to provide a corrective, by a modest recognition of the worth and usefulness of the private sector in the economic development of the country, not all the leading men in his Government have been equally fair in their attitude towards this important sector of our country's economy.

CONDEMNATION

The latest instance of such condemnation is provided by Mr. T. T. Krishnamachari, then Union Minister for Commerce and Industry, at distant Madurai, when he addressed the Madura-Ramnad Chamber of Commerce on August 5. Two of the serious allegations he made against private enterprise were that (i) it had not contributed its full share to the national economy by meeting production targets; and (ii) that it had not shown any initiative in building up new industries. In support of these contentions, Mr. Krishnamachari observed: "I have found nowhere any instance of private

enterprise coming forward voluntarily to start any major industries or to expand any industry so as to keep pace with the rising demand." If what he said were correct, his verdict that "private enterprise has failed me" would certainly be unassailable.

But are the charges he levelled against the performance of private enterprise supported by facts? It is indeed, surprising that so far not a single one from amongst the numerous organisations of commerce and industry or prominent industrialists has come forward to challenge the sweeping charges levelled against their very *raison d'être*. In the face of this unfortunate failure, it is all the more gratifying that at least the Chairman of the Tata Iron and Steel Company, Mr. J. R. D. Tata, has grasped the limited opportunity recently offered to him by the general meeting of the Company to reject in very general terms this grave indictment not only of a whole class of society, but of what amounts to the way of life of the nation.

Repudiating the charge that private enterprise had failed to deliver the goods or that it had shown no initiative,

Mr. Tata said that this appeared to him an unproved assertion because there was surely enough evidence available that "private enterprise in India has not upto now had the freedom of action and the incentive it enjoys in the countries where it has proved so strikingly successful." Any fair minded person would agree that in a more favourable climate than that which has prevailed here for some years, accelerated progress and a far greater amount of Indian and foreign capital would have been forthcoming. With regard to the other accusation that free enterprise in India had shown no initiative in recent years also, he felt that it was particularly hard to take. In fact, he expressed surprise "at the amount of initiative it has actually displayed, notwithstanding the discouragement and disincentives to which it has been subjected."

It would, therefore, be worthwhile to examine what account private enterprise has in point of fact given of itself by way of its performance in the context of the grave charges made by the Minister. However, before attempting this, it is necessary to point out that even prior to the First Plan period, both during and after the war, private enterprise had constantly striven to make the best use of the available opportunities for developing new industries in the country, in spite of immense difficulties.

Throughout the period, the basic trend of private enter-

prise, it must be conceded, was to explore new lines of development as exemplified in industries such as bicycles, grinding wheels, non-ferrous alloys, ship-building, automobiles, machine and small tools, chemicals, belting, abrasives, ball-bearings and piston rings, to name only a few out of about three to four dozen. In fact, the programme for industrial development under the First Plan itself had stemmed from the schemes which private enterprise had already formulated. All that the Government did was to approve and accept some of these and to string them together.

In selecting the last four years on which to base his judgment, Mr. T. T. Krishnamachari has missed the basic significance of the contribution of private enterprise to the early beginnings of a planned economy. It could also be argued with some justice that the Plan itself acted as a brake on free and spontaneous industrial development which would have taken place otherwise. It needs no stressing that private enterprise can undertake only that which the planners indicate or allow. Because industrial activity was regulated by the Government, many schemes which were on the verge of fruition had naturally to be abandoned.

There is no need, however, for private enterprise to be apologetic even with regard to its achievement during the First Plan period. It does not also have to hark back to its success in the pre-Plan period. Mr. Krishnamachari has the

right to judge the performance of free enterprise in the implementation of the First Plan. But free enterprise, on its part, has equally the right to expect that this judgment be impartial, objective and based on the evidence on record.

Away from the toil and turmoil of the work-a-day world, the Planning Commission itself, which set a certain task to private enterprise, is, possibly the best judge to form an opinion on the measure of its achievement. The Commission gives a clean bill of health to the private sector in this respect. In its latest publication, "Programmes of Industrial Development, 1955-61," the Commission states that investment on new projects and expansion programmes in the private sector had reached 100 per cent of the original target of about Rs. 233 crores, while that in the public sector fell short of the target by nearly 40 per cent, only Rs. 47 crores having been invested against the expected outlay of Rs. 94 crores. The Commission also gives a long list of industries, which runs to over a score and a half, including textiles, sugar, vegetable oils, paper, caustic soda, bicycles and electric transformers, in which capacity targets were either fulfilled, nearly fulfilled or over-fulfilled.

So too, the World Bank Mission reporting on the economic programmes and policies in India has recorded its conviction that private business in the country is "definitely expansion minded" and that "a substantial increase in

investment is currently taking place."

In fact, as many as two dozen products, including industrial boilers, typewriters, jute mill machinery, road rollers, electric and water meters, thermos flasks, wind mills and newsprint came to be manufactured, along with the making of a large number of components of several assembling industries in addition for the first time in our country since 1951, the very period which the Industry Minister has chosen for basing his unfavourable judgment. Can any one accept for a moment that all this could have been achieved without the exercise of imagination, resourcefulness, spirit of enterprise and willingness to take calculated risks, in the face of recurring loose talk of nationalisation, restrictions on returns to investors and stepping up the incidence of taxation on those very classes, which contribute risk capital for the promotion of new industries?

Mr. Krishnamachari seems to believe that free enterprise did all this because the Government wanted it to undertake many of these schemes. He complains that he found nowhere an instance of private enterprise coming forward voluntarily to start any major industry or to expand existing ones to keep pace with the rising demand, in spite of all this solid record of achievements.

It is no secret that the scheme for the expansion of the steel plant at Jamshedpur did not come as a result of official prod-

ding. The fact is that repeated requests made by the Tata Iron and Steel Company in the years after the war, both to the Tariff Commission and to Government, for an increase in retention prices from which the Company could finance the expansion of steel production were rejected. At last in 1953, the Tariff Commission accepted the Company's plea by recommending a two per cent increase in the return on the gross block, such increase to be taken to reserve for the specific purpose of modernisation and expansion. Government rejected this recommendation, thus preventing an additional Rs. 50 lakhs per year from being set aside and ultimately ploughed back into the industry. It was only in 1955 that Government accepted the need to provide an element in the steel price structure which would go to meet a part of the extra finance required for the Industry's expansion plans. Government also turned down an offer initiated by free enterprise to establish a new iron and steel plant at Durgapur.

A running series of unfair accusations has set public opinion against free enterprise. It has, at the same time, gone a long way in inspiring a sense of impending doom amongst those engaged in free enterprise. It is to their credit, however, that they have not lost

heart; instead, they have rightly responded to such unfair attacks by organising the Forum of Free Enterprise to educate public opinion on the fundamentals of free enterprise and the contribution which it had made and can still make in the years to come to national welfare.

REJOINDER

It is for the Forum to prepare and publish a detailed and documented rejoinder to the prevailing belief regarding free enterprise which has been repeated by many without taking the trouble to sift the evidence before them. In the meantime, it is all to the good that Mr. J. R. D. Tata, to quote from his recent TISCO speech again, has given a dignified and solemn assurance both to the Government and the public that "Indian industry need no compulsion to induce it to collaborate with Government or to make its full contribution to the economic development of the country. It is prepared to take the necessary risks and to make the necessary sacrifices, but it asks to be left in reasonable peace to do its allotted job." Whether free enterprise will get this much needed respite, to enable it to give the best it can, is, however, problematic, in the present mood of the Government. Is it not like tying up a man in knots and blaming him for not sprinting?

With best compliments of :

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