

State Trading And Democracy

"Doctrinaire Dogmas"

By MURARJI VAIDYA

State trading in our country has received in the past few months a great deal of attention consequent upon the formation of the State Trading Corporation of India. Since then, Government spokesmen have tried to impress upon the people the virtues of State trading as an important step forward in the direction of the evolution of a socialist pattern of society. Therefore, it would be interesting to study how a shift has taken place even in the countries of eastern Europe in recent times in spite of the fact that State trading has been an integral part of their political and economic set-up.

IRONY

At the first post-war congress of Polish economists many speakers severely complained against "excessive bureaucratisation and inadequacy of centralised planning." Prof. Oscar Lange in his address pointed out how the lack of proper statistical data and bureaucratic handling of the situation had rendered the past treatment of economic problems superficial and inadequate and emphasised the need for decentralisation and greater freedom for creative research. One of the leading participants, Prof. W. Brus, reacting strongly against Marxian economic dogma made a powerful plea for

reinstating "the law of supply and demand as the means of determining price and value." He affirmed that "the price which does not balance the supply and demand is in fact unjust."

It is a strange irony that when these countries have started thinking in terms of discarding some of their pet ideological policies, we, in this country, in deference to certain doctrinaire dogmas should slowly but steadily be driven towards "Nationalisation" and "State trading" as the only means to a socialist pattern of society. Mr. J. R. D. Tata, in his recent annual speech at the TISCO, rightly sounded a note of warning against the trend towards a highly centralised form of state capitalism.

It has been difficult to appreciate the constant shifting of ground for the excursions of State trading into the sphere of foreign trade. In spite of the fact that the State Trading Corporation was originally declared to have been constituted mainly for the purpose of building up our foreign trade vis-a-vis the communist countries, the Corporation in the last few weeks has spread its activities into fields of internal trade as also into those spheres of our foreign trade, which the normal trade channels have satisfactorily carried

on for generations past. The entry of the Corporation into the distribution of cement, into the export of manganese and iron ores and its possible incursion into the distribution trade of iron and steel as well as oils and oilseeds are in sharp contrast to the declared intentions of Government.

It passes one's comprehension why the activities of the State Trading Corporation should have been expanded in these directions with such rapidity, soon after the announcement of the new Industrial Policy by the Prime Minister in the Lok Sabha in April last. At a time when we have launched upon a huge programme of economic development in the shape of the second Five-Year Plan, with targets which even the World Bank Mission has described as too ambitious, the greatest need is a spirit of peaceful co-existence and co-operation in all spheres of economic activity. The tasks before us are so great that it is futile on the part of either the State or free enterprise to try to tread on each other's toes. Moreover, with our limited resources, both in money and in administrative and technical personnel, any attempt to displace the normal trade channels by the State can only result in the dissipation of these limited resources, not to speak of the bitterness and frustration that any such displacement would create.

FAIR FIELD

The Industrial Policy statement has accepted unequivocally the need for the existence

of the private sector and for its expansion in the fields allotted to it. No less a person than the Prime Minister himself has time and again stressed the importance of providing a fair field to free enterprise. At the time of announcing the first Industrial Policy Resolution, the Prime Minister was good enough to assure us that:

“When you allow private enterprise, you should give scope, freedom and encouragement to it to develop.”

Again, in the course of the Policy statement in April last year, while discussing the respective roles of the public and private sectors, he observed :

“Accordingly, the State will progressively assume a predominant and direct responsibility for setting up new industrial undertakings and for developing transport facilities
... At the same time, as an agency for planned national development, in the context of the country's expanding economy, the private sector will have the opportunity to develop and expand”

The recent trends unmistakably point in the direction of increasing encroachment upon the sphere of free enterprise. Vast changes in the economic policies indicated by the amendment to Article 31 of the Constitution, the nationalisation of air transport, the Imperial Bank and life assurance, semi-bureaucratisation of the co-operative movement, drastic changes in the Com-

pany Laws, the establishment of the State Trading Corporation involving the taking over of a sizeable part of the internal and external trade from normal trade channels can hardly be said to be in consonance with the spirit of the policy enunciated and the assurances given to free enterprise.

LARGER ISSUES

Then, again, the larger and more fundamental issues of freedom of enterprise and of the need for preventing the concentration of economic and political powers in the same hands make it absolutely essential that the State should not concern itself with those economic activities, which have been successfully operated by the private sector. The history of State trading in almost all countries has been one of dismal failure (except, of course, in communist countries where State monopolies give an outward appearance of successful functioning through State trading, but which, in effect, have resulted in shortages of goods, high prices and hardship to the consumers, loss to the national exchequer and inefficiency and red-tapism in execution). Democracy and an excessive concentration of power in the hands of the executive go ill together. We, in this country, are still in the formative stages of our democracy. We are just beginning to build up the foundations of a strong and stable economy. Our industrial structure is yet imbalanced. A good deal of effort and vast resources are re-

quired to set up many new industries and to expand the few existing ones. Why should then any frustration and bitterness be caused by the State among that section of the community, which has been carrying on its inherent constitutional right of trading in the commodities of its choice?

The present stage of development in some of the industries and trades, which perhaps tempts the entry of the State because of its promise of assured revenues, has been reached highly due to the unremitting toil and exploring genius of many small businessmen and traders who had invested their life's fortunes and braved many vicissitudes in their effort to establish their units on sound lines. The attempt to interfere unduly with production policies and the distribution mechanism can only result in smothering private initiative and destroying incentive for expansion and development.

So far as our export trade is concerned, the private sector has been remarkably successful. Many new markets have been explored and goods which were not being exported previously are finding buyers in the world. It is, therefore, rather disquieting to find that Government is thinking of entering this field of activity to the detriment of hundreds of exporters who have been traditionally engaged in these lines. The available export figures provide positive proof of the fact that exporters in this country have been able to secure the most favourable

terms subject to the supply conditions here and the export policy of our Government.

FEARS

Developments following the establishment of the State Trading Corporation confirm our fears entertained at that time that the assurance that the Corporation will not supplant but supplement the activities of the traders might remain a pious hope. The trend appears to be for the State to enter into more and more lines of activity in order to augment its resources and in that process to deprive the country's individual traders, large and small, of their livelihood. Surely, a few lakhs by way of profit should not tempt Government away from its rightful role of a guardian and protector of trade.

What has been stated above applies with equal force to other features of the commercial policy of our Government, viz., canalisation of trade in certain commodities through a few specific or monopolistic channels to the detriment of a large number of citizens. I am referring to the canalisation of import trade in caustic soda and soda ash in raw silk and in tyres and tubes, and the possible canalisation of steel imports in the near future.

Such developments result in increased costs, lower efficiency and the loss of freedom of trade. Is it too much to hope that the Government will pay heed to the plea which trade and industry from all parts of the country have made to desist from spreading the activities of the State Trading Corporation beyond the limited sphere of trading with communist countries? A retreat from the steps already taken will redound to the credit of a democratic Government.

At the same time, the increasing incursions of the State into the sphere of the private sector, both in industry and in trade, make it necessary for the business community to conduct themselves in such a manner as would assist in securing greater support and sympathy from the community at large. The newly started Forum of Free Enterprise has rightly emphasised in its manifesto the need for developing and fostering healthy traditions in the sphere of trade and industry. Their business methods, practices and standard of integrity should be such as would not give occasions for grievance from the public. They should also take a more enlightened view of their social obligations and take a leading and active part in all activities to the benefit of the common man.

With best compliments of :

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