

THE ROLE OF FREE ENTERPRISE

A Case For Economic Democracy

By M. R. MASANI

In October, 1917, when news reached Lenin that Kerensky's Government had fled, Lenin emerged from the underground and appeared at a meeting of the Workers' and Soldiers' Soviet of Petrograd. Walking rapidly up the aisle, he mounted the rostrum and, when the applause had subsided, he said: "We will now proceed to the construction of a socialist society." Just like that—as simple as though he was proposing to put up a new barn for the cows or new stables for the horses! Thirty-nine years later Khrushchev was to give us a lurid glimpse into the kind of socialist society that actually got constructed in the process.

THE DANGER

There are many in our own country who, undeterred by the moral of this story, still believe that a completely nationalised or socialised economy can co-exist with the kind of political liberty that our Constitution guarantees and we enjoy today. It is true that most of those who think on those lines are inspired by idealistic considerations such as their craving for a more just and equitable social order. It is also true that all political parties in this country, except only the Communist Party, are pledged to constitutional and democratic methods. Yet the danger that we may, despite such good intention, find ourselves on a path that is

undemocratic is not altogether an imaginary one.

As far back as 1946, before the mixed economy became the accepted policy of Government, I had occasion, in the course of an address delivered under the auspices of the University of Bombay, to make "A Plea for the Mixed Economy". I still believe that a mixed economy in which State and Free Enterprise join, as equal and autonomous forces, to serve the needs of the people is the best possible system for this country. It is sad that one should have to repeat this plea a decade later, at a point of time when the balance of the mixed economy is being rudely upset and it looks as if it may cease to be the policy of our Government.

It may not be necessary, except parenthetically, to recall recent developments such as the nationalisation of life insurance and the incursion of the State Trading Corporation in unexpected and unscheduled fields such as those of the export of iron and manganese ore, the import of iron and steel and the distribution of cement. What is disturbing in these developments is not so much the appearance of the State as the fact that in each case a monopoly is sought to be established, and that these measures were taken in one case by Ordinance and in the other by administrative action

without the public and parliamentary discussion that is normal in a democracy.

What has not attracted as much attention as these developments is the danger that looms in the distance to the entire system of peasant proprietorship on which this country's agriculture is based. In the past few months, certain important leaders of the Government have repeatedly made the statement that in a country like India the only efficient way of cultivation would be the co-operative way. The Planning Commission, it is reported, is greatly impressed by the way China has developed her agrarian co-operatives with extreme rapidity. The *Economic Review*, the fortnightly journal of the A. I. C. C., both in its April and June issues, significantly repeats the Chinese communist analysis of the farmer class being divided into four categories—the labourer, the small peasant, the middle peasant and the rich peasant. To cap it all, a Government delegation has been sent to communist China to study the methods of agricultural "co-operatives" which are known to students of the subject to be nothing but collective farms of the Russian pattern.

In the light of these trends, it is by no means premature to examine the validity of the assumption that an economy where industry, trade and agriculture are all monopoly of the State is consistent with the maintenance of parliamentary democracy and the rule of law.

Today industrial management forms the centre of a triangle of pressures exercised

upon management by the parties at the three angles—the worker, the investor and the consumer. Labour demands higher wages; capital asks for higher dividends; and the consumer requires better and cheaper goods. Management, to do its job and survive must take risks and try to meet all three demands by using experience, enterprise and efficiency. The worker has the right to change his job or to go on strike, the investor the freedom to invest his money where and when he pleases, and the consumer the freedom to buy or not to buy as he pleases. Through the exercise of these freedoms, self-interest is turned into public interest. This is the path of economic democracy. There is no other way.

It is not difficult to imagine what would happen if the operation of the law of the market—of supply and demand—were eliminated through the gradual establishment of a State monopoly of industry and trade. In the face of such a monopoly the worker, the investor and the consumer alike would lose his freedom of choice. To the worker, the bureaucrat will say: "I know what is best for you. Do the work you are told and don't argue about wages." To the investor he will say: "This is all you can earn on your investment and no more." To the consumer he will say: "I shall tell you what you may or may not buy."

BENIGN CONTROL?

It may be urged that, so long as all this is done under the benign control of a Parliament elected by the people and

responsible to the people, there is nothing very shocking in it. That plea, however, begs the question. Once the consumers' preference ceases to influence decisions as to what is to be produced and at what prices, who is to decide the thousand and one priorities which must be established before planning of this total kind can be made effective? Is it to be seriously suggested that the sovereign people will, through parliamentary elections every five years, be able to maintain effective control over the executive of the day?

Even as it is, with a country and an electorate as large as ours and with the level of literacy and of public consciousness as low as it is, democracy in India is a tender plant which needs careful nurturing. When, however, the activities of the State are expanded to impinge on every economic and social aspect of the people's lives, can there be any doubt as to who will in practice impose their choice on the people in the name of national welfare? We do not have to wait for the future to unfold itself on this point.

In the course of a report laid on the table of parliament on August 13 by Mr. Paul H. Appleby, an American expert on public administration, severe criticism is made of what Mr. Appleby evidently regards as the impertinence of parliament and of the Auditor-General in seeking to supervise the working of State enterprise. "What India needs more than anything else," sermonises this expert, "is more Government by joint secretaries, more Govern-

ment by under-secretaries and more Government by managing directors and their subordinates. This is the only way in which there can be more Government altogether..."

That even the most ruthless oppressors and exploiters, not to mention well-intentioned experts, find little difficulty in identifying the national interest with their own needs and interests is well illustrated by one of the many revealing admissions made by Khrushchev in the speech to the 20th session of the Communist Party Congress of the Soviet Union in which he lifted the veil from the horrors of the Stalinist epoch. "Stalin was convinced," he said, "that this (the terror, butchery of innocent people, etc.) was necessary for the defence of the interests of the working classes against the plotting of the enemies and against the attack of the imperialist camp. He saw this from the position of the interest of the working class, of the interest of the labouring people, of the interest of the victory of socialism and communism. . . In this lies the whole tragedy!"

BIGGER TRAGEDY

How very true. The much bigger tragedy, however, is that the Soviet social and economic system was such that it permitted this one man to perpetrate all the atrocities that Khrushchev recounted in his speech for two decades and a half without let or hindrance. The only thing throughout history that has restrained power is countervailing power. Such countervailing power in the form of an opposition to the Government of the day can only exist if there are in

society autonomous "social forces" like peasant proprietors, professions, trade unions of workers, factory owners, businessmen, newspapers, priests and educationists, each of them standing on their own legs and not dependent for their existence on the mercies of one particular force among them or of the State. Once these classes in society had been liquidated by Stalin, that check of countervailing power was removed. It was Karl Marx who had once said that those who own property are free and those who do not are not free. How right he was. Yet, illogically, he concluded that freedom would expand through the abolition of property!

It was a principle of ancient Indian policy that those who controlled wealth should not be allowed to control the Government, while those who controlled the police and army should not run factories or farms. "*Jhyan Raja Vyapari, Tyan Praja Bhikhari* (Where the King trades, the people are paupers)." Imbued with this tradition, the wisest men of our generation have been early to see the danger that an all-powerful bureaucratic State represents to the country's liberties. How often did Gandhiji affirm that Swaraj must not mean, *a la* Appleby, the replacement of a white bureaucracy by a brown one? "In my opinion," he said once, "the violence of private ownership is less injurious than the violence of the State.. We

know of many cases where men have adopted trusteeship but none where the State has really lived for the poor." Today Gandhiji's greatest living disciples, Acharya Vinoba Bhave, and Jayaprakash Narayan both repeatedly warn us against the "creeping paralysis" of the Welfare State.

WELCOME STEP

In this context, the establishment in recent weeks of the Forum of Free Enterprise is to be welcomed. To many like me it will be of interest not so much because it proposes to put the case for Free Enterprise before the public but because it also proposes to educate the people about the loss of individual and political liberty which is threatened by too wide an elimination of forces such as industry, trade, independent professions, a free press, free trade unions and a landed peasantry. There is need in the present climate for a corrective to the passion for equality and social justice which blinds many good people from an awareness of where they are going. One is reminded of the story of the mule that the farmer took to market and sold at a very reasonable price—a good, healthy, upright, athletic animal. When the buyer, however, turned to drive away, the mule ran straight into a tree. "Look here," yelled the buyer, "this mule you sold me is blind." "No, he ain't blind," said the farmer, "he just don't give a damn."

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