

WHERE IS ECONOMIC POWER  
BEING CONCENTRATED?

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**"People must come to accept private  
enterprise not as a necessary evil,  
but as an affirmative good."**

**—Eugene Black  
President, World Bank**

# WHERE IS ECONOMIC POWER BEING CONCENTRATED?

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It is stated as one of the objectives of planned economy in India that there should be "reduction of inequalities in income and wealth and more even distribution of economic power."

We are told again and again that we should prevent the concentration of economic power in the hands of a few individuals. What do the critics of private enterprise mean to convey? Do they contend that too much power is already concentrated in the hands of private enterprise and it should, therefore, be broken up? Or is it their view that there is the danger of such power being concentrated in the hands of the private sector and all possible steps should, therefore, be taken to stop such concentration? Let us, therefore, examine what has happened hitherto and what is being done now and ascertain where economic power is being concentrated in recent years.

It may be argued that individuals acquire economic power (1) by building up industries, (2) by widening their trade activities, (3) by regulating production, (4) by keeping the distribution of important and vital commodities in their hands, (5) by determining the price policy of products which are largely in demand, and (6) by acquiring and building up monopolies in industries, trade and in the distribution of vital products.

At the same time, it is admitted on all hands, that if a nation has to develop its economic life, it must have the spirit of enterprise; it must have the private sector. No nation can become prosperous without the existence of a vigorous private sector

which plays its vital role in the development of trade, commerce and industry of the country.

I, therefore, felt very happy when I heard the Prime Minister telling us recently that he welcomed enterprise in individuals, enterprise to take risks, to climb the Mount Everest. We all realise the hazards, dangers and risks of going to the top of the greatest mountain in the world. I was, therefore, glad to find that here at last was the Prime Minister who appreciates and is anxious to encourage the spirit of enterprise in the private sector. But when I went on reading his speech further, I felt a sense of keen disappointment. After welcoming the spirit of enterprise in individuals in his characteristic manner, I wonder whether the Prime Minister was giving expression to his deep conviction when he added:

“Free enterprise means creation of monopoly which prevents others from progressing, unless they come under the shadow of that monopoly.”

When such a serious charge is made by the Prime Minister of the country, it is bound to have serious repercussions on the fortunes of private enterprise.

The question before us, therefore, is: “Does free enterprise create monopoly?” It is the private enterprise that built up a number of industries during the last few decades. It is responsible for the present position of the textile, the jute, the silk, the rayon, the cement, the sugar, the shipping, the automobile and such other industries. Whichever industry we take, we find that private enterprise has made a remarkable contribution to its development. It had to struggle hard for the establishment of these industries against heavy odds. It had to make heavy sacrifices in putting them on a sound economic basis. No attempt has been made or can be made under such circumstances, to establish monopoly in any of these industrial fields.

Whether the monopoly is acquired or not in any industrial field can be determined by the application of two important tests. Can you prevent the entry of a new entrepreneur to run the industry in which you are engaged? Can a single illustration be given to prove that if anybody wanted to start the textile industry

or the jute industry, or the sugar mill, etc., he was prevented from doing so? The second test is whether any industrialist created such conditions in any industry as helped him in continuously exploiting the consumers of the products of that industry, or in raising the price of his products to such high levels as would hold the public to ransom. The critics have not adduced any evidence to justify their charge. We must, therefore, discard the theory that enormous economic power was concentrated in the hands of a few individuals before Independence, particularly when we know that some of these industries had actually to struggle for their very existence. I do not, therefore, for one moment believe that free enterprise creates monopoly. On the contrary, competition of free enterprise is the best guarantee against formation of monopolies.

Coming to recent times, let us see if any radical change has taken place in the situation. Is such a monopoly being secured by a few individuals since India attained independence? With the enormous powers which the Government has taken to itself for the licensing of industries, for regulating production and distribution, for fixing the prices of commodities and for appointing the managing agents or the managing director of the industries concerned, it is unthinkable that private enterprise can establish monopoly in any industry either by preventing a fresh entrepreneur from coming into his field or by fixing such a price of his products as would lead to the complete exploitation of the consumer. We, therefore, regret we cannot agree with the view of the Prime Minister that free enterprise means the creation of monopoly. With the vigorous manner in which the industrial activities of the individuals and of the joint stock companies are controlled under the various provisions of the Industrial Development and Regulation Act, from pre-birth to after-death, it would not be possible for individuals and companies now to build up monopolies in any industries in which they may have been working.

There are a number of controls which are imposed under the different provisions of the Industrial Development and Regulation Act. I do not wish to deal with all the controls which the Government is exercising today. There is one control which,

however, merits special attention because it cuts at the very root of the economic power which one might like to acquire. Suppose my friend, Mr. A. D. Shroff, wants to start an industry. Suppose he has acquired the licence to do so and has also obtained the permission to raise the necessary capital from the Controller of Capital Issues. He then invites the public to go in for the shares of the company he may have floated. You and I will run to buy the shares of that industry. The capital may even be over-subscribed. The response of the public to his invitation to subscribe to the shares of his company will show that they have got full confidence in his integrity and ability to run the industry in question. But the crucial question is — and it is a serious “but” — will he be able to run the industry if the Gods at Delhi are not favourably inclined towards him? In spite of the unanimous decision of the shareholders of the company, the Government may not appoint him as the managing director or the managing agent. Who has got the economic power — the industrialist who wants to run the industry or the powers-that-be at Delhi, who accuse private enterprise in season and out of season, that vast economic power is being concentrated in the hands of a few individuals?

As regards the working of the company the modern tendency is that larger and larger number of people invest their savings in joint-stock companies. Their voice is heard in the deliberations of the company. The shareholders now cannot be denied the right of having a proper and effective say. Out of the 55,000 shareholders in the Tata steel during 1958-1959, 23,872 shareholders hold shares worth less than Rs. 1,000. Out of the 37,700 shareholders in the Scindia Company, 22,846 shareholders hold shares varying from 1 to 50. As regards the Central Bank, out of 24,707 shareholders, 20,623 shareholders own shares from 1 to 50. So far as the A.C.C. is concerned, 20,961 shareholders, out of a total of 37,613, have got shares 1 to 10 registered in their names. If anyone were, therefore, to study the list of the shareholders and the nature and extent of their holdings in our joint-stock companies, he would be driven to the inevitable conclusion that the individuals at the helm of affairs will not be able to get the economic power concentrated in their hands.

One of the vital sources from which economic power can be acquired is the control over finance. Who has got the control over finance today — Private enterprise or the Government? Private enterprise cannot draw capital from the market without the consent of the Government. Even if the permission to raise the necessary capital is given, you cannot invite the shareholders to subscribe to the capital of your company at any time you like. If the Government proposes to float its loans, it will not allow you to draw the money from the public unless the loans are out of the way.

This is not the only difficulty — serious as it is — which private enterprise has to surmount. The country has got only one Investment Pool. The Government draws away from this pool large sums of money, firstly, by way of direct and indirect taxation, secondly, by their borrowing policy, and thirdly, by their campaign for Small Savings with all the special facilities of exemptions from incometax, etc., which are accorded to such savings. The recent policy of impounding 50% of the new deposits which the banks may acquire has also added to the difficulties of the private sector. It is only after the needs and the requirements of the Government are first met from the pool, that the private sector can approach it for quenching its growing thirst with such little water that may have been left in the pool, which may also happen to be under the further control of the Government.

There is also another important aspect of this question which merits our serious attention. It is interesting to know that taxation financed the First Plan to the extent of Rs. 575 crores. So far as the Second Plan is concerned, the Planning Commission has estimated that taxation at the Centre and in the States will yield Rs. 1,270 crores. What is, however, the actual position, as disclosed in the recent report of the Estimates Committee? The Committee says that taxation at the Centre alone will bring Rs. 1,188 crores during the Plan period, but the amount available for the Plan will only be Rs. 439 crores. The balance of Rs. 749 crores raised specifically for financing the Plan projects will be spent for non-Plan expenditure. Can there be a greater misuse of economic power than the diversion of nearly 63% of the funds

raised by taxation specifically for financing the Plan projects for purposes which have nothing to do with the Plan?

This is really a very serious matter. When new taxation is imposed on the country, the Government gives the people the assurance that every rupee, that will be drawn by way of new taxation, will be utilised for financing the projects of the Plan. When he imposed his unprecedentedly heavy taxation running into Rs. 188 crores per year in 1957, Mr. T. T. Krishnamachari, the then Finance Minister, said that the Plan was a challenge which he wanted to accept. We can understand and appreciate this heroic attitude. The amount which he raised by additional taxation was not spent for the purpose for which it was raised. It, therefore, saddens my heart to say that it is a great tragedy of our public life that the performances of our Government are often in serious conflict with the promises which it gives us on the floor of the House. Such a terribly unjust manifestation of democracy is only possible in India, where the political authority and the economic power are growingly concentrated in the hands of the ministers and the bureaucracy.

What are, however, the prospects for the future? We are all aware that large finance will be necessary for the Third Plan. We have been told that fresh taxation will be imposed on the country in the coming five years. During the Second Plan, a sum of Rs. 180 crores of fresh taxation per year was levied on the people. During the Third Plan, a sum of Rs. 330 crores per year would be imposed, by way of fresh taxation. If the proposals that are now before the country are finally approved and if fresh taxation to finance the projects is actually imposed to the tune of about Rs. 1,650 crores, the people of this country will find that they would be carrying a colossal burden, by way of new and additional taxation, of Rs. 510 crores per annum during the Third Plan period. But even after undergoing these heavy sacrifices, are we sure that every rupee raised by this new taxation will be utilised for the projects of the Plan? That is the problem of problems today. From the experience that we have got of the working of the Second Plan, we cannot be very sure that a large sum out of this amount of new taxation will not be again diverted for schemes and purposes which have



nothing to do with the Plan.

You must have been convinced from the facts which I have already placed before you — facts which cannot be challenged as they are taken from the Reports of the Planning Commission and the Estimates Committee — that it is not the private individuals who can acquire economic power. It is the Government in whom such power is being growingly concentrated. Economic power itself may not be objectionable but when that power is not properly used, when money is not spent for the purpose for which it is collected, no one can deny that the misuse of that power will seriously militate against the best interests of the people.

There are a variety of other ways in which the Government can affect the working of the industries run by private enterprise. Let us examine some of them.

It is well known that no industry can ever be run economically and efficiently unless it has got all proper facilities for transport and for power. Coal, oil and electricity supply the motive power for running the machinery and moving the means of transport. More and more coal is being produced now by the public sector. Oil is refined at present by foreign oil companies and will be refined hereafter only by the public sector. Generation and distribution of electricity will in due course of time be taken up entirely by the Government. In other words, the use of coal, oil and electricity will come under the absolute control of the Government during the next few years. It is not difficult to imagine what a tremendous economic power such complete control over the supply of motive power will put in the hands of the Government. When atomic energy becomes a commercial proposition, that will also be entirely in the hands of the State. Power is essential for the working of the industries run by private enterprise. To supply or not to supply that power will remain in the hands of the Government.

All fair-minded men will, therefore, come to the conclusion that not only there is no chance in a planned economy for private sector to possess or amass any economic power, but on the contrary, if the private sector does not behave or if the political

or other activities of the private sector are not viewed with favour by the Government, it possesses enormous authority to exact obedience from the private sector, as the Government has got the control over the supply of motive power needed to run the machinery without running which the private sector may come to grief.

Let us now come to transport. The railways, which constitute the largest organisation of transport today, are entirely in the hands of the State. It is not unusual that we hear now and again that while wagons were given to the State Trading Corporation for moving their goods, their supply was denied to the private exporters of ores. We also know that if the railways do not bring the necessary quantum of coal required either for the generation of power or for enabling the factories to run their machinery with that coal, industries have suffered and are likely to suffer in the future. With this vast economic power for controlling the transport system remaining in the hands of the Government, it can, if it so chooses, play havoc with the industries in the private sector. It is not unknown how in the absence of the necessary quantum of electricity, industries in the new State of Gujarat have seriously suffered.

Road transport is another means of transport. It is at present not completely in the hands of the State. There is, however, insistent demand that road transport should be nationalised at an early date. Such road transport, as is in the hands of the private sector, has to undergo a severe economic strain, in view of the competition from the railways. The taxation and other economic policies of the Government have imposed heavy burdens on road transport. The real victims of this policy are the companies run by the people. It is not unknown that certain roads are not allowed to be completed soon. It may be that the impelling motive power is to prevent the functioning of the competitive capacity of such roads as against that of the railways. Take, for instance, the highway between Kandla and Ahmedabad. We first heard about it when the Prime Minister laid the foundation-stone of the Kandla port in 1952. We were told that when the highway is completed, trade and industry would benefit. According to the latest information, such a road is not

likely to be completed and will not become open to traffic at least for the next 5 to 6 years. Here comes the economic power wielded by the State which makes it possible for it to cause delay in the building up of new roads urgently required for meeting the needs of private enterprise for protecting the interests of the railways.

The Air services are completely nationalised. Goods do not move by air today but the point to be remembered is that this form of transport is entirely in the hands of the State.

There is another vital form of transport — shipping. It is true that both the public and the private sectors run India's shipping today. The tendency, however, is to encourage the public sector to go in for new trades and to cover a larger and larger number of routes where Indian shipping has been plying or intends to ply. It will not be easy to deny that the real object of this policy may be to give to the public sector in the next few years the complete monopoly of building up and running the Merchant Navy of India.

Take, for instance, the tanker trade. The public sector, though it is in the field since 1950, never gave the lead in running a single tanker and never dared to buy a single tanker. It was a private concern that sunk nearly Rs. 90 lakhs and started to run a tanker on the coast. Despite these pioneering efforts of private enterprise, the carriage of the entire tanker trade of about 9 million tons at present was recently reserved entirely for the public sector.

Again, it was the private sector that went in for the overseas passenger line between India and the United Kingdom. The premier Indian shipping company started this line in less than six weeks at the request of the then Union Commerce Minister, Mr. C. H. Bhabha. It became the pride of our overseas services. It enhanced the prestige of India. After incurring continuous losses for six years, the company had to close the Line since the Government, despite promises and assurances, did not give it any financial help.

There was a strong move to reserve these overseas passenger services to the public sector. As a result of the opposition of

some members of the National Shipping Board, it was ultimately agreed that these services might be run by the private sector also. The real recommendation, however, came when the tonnage and the finance were to be allotted. The report shows that both the tonnage and the finance for overseas passenger services were to be earmarked only for the public sector.

It is also an irony of fate that the coastal trade, where there is not even enough cargo for the ships which are running in that trade today, was left to the private sector and it was recommended in the first stage that the private sector may acquire fresh tonnage of about 190,000 tons at a cost of about Rs. 25 crores. Fresh investment of Rs. 25 crores was to be made in a trade where there is not enough cargo for the existing number of ships! Comments on such a preposterous proposition are not necessary. It was only when the tragedy of the situation was realised that this recommendation was changed and the matter of further development in that field was left for the consideration of the Government at the highest level possible.

These new trends in the field of shipping bring home to us the rapidity with which the Government has been acquiring all possible power in this vital field of national life affecting both its economy and security. In spite of this radically changing national shipping policy of the country, some kind friends have told me, "Do not forget the large power which Indian ship-owners have got for strengthening the economy of the country." The answer is that there is no maritime country in the world, the Government of which exercises such colossal powers over its national shipping as the Government of India does. Under Section 411 of the Merchant Shipping Act, the Director-General of Shipping can give orders to an Indian ship not only regarding ports or places, whether in or outside India, to which it should proceed and the route by which it should proceed, but he can also divert any ship from one route to the other and can also order the ship to carry such passengers and such cargo and in such priority and to such ports, whether in or outside India, as would, in his judgement, be considered best. Even the old Czar of Russia would not have dreamt of acquiring such tremendous powers to direct and regulate an industry.

But apart from the Government possessing such vast powers to control and to direct the movements of private shipping from day to day, there are other State organisations which can make or mar the economic working of the Indian shipping companies. Take, for instance, the State Trading Corporation. It has got lakhs of tons of goods to bring to or to carry from Indian ports. It is well known that the interests of the shipowners in the private sector are not safeguarded by that Corporation. When it was pointed out to that Corporation that the interests of shipping were not safeguarded, when it concluded its contract for the sale of million tons of iron ore to Japan, S.T.C. remarked that it had recommended to the Japanese interests to allow Indian ships to carry 15 per cent of the cargo covered by the contract. As soon as the Indian shipowners came to know that the contract was concluded, one of the most enterprising amongst them took the first plane to Japan to plead with the Japanese steel mills for being allowed to carry some of the iron ore to be exported from India to Japan. This is the position to which a powerful organisation like the State Trading Corporation can drive the Indian shipowners. Even the Minister of Transport did not favour this policy of the State Trading Corporation. Moreover, it led the Estimates Committee of the Indian Parliament to make the following recommendation in its latest report:

“Immediate steps may be taken by Government to ensure necessary coordination between the State Trading Corporation and the Indian Shipping Lines, so that the question of freight is resolved satisfactorily and Indian shipping is enabled to establish itself in the Indian iron ore trade to the maximum extent possible.”

All that has been stated above will convince an impartial thinker that even if there was any economic power left in the hands of the joint-stock companies or private industrialists, it is being taken away from them and is being concentrated in the hands of the State. Before planned economy began to function in India, it was open to the private sector to establish and run any industry it liked. Under planned economy, a number of industries has been reserved as the exclusive preserve of the State. The activities of the private sector in the field of industries are being con-

stantly controlled, restricted, reduced and limited. Even in the fields which are open to private enterprise, the policy of the State has been that it will be the public sector that should predominantly establish new units in those industries. In addition to transport and power, which enable the State to wield great economic authority and exercise immense economic controls, the production of iron and steel in future will be entirely in the hands of the State. In fact, it will become practically the monopoly of the State. Iron and steel is a basic need of every industry. The supply of the products of such an industry will be almost entirely in the hands of the Government. Can anyone then contend that any effective economic power will remain or can remain in the hands of the individuals or joint-stock companies? Can anyone deny that all economic power is being concentrated now more and more in the hands of the State?

Apart from the immense reduction in the size and nature of the industrial fields, which would be open to private enterprise in the future, we are now definitely told by the Prime Minister that all basic industries, all strategic industries and all large-scale industries should be in the hands of the State. At the annual meeting of the Federation he observed:

“But why does not the private sector take over charge of a million small enterprises in India? Why does not it? No, it wants, sometimes particularly, some major enterprise not only because it is major, but presumably because it brings economic power.”

One feels deeply grieved at this unwarranted and unjustifiable charge which the Prime Minister has levelled at private enterprise. Was it merely the love of economic power which led the late Mr. Jamshedji Tata and his sons to build up the steel industry? Had they not to pass many a sleepless night to find finance even for keeping the industry alive? Was it the fascination of economic power which inspired the late Mr. Walchand Hirachand to continue to struggle for the establishment of the shipping industry in the country, even when almost all the capital was lost and when indifference, if not hostility, was the only assistance which he could expect from the then Government?

Did not Mr. J. R. D. Tata, with the laudable motive to develop the air sense of India and enable her to find her proper place in the age of air, build up the Air-India International services? Do we not know what heroic struggles the industrialists put forth for the establishment of the shipbuilding and aircraft industries in the country? Was it merely the zest of power which inspired them to go in for one industry after another for developing the economy of India? Does the Prime Minister expect that a man of the stature of a Tata, a Walchand, a Birla, should only confine his great talents, his mature experience, his farsighted vision, his ability to build up a complex organisation, his wide contacts, his immense energy, merely for running small industries? Or should he not give them every possible encouragement and harness their enthusiasm, their ability, their talents, their love of the country, for the rapid industrialisation of this ancient land? The answer is obvious that it is the love of economic power which prevents the Government from mobilising the strength, the faith, the courage, the skill and the vision of such great men for acquiring for India her proper place in the industrial world.

While it has now become almost impossible for the individuals and joint-stock companies to acquire any economic power, let me now refer to one or two serious steps which the Government of the day has taken to amass that power for itself. Life insurance was nationalised in 1956. Not for removing corruption, as was alleged by the Government at that time. The real object of nationalising life insurance was quite different. As acknowledged by Mr. Morarji R. Desai, the present Finance Minister, in a speech in the United States of America, the real object was to acquire control over the growingly large funds which life insurance will put forth in the hands of the State. The Life Insurance Corporation has to find opportunities for investments of more than a lakh of rupees per day. By the end of the Third Plan, it will be able to invest about Rs. 100 crores per annum. The Government has been telling us that it finds it extremely difficult to raise internal finance, which is badly needed for the projects in the public sector of planned economy. How is it then that instead of buying the shares of the industries, which have already been established, the Corporation does not utilise the available funds at its disposal for

supplying the finance which is needed for the establishment of new industries and for the expansion of the existing industries in the country? One cannot help saying that the real object in buying more and more shares of the existing industries seems to be that without nationalising the industries of which L.I.C. buys the shares, the Government would establish vigorous and comprehensive control and hold on these industries by acquiring a substantial portion of their capital. That is how the economic power is now being concentrated in the hands of the State and that is how the Government exercises its power for curtailing the freedom of private enterprise and directing that enterprise in such channels as the Government would, in its sole judgement, consider desirable.

Let us, therefore, remain under no delusion that private enterprise will come into its own because the Prime Minister wants competition between the public and the private sectors. There can be no competition in a field which is the monopoly of the State. Moreover, even in the fields which are open to private enterprise, the basic and large-scale industries are to be directly developed by the State. No competition worth the name can, therefore, find its place in those industries. Moreover, competition can only be possible and can be carried on on healthy lines, if both the sectors are given uniform and encouraging treatment. Take, for instance, the enormous quantity of cargo which is to be brought to or carried from India and which is under the ownership and control of the State. The Government Corporations contend that such cargo should only be carried by Government Corporations and the same should be given to other Indian ships only if the ships of the Corporations were not available. With such an attitude, competition on fair terms cannot and will not exist.

Further, unless fair and equitable treatment is offered to all forms of transport and no discrimination is made in favour or against any form of transport, real competition cannot exist. It is an irony of fate that although poor people travel by the railways and the State Transport, the Government does not find any hesitation in increasing the rates of passage fares or the rates of goods carried by them. When it comes, however, to the private sector, enormous difficulties are raised on the plea of protecting the poor



travelling public by not allowing it to follow the same policy which it has allowed the railways and the State Transport to follow. For years together, a public joint-stock company, running the ferry passenger services on the west coast, has been requesting the Government to allow it to raise the fare to an economic level. Meetings after meetings have been held. The company has been incurring losses for the last five years. It has not been allowed to raise the fares. I know that a committee was appointed three years after the matter was placed before the Government to consider the issues involved. But I have no hesitation in saying that it is the political considerations that have been responsible for preventing the company from raising the fares, which are justified on all canons of public conduct and public considerations. It is this sort of economic power which is being concentrated in the hands of the State that is most objectionable. Not only will it unnerve the spirit of private enterprise, but it is bound to spell disaster for its future development and growth in the service of India.

Let us briefly review the question of trade. The Government started the State Trading Corporation in May 1956. It was started originally with the object of developing trade between India and certain communist countries which would enter into trade transactions only on a Government-to-Government basis. The original idea has been completely discarded. The State Trading Corporation has been given a directive to trade at least in 31 commodities at present. That number may increase. Moreover, the Government, through the State Trading Corporation, has been acquiring new and far-reaching economic power. Although the Corporation had not exported iron ore, it was given soon after its inception in July 1956, one-third as its quota of the total export of iron ore. As if this were not enough, the Corporation was given the complete monopoly of the export of iron ore trade from July 1957. It is in this way, that new power is being concentrated in the hands of the Ministers and the bureaucracy and individuals and firms are being slowly driven out of the trade which they have built up at considerable sacrifice.

The State Trading Corporation has also been given a monopoly in the import of caustic soda, soda ash, silk, skim milk powder

and Chilean nitrate. This is how the Corporation is driving away individuals and firms from their normal activities in the trade of the country. This is how new economic power is being acquired by the State. Moreover, the Government has not indicated what its future trade policy is going to be. The Estimates Committee has called upon the Government to announce its policy in this matter. It is, however, clear that these growing operations and expansion of the activities of the State Trading Corporation in the trades of different commodities have compelled those who have built up those trades to agree to become the associates of the State Trading Corporation and pay a steep price for doing so. It is this concentration of immense power in the hands of the State that alone can make such a situation possible in a country which calls itself a Democratic Republic.

Let us take the distribution of cement. The State Trading Corporation was entrusted with the internal distribution of cement under the Cement Control Order, 1956. It has been shown now by the Estimates Committee that the monopoly of distribution of cement granted to the State Trading Corporation has not only completely ignored the interests of the consumers, but it has also enabled the Corporation to earn large unwarranted and unjustified profits for the Central Government. The subsidy element of Rs. 7 per ton for the imported cement was included in the selling price long after its justification was over. The Estimates Committee has pointed out that the profits earned by the inclusion of the sum of Rs. 7 per ton, by way of subsidy, came to Rs. 4.70 crores. As regards other items included in the selling price, the amount of several items was inflated. This also enabled the State Trading Corporation to earn a further sum of Rs. 4.27 crores for the Central Government. During the two years 1956-57 and 1957-58 the State Trading Corporation earned a profit of nearly Rs. 9 crores for the Central Exchequer. Moreover, it is really surprising that the consumers had to pay the sales tax twice on the cement they purchased. Although it has been included in the selling price fixed by the State Trading Corporation, an additional sales tax has been charged by the selling agents to the consumers. No one will deny that this is a glaring misuse of economic power.

The following observations of the Estimates Committee, in this connection, deserve careful consideration:

“The Committee consider it most inappropriate that in addition to the considerable revenue raised by levy of high excise duty, Government should have taken advantage of its monopoly in raising substantial revenues by fixing high prices for cement. They are of the opinion that if such additional revenue had to be raised it should have been done through a specific taxation measure with the approval of Parliament and not under executive action by charging high prices for an essential commodity like cement. They recommend that the entire fixation of price of cement be immediately reviewed and the price fixed on the basis of actuals.”

The Estimates Committee has deplored the inclusion of subsidy in the selling price after its need was over. It has recommended that

“the position may be reviewed and the desirability of not extending the Cement Control Order beyond the present term, i.e., 30th June 1961, if necessary, by creating an organisation of the producers for purpose of maintaining the pooling arrangements, be given every consideration.”

The excise duty on cement was raised from Rs. 5 per ton to Rs. 10 per ton with effect from 16th May 1957 and to Rs. 24 per ton with effect from 1st April 1958. There could, therefore, be no justification of putting additional burden on the consumers by inflating the elements that go to make up the price and by retaining the element of subsidy which cannot be justified when no imports had to be made. The manner in which the State Trading Corporation has earned unwarranted profits for the Central Government is a warning to the people of the way in which the State has been acquiring very rapidly and abusing the economic power in this country. Acquisition of these unwarranted profits will remain a black spot in the acquisition of economic power by the State. We must, therefore, remain ever vigilant to see that the amassing of this large economic power does not make the Executive so powerful that it would raise the

finance it needs without having recourse to Parliament and without passing the necessary legislation for that purpose.

In view of what has been said, it will be agreed that the constant repetition of the charge that immense economic power is concentrated in the hands of a few individuals in the private sector and it should, therefore, be removed and broken up in the interest of the nation, adds only insult to injury. Such power has not existed. It does not exist. It cannot exist. Whether it is trade or industry, whether it is production or distribution, whether it is finance or management, the Government has got enormous powers to control every form of activity of private enterprise. Every day greater and greater area of the industrial fields is being reserved and brought under the control of the State. It is not now only the basic and the heavy industries that will be established and developed by the public sector. Large-scale industries will also come within the exclusive jurisdiction of the public sector. Thus, at one stroke, the field of monopoly of the public sector is extended effectively and extensively.

It is not because the private sector is incompetent or is not willing to take the risks involved for establishing and running big industries, that the public sector has to be made the most dominant and the most aggressive feature of India's industrial landscape. It is the establishment of the "Socialistic Pattern of Society" which is responsible for the continuous advance of the public sector, at the sacrifice of the legitimate activities of the people of the country.

There is not a shadow of doubt in my mind that, with the continuous development of industries in the public sector and with the rapid extension of its empire by the State Trading Corporation into all fields of trade and commerce, vast economic power is being concentrated more and more in the hands of the State.

It is taken for granted that the establishment of the "Socialistic Pattern of Society" has been universally acclaimed and widely welcomed in the country. It is a tragedy of our public life that we have failed to convey to the Government our views and feelings on this fundamental objective as freely and as frankly as we ought to have done. The commercial and the industrial community

is, however, in full accord with what Mr. J. R. D. Tata has stated with characteristic moderation to give expression to the innermost feelings of the people in this connection. His words will bear repetition. He remarked:

“If the means adopted were to lead ultimately to a society in which incentives and initiatives are impaired, the greater part of the industrial apparatus is owned by the State, economic power and responsibility are largely concentrated in the hands of the Government and the individual loses freedom of choice whether as producer or consumer, then that kind of society will be incapable of producing the required volume of goods and services essential for the prosperity and happiness of our people.”

There is, however, uncertainty all round. We do not know what new policy the Government will follow in connection with industry, trade or finance.

There is, however, absolute certainty on one issue of serious and supreme importance and that is the rapidly growing concentration of vast and immense economic power in the hands of the State. That power has been putting new curbs and new restraints on the freedom of the citizens. The State thus takes away inch by inch the freedom of the people which they had won from foreign rule.

We have been told repeatedly from the Prime Minister downwards that we are living under democracy. But actual power and responsibility, as remarked by Acharya Vinoba Bhave, has got concentrated in the hands of a very few at the apex. As rightly remarked by him:

“Government has power over the entire life of the people. There is hardly a sphere of life which is absolutely private and personal. This is a dangerous state of affairs.”

Both political authority and economic power are being now concentrated more and more in the hands of the ministers and the bureaucracy. Democracy is bound, under such circumstances, to degenerate into dictatorship. Private sector, as remarked by Mr. J. R. D. Tata, is not against “the general objectives of a Welfare State.”

If the true values of real democracy are, therefore, to be maintained and if the real salvation of the Indian people is to be attained, the Government will have to radically revise its present policy and will have to create a new atmosphere of hope, confidence and cheer where, as remarked by Mr. Tata, private enterprise will get the fullest encouragement and inspiration

“to contribute to the fullest extent to the industrial development of the country and in the process to earn and pay a reasonable return on the monies entrusted to it. It asks no special favour but claims the right to live and serve the country in dignity and in peace and to be afforded some relief from the surfeit of Government control and interference.”

*The views expressed in this booklet do not necessarily represent the views of the Forum of Free Enterprise.*

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Free Enterprise was born with man and  
shall survive as long as man survives.

—A. D. Shroff

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