

**PRIVATE ENTERPRISE  
AND POLITICS**



**FORUM OF FREE ENTERPRISE**

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## INTRODUCTION

During the recent General Elections in India (February 1962), there was considerable public interest regarding the place of private enterprise in politics. The Forum of Free Enterprise, in accordance with its educative role, sought to stimulate public thinking by arranging a symposium in which an eminent industrialist, Mr. Lalchand Hirachand, an eminent journalist, Mr. Frank Moraes, and an eminent educationist, Dr. A. R. Wadia M.P., participated. Mr. A. D. Shroff, President of the Forum of Free Enterprise, presided. This booklet is based on the talks delivered at the symposium.

## BUSINESS MEN MUST PICK UP COURAGE

A. D. SEIROFF

*President, Forum of Free Enterprise*

There is an old story about the oldest profession in the world. The story goes that there was once an interesting discussion between a scientist, a lawyer and a politician. The scientist argued, that his was the oldest profession because if the scientist had not been there, the secrets of nature would not have been found and life would have been very different indeed. The lawyer argued that his profession was older, as unless the lawyer had made laws and brought order to the world, there would have been chaos. And the politician argued that his profession must be the oldest as he was the one who creates chaos! As a matter of fact, this specialisation in creating chaos persists in politics so much, even today, that nobody else can claim that his profession is older than that of the politician. But, today, with the vast increase in the power of the state and the governments, everyone is concerned with politicians whatever the latter's undesirable activity may be.

In the pre-Independence days, business men used to complain that the Government took very little interest in them. But today, their complaint is that, unfortunately, the Government takes too much interest in them. The necessity, therefore, arises for private industry or business in general, to have a look across to see if they could take some interest in politics too.

In the days of India's great political struggle, the business men of India were coming forward and

taking part in the political movement of the country. When I was the Vice-president of the Indian Merchants' Chamber in Bombay, we used to be sent for and asked by the High Command of the Congress Party in those days to take a more active interest in politics, including taking out traders' and merchants' processions in the city of Bombay. As a young enthusiast, I took the risk in the Indian Merchants' Chamber of sponsoring a resolution to boycott foreign goods. We were approached by the Commissioner of Police, for searching the records of the Indian Merchants' Chamber for our antecedents in sponsoring a resolution for boycott of British goods. Today, fortunately, things have changed. It is most heartening that on the eve of the recent general elections, a business man had the courage to express his opinion that there is need for bringing about an organised opposition in the country and, therefore, he would not only support the ruling party but also a new opposition party. It is said by some that the ruling party has confidence of the people and, therefore, the ruling party is the State. The State stands for everything and therefore, anybody who cares for the country should do nothing against the ruling party, it is further argued. This trend of thinking, of everything for the State, nothing outside the State and nothing against the State, constitutes a very serious and formidable risk to our democratic way of life. It was an idea propounded by Fascist Mussolini, and it is sad to see that it is being repeated in our country.

I know what moral cowardice the business men of India suffered from at the time I sponsored the Forum of Free Enterprise in 1956. This organisation has instilled courage into a few of the business men of India who today are emboldened to stand up and express their opinions. As a matter of fact, politics has raided business to such an extent that whether business men like it or not, they are dragged into politics. There is hardly a business problem where politics does not enter. For instance, if you are running a joint-stock company, before taking every ac-

tion you have to think of the Company Law. This is but one of the several laws which concern business and industry. Legislation in this country has become so comprehensive and all-pervading that it entirely governs business. For instance, labour legislation is extremely desirable in its own way, but it has progressed at such a terrific pace that it has become difficult to carry on industries in a normal manner. The time has come for a realistic assessment of all legislation affecting commerce and industry, and doing away with unnecessary laws. Otherwise, the economic growth of the country would be seriously affected, as most of the energies of the people in private enterprise are frustrated in seeking to meet the requirements of the laws.

Unless the business community in India is prepared to shed its moral cowardice and muster sufficient courage to exert itself freely and independently, it is not merely that private industry has very little chance of survival in the coming generation or two, but it will also allow by default the democratic way of life to perish. Free enterprise and democracy are so closely interlinked that free enterprise cannot be detached from democracy just as democracy cannot survive without free enterprise. Free Enterprise was born with man and will continue to survive as long as man lives.

## **'PRIVATE ENTERPRISE SHOULD IMPART REALISM TO ECONOMIC POLICIES**

**LALCHAND HIRACHAND**

President, Maharashtra Chamber of Commerce

Private enterprise is the individual's right to do business. Everyone has been doing business as he got opportunities. Initially, there was freedom so far as private enterprise was concerned. Gradually, as society developed, restrictions came so that the interests of the individual and as also the interests of society may be protected.

Business has become quite complex in modern times. It has expanded so much that it has become an important aspect of politics. Economic activity in everyday life has become so dominant that in each field of economic activity, Government activity becomes almost concurrent. There are, for instance, the taxation problem, import and export problems and international trade. All these factors arising out of economic activity have become so complex and important that the Government is taking keener interest in them. So far, business used to be a function of the business man. He engaged himself in industrial production or in trade and comparatively kept himself aloof from political activity. This is particularly true of our country. In western countries, where the pattern of life is different, we find that the business man takes keener interest in politics. But in our country, whether it is due to the old caste system or the "Varnashram" system or for some other reason, the business man has restricted himself to business. In

modern times, the caste system does not exist and everybody is engaged in activities which cut across the traditional barriers.

From the business man's point of view, the nature of the economic activities has become so important and complex that it is inevitable that the business man should pay attention to politics. Otherwise, if he leaves it to people who have no experience of economic matters, either of business or industry, then we find a considerable amount of confusion. Ideological differences have arisen. Political theories have been preached in which the business man is being made a scapegoat for everything that goes wrong with the country. It is important that the business man has to defend himself and the society from the onslaughts of such unjustified attacks. The time has come when private enterprise should realise its useful role in political matters.

Let us take, for example, the formulation of the Plans or the other controversial subject, the Public Sector vs. Private Sector. In our country, industrial development has taken place largely due to the activities of the private entrepreneur; yet, today he is being accused that he is not doing his job and he is an exploiter. If he keeps quiet, naturally the other side will become bolder and make more and more vicious attacks. But if he places forward his point of view before the public, which naturally means making use of the platform provided by the legislatures, then there will be a better appreciation of his role in society.

There is another important aspect. Since economics has become politics, it is important that those who are actually engaged in economic activities, whether in industry, trade or commerce, should take interest and advise the Government or take part in the Government so that the policies laid down by the Government should not be wrong. Let us take the example of the Five-Year Plans. In spite of warnings

issued by business people, the Government has put forward huge plans which are not realistic. Everybody realises that it is not possible to realise these plans because of a variety of problems arising in the execution of such a comprehensive plan. Yet, the business people feel nervous to come forward and tell the Government "Look, this is not the right way". The business man is considered to be a realist and in his realistic manner, he must come forward and place before the people and through the people before the Government his views on economic matters.

It is for this reason that it is important that private enterprise should take keener interest in politics. Today's philosophy is that the Government should take over every activity and, therefore, the Public sector is growing in such a manner that private enterprise, which is the backbone of democracy, is being eliminated. The main reason why private enterprise is losing ground, if at all it is losing ground, is that business men are not coming forward to take active interest in politics. If business men take more interest in politics, in placing their points of view before the public, then I am sure that the country can achieve much better results in attaining our goal which is rapid and large-scale economic development.

At one time, those who were in business were looked down upon as profiteers and anti-social. Now it is being realised that profits and profit-making are not at all morally wrong but are absolutely essential for the development of industry and trade. Those in the Public Sector who first loudly proclaimed that they were not making profits because they considered profits as something wrong have now changed their ideas and are making huge, almost colossal, profits, which people in private enterprise would not even think of. For instance, let us take the State Trading Corporation. Even the Estimates Committee of Parliament has pointed out how the State Trading Corporation indulged in profiteering in cement. Many

other instances of unfair treatment to consumers by S.T.C. and other Government enterprises are not lacking. These are facts which have got to be placed before the public. The public is to be educated not only through the Press or the platform, but also through the legislatures where all laws are made. It is there that the business man must make himself felt.

For all these reasons, I believe that it is important that private enterprise should take more interest in political matters. The ideological differences are of course bound to be there. This is not the only field where such differences have arisen. But if private enterprise keeps aloof from the public and engages itself entirely in doing trade and business, then its case will go by default. The time is long overdue when private enterprise should come forward boldly to place its point of view before the public and that way, not only protect itself but also render better service to the country in realising the objective of raising the standard of living of the masses.

# PRIVATE ENTERPRISE SHOULD HAVE AN IMPORTANT PLACE IN OUR DEMOCRACY

FRANK MORAES

Editor-in-Chief, "Indian Express"

Some people say there are only two ways of getting on in this world, either by one's own industry or by the stupidity of others. While private enterprise gets on by its own industry, certain Governments might like to profit by the stupidity of others. These positive and negative aspects must be borne in mind in order to appreciate the many factors involved in a general problem as this in the context of our society today of private enterprise, politics and the Government.

I am one of those who believe that there is no such thing as unadulterated freedom, political, social or economic, and I have no doubt that the Forum of Free Enterprise also believes that there is no such thing as unadulterated freedom. We have to think in terms of realities and with a sense of proportion. In China or Russia, there is no such thing as a classless society. Equally in democracies such as the United States, there are great many government projects which add up to quite an appreciable percentage of the total money invested in development. Particularly, rich Governments like the United States spend enormous sums in nuclear and atomic experiments and they will spend more and more.

The primary function of a Government is to govern and for that ideal, it is its duty to ensure law and order and also to ensure economic and social

justice. Therefore, in this Welfare State of ours, it is really not the industrialists, businessmen or labour who are in an invidious position. It is the Government itself which is on the razor's edge. It has to keep a very honest balance between the management and the trade unions.

It is also said that that country is governed best which is governed the least. There is embedded in it an intrinsic truth, which we in India today may not realise, that while every Government has a right to lay down certain regulations, it is not right to trespass into spheres which do not directly belong to it. Again while private enterprise has every obligation to respect the regulations of the Government, it has also a right to expect that the Government will not unduly hamper or harass it by regulations which really do not have any meaning. Currently, this may be an unpopular view. Direct state participation in planning is to a certain extent necessary in certain societies which may be economically backward, but the fundamental mistake which the Government of India made is to think of India as an underdeveloped country. India is not an underdeveloped country, but it is a developing country and because of that, the country needs as much the support of the Government as the stimuli of private enterprise; and to a certain extent, in this developing stage, it needs more the stimuli of private enterprise. Most of the schemes adopted over these 14 years have meant a top-heavy mass of personnel, with a great deal of wastefulness; and, above all, it has meant difficulty to the average citizens or even the legislators to bring the Government to account. That is the greatest difficulty which the people as represented in the Legislature have to face, that they cannot bring the Government to account. Therefore, in contrast, private enterprise represents something more economic, something more productive and something more responsible. The economic thinking of the Government has been influenced and inspired entirely by the 1930's, by the

economics of the London School of Economics variety, of rigid attitudes and postures. They have got to be flexible. That is why it is highly unintelligent either for the Government or for private enterprise to assume these postures. Private enterprise has a great deal to contribute both to the economic thinking of the country and to economic achievement and progress.

The Industrial Revolution which happened in England in the 18th and 19th centuries came to our country a century later. Labour was not particularly well treated and the industrialists wanted territories to market their goods and to secure raw materials. Therefore, Indian and Asian historians instinctively equated industrialisation with capitalism, and colonialism with industrialisation. Industrialisation in 18th and 19th centuries meant colonialism and capitalism—two faces of the same coin. This suspicion is still lingering and we find our own industrialists being dubbed as representatives of capitalism and of reactionary sentiments, may be, of colonialism, which we identify with Europe a 100 years ago. That is a case of confused and arrested thinking. Times have changed today. The reality is that there is a new variety of deadly colonialism promoted by communism. In democratic countries, in contrast, private enterprise plays an important role in promoting economic growth, raising general standards of living and preserving democratic institutions.

## PRIVATE ENTERPRISE SHOULD TAKE INTEREST IN POLITICS

DR. A. R. WADIA, M.P.

Director, Tata School of Social Sciences, Bombay

It is said that that government governs the best which governs the least. Unfortunately, we are living at a time when this dictum no longer holds good. Socialism implies essentially more and more government so that the modern dictum of politics is that that Government governs the best which governs the most! The Industrial Revolution brought in its wake capitalism. Capitalists were not as enlightened as the capitalists of today in England and America. In other words, if the capitalists of those days had been very generous, fair and just to the claims of the labourers, we might have had a very happier society and socialism might not have been brought into existence at all. But unfortunately, the capitalists were not as wise as they should have been.

Reaction to their behaviour has taken the form of socialism so much so, that there no country in the world today which is not socialist in the sense that there is considerable state activity. Apparently, U.S.A. England, West Germany and France are not socialistic but in a sense they are. They are socialistic in that they do realise the importance of looking to the benefits and well-being of labourers. That is why, there is a tremendously high rate of taxation even in countries like the U.S.A. and England. It is because of such taxes that these great states have become welfare states and it has become possible for them to look after housing, education, medical care and old



age pensions. They are not socialistic in the sense that private business is fully recognised and encouraged in these countries.

India has been trying to be socialist. I am not sure whether the Government itself knows where exactly it stands. It is quite often that one minister talks in one strain and another in an absolutely opposite strain. You must have noticed different statements coming from even the Prime Minister, some saying that the private sector is essential and should continue to exist, some treating the private sector in such contemptuous terms that a business man should hang down his head in shame, as if he belonged to a category that is out to exploit the country at large. The private sector is allowed to exist almost by sufferance. No secret is made by the Government that it will be more and more socialistic. That is all the more a reason why business men should take greater interest in politics.

Democracy is a good type of Government. But in a democracy, quantity counts and quality often suffers. Therefore, that quality has constantly to be kept up to a certain standard. It may be asked as to why we should favour the private sector or private enterprise. The first reason is that private business gives initiative to business people to think out new ideas and start new industries. We have to be proud of a genius like Jamshedji Tata who started industrialisation when even our own Government might not have thought on those lines. There is the example of so many other industrialists because of whom India is fast becoming a vast industrial country. We are proud of it. Let us not forget the great part that has been played by private enterprise, by the shareholders and the entrepreneurs and employers, in building up these wonderful enterprises. That initiative will be lost if everything were done by the Government. The second reason is that private business has a certain built-in measure of competitive impetus. Where a Government owns everything as

a monolithic organisation, such a safeguard will entirely be lacking. You will notice that prices do not move downwards in state monopolies. It may be argued that after all profits go to the Government. If the profits are there—which are not always there in the Public Sector—they may go to the benefit of the community. But the fact remains, that we as individuals suffer. We have to pay a very high price. That does not mean that business enterprises have no profits, but such profits are under constant check by the force of competition and prices are held in check. All that is certainly good, for the individuals benefit by it. There is always a desire in private enterprise to keep down the costs. I am not suggesting for a moment that private enterprise should keep down the cost to such an extent as not to pay liberal and just wages to labourers. But costs are lowered by better and efficient methods of production and distribution.

Under private enterprise you get expert management. The private enterprises are interested in keeping up efficiency. They have to answer the shareholders. If the company is not managed well, it is reflected in the share markets. On the contrary, in the so-called Public Sector, the management is not always placed in the right hands. It is placed in the hands of people who may be clever as, say, revenue officers, judicial officers, or administrators, but there is no guarantee that the flair you find in a private business man will be found in a government servant. The failure of the Public Sector undertakings is generally due to the fact that they are placed in the hands of people who do not have the special management expertise needed for success in business.

This is because of a basically different attitude to work in Government. I shall illustrate. At a recent symposium, a trade unionist said "no," to a question as to whether Labour Welfare Officers should be paid by the Government instead of the employer. His

argument was that then they would not do any work at all!

The time has come when we should learn to respect realities, and encourage private enterprise instead of running it down without rhyme or reason.

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*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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The Forum of Free Enterprise is a non-political organisation, started in 1956, to educate public opinion in India on free enterprise and its close relationship with the democratic way of life. The Forum seeks to stimulate public thinking on vital economic problems of the day through booklets and leaflets, meetings, essay competitions, and other means as befit a democratic society.

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