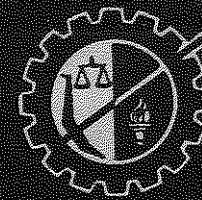


# FREE ENTERPRISE AND FREEDOM

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2



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by Murarji J. Vaidya

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The approach 'of the Planning Commission and of the Government to the question of the scope for and sphere of Private Sector in the Second Five-Year Plan is evident from the first chapter of the draft outline.

It has been largely conditioned by the Socialist Pattern to which the present Government are committed ever since the adoption of the well-known resolution on Socialistic Pattern of Society by the Avadi session of the Congress.

The speeches and declarations of policy by the Prime Minister and other Congress leaders from time to time have not only confirmed this but even indicated a step forward in this direction by now clearly adopting the "Socialist" in place of "Socialistic Pattern of Society." The draft outline has further emphasised this aspect of the Government policy.

Among the objectives of the Second Plan indicated by the Planning Commission the fourth objective of reduction of inequalities in income and wealth and a more even distribution of economic power has, it appears, very largely influenced the approach of the Commission in dealing with this sphere of the private sector in the Second Five-Year Plan.

In this context it is interesting to note the following observations of the Commission. "Economic growth means not only more production but also more—and increasingly more—capacity to produce. The Second Five-Year Plan has to increase the flow of goods and services available and also to carry forward the process of institutional change . . . . . The achievement of a Socialist Pattern of Society has been accepted as the objective of the economic policy. This means that the basic criterion for determining the lines of advance is not private profit but social gain. Major decisions . . . . must be made by agencies informed by social purpose. . . . ."

" . . . . .the public sector has to expand rapidly and the private sector has to play its part within the framework of the comprehensive plan accepted by the community . . . . . The Socialist Pattern of Society is not . . . . .rooted in any doctrinaire dogma . . . . .economic policy and institutional changes have to be planned in accordance with democratic and egalitarian ideals which the country cherishes and is resolved to pursue."

The Commission are not apparently satisfied with laying down the objective of elimination of

inequalities of wealth and income as between different sections of the population but desired "that the entire pattern of investment is adapted to the securing of balanced regional development in the country, and to eliminating disparities in levels of development as between different regions in the country." They have pointed out in this context that . . . . . "up to a point the growth of large towns and cities is a necessary accompaniment of industrialization. . . . . Beyond a point, however, there are social costs like the emergence of slums and increased incidence of illhealth." They therefore favour "decentralized industrial production."

The Commission have further pointed out that 'economic objectives cannot be divorced from social objectives and means and objectives go together. It is only in the context of a plan which satisfies the legitimate urges of the people that a democratic society can put forward its best efforts.' "All these objectives require a diversified economic pattern." They emphasize at the same time that "the process and pattern of development should reflect certain basic social values and purposes. Development should result in diminution of economic and social inequalities and should be achieved through democratic means and processes."

It is the last aspect of this process of development viz., the democratic means and processes which, in my opinion, requires to be kept in view very prominently in considering the effect which the evolution of a socialist pattern of society is

likely to have in *an underdeveloped economy working under an infant democracy* as in a country like burs. Ideologically, it would indeed be a consummation highly to be cherished that democracy and a socialist pattern of society should be developed simultaneously in a country where the fruits of freedom and of economic development have just begun to be tasted.

The question, however, is whether in the context of the existing economic, social and political circumstances in the country, such a simultaneous development of these plans is feasible without running the risks which appear to be inherent in a rapid advance on all the fronts. And what are these risks? It has been the experience of the countries in Eastern Europe including Russia that Socialism, which later developed into Communism, has sounded the death-knell of democracy and of individual liberty. It is often argued that we in this country have to make up for a time lag of decades of backwardness in the course of a few quinquenniums of planned development, just as a country like Russia claims to have done and a country like China attempting to do. But as I have said before, in Russia, Socialism has abolished Democracy, the Chinese experiment is still in the process of being worked out.

The risk before our country therefore is that democratic processes and means, we may achieve in our anxiety to evolve a Socialist Pattern by neither. At best, perhaps, we might achieve one

at the expense of the other. The fact that this risk exists has been proved by the history of Eastern countries of Europe. What then are the chances of our achieving these dual objectives of Socialism with Democracy in our country? As a means towards the achievement of a Socialist Pattern of Society, the Commission propose the extension of the Public Sector.

The obvious objective is to eliminate the supposed existence of a concentration of economic power in the hands of a few and to prevent the growth of such power in the hands of a few in the future. But the extension of the public sector in an expansionist economy is bound to result in the concentration of economic power in the hands of those who form the Government and of those who administer public enterprises. Consequently economic power will be concentrated in the hands of those who have the political power in their hands. With the development of the country's economy at a rapid rate, such concentration of economic power will also grow equally rapidly in the hands of politicians or of bureaucrats who will be working initially under the directions of the politicians who occupy the places of power under our present democratic set up.

Human nature being what it is and the standards of integrity, patriotism and selfishness being at a common low level among all the sections of the community whether they are businessmen, industrialists, politicians or civil servants, what is the guarantee that the evils which are supposed to exist

at present by the concentration of economic power in the hands of a few so-called capitalists will cease to exist when a larger and greater concentration of economic power in the hands of a few politicians and civil servants takes place under the new economic order?

It can hardly be denied that having taken several generations for the achievement of political freedom, we should value democracy, freedom and liberty of the individual citizens as of far greater basic value than the pace at which the economic development had taken place. Having granted this, can it be denied that it would be unwise to run the risks which I have indicated? Can it then be denied that it would be in the larger interests of the basic preservation of our freedom, of the strengthening development of our nascent democratic institutions and of the development of our economy that the new economic order which is intended to usher in an era of social and economic equality should be achieved through the surer and historical proven processes of comparatively slow moving democracy rather than through the rapid but highly dangerous methods which have been witnessed in totalitarian countries?

The new economic order should not endanger our newly won freedom and towards that end it is the duty of all the citizens, no matter what station of life they find themselves in to see to it that our leaders and our planners follow the surer path of democracy and of gradual achievement of economic

development rather than the dangerous paths of totalitarian methods to achieve a higher degree of economic development at a faster pace.

Apart from the considerations mentioned above, the other important point is that the rate of development envisaged in the Second Five-Year Plan particularly in the industrial sector, as compared to the rate of development already achieved during the First Five-Year Plan period, is not of such magnitude apart from the Steel Plants which the Government themselves have already decided to establish, that it can be considered to be beyond the capacity of the private sector to undertake that development nor is it of such high magnitude that the institutional changes in the frame work of industrial ownership and management should become necessary.

The record of the private sector in the First Five-Year Plan, as accepted and acknowledged by the Planners themselves, is sufficient to justify the continuation of the existing institutional frame work. Even, on this score, therefore, the changes envisaged can be considered to be entirely dictated by the ideological determination based upon the Avadi resolution and not on considerations of the need for rapid rate of development.

## OUTLAY

The total developmental outlay of the Central and State Governments over the period of the plan works out at Rs. 4,800 crores, the distribution of this outlay by major heads of developments is as under:—

	<i>(Rs. crores)</i>			
	<i>First Plan</i>		<i>Second Plan</i>	
	Total provision.	Per cent.	Total provision.	Per cent.
1. Agriculture and community development ..	373	16	565	12
2. Irrigation and flood control ..	395	17	458	9
3. Power .. ..	26	11	440	9
4. Industries and minerals ..	179	7	891	19
5. Transport and communications	556	24	1384	29
6. Social services, housing and rehabilitation ..	547	23	945	20
7. Miscellaneous ..	41	2	116	2