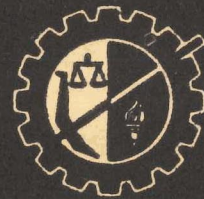


**THE FUTURE IS WITH
FREE ENTERPRISE**

A. D. SHROFF



FORUM OF FREE ENTERPRISE
SOHRAB HOUSE, 235, Or. D. N. ROAD, BOMBAY - I

THE FUTURE IS WITH FREE ENTERPRISE

A. D. SHROFF

The economic horizons of the country have considerably altered since we met" last on July 16, 1958. I am sure that all of you will agree with me when I make the assertion that for the new developments in the country during the last one year and for better recognition of the importance of private enterprise by the general public, due credit must be given to the Forum of Free Enterprise which continues its activities with your active support and co-operation.

When the baby was born in July 1956, a dark future was predicted with the planets of socialism in the ascendant. But the support which it derived from the public falsified expectations of infant mortality and disappointed a number of "well-wishers". In the last three years, the healthy cry of the baby drawing the attention of the nation to the achievements of free enterprise in the past, its potentialities for serving the nation in the future and above all its indispensable and inalienable relationship with the democratic way of life, and the danger of state capitalism have made such an impression that the astrologers of doom have been proved false. It is no longer a secret that the strength of the Forum is due to its membership drawn from all walks of life and comprising the intelligentsia which has refused to be anesthetised by socialist chloroform and which appreciates that without freedom of

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

—Eugene Black

President, World Bank

** This is the text of the presidential speech at the general body meeting of the Forum of Free Enterprise on October 12, 1959, in Bombay.*

enterprise, the future of this country is bleak. With the consistent pleading of the case of free enterprise, such an amount of goodwill is being cultivated among our people who love democracy that this country can look forward to an era of prosperity and freedom, with equality of opportunity and social justice.

This message has been put by us before the country consistently and no better example of public response can be cited than the enthusiasm and repercussions of a meeting organised by our Bangalore Centre on May 29, 1959, at which Mr. M. R. Masani, M.P., spoke on "Nagpur and After" and Mr. C. Rajagopalachari, the eminent statesman, made a call for the defence of the farm and the family against the onslaught of state totalitarianism.

While we may look with justifiable pride on our achievements in the last three years and also look forward to more intensified activities in the furtherance of our cause as also mobilising public support, it would not do to ignore some of the dangerous developments in the economic life of the country today. Our fight against them must continue in the interest of eliminating poverty and squalor and promoting social justice.

The most reprehensible feature of the economy today is the existence and activity of the State Trading Corporation. Started 3½ years ago, ostensibly for trade with communist countries, the octopus of state trading has spread its tentacles into practically every profitable and remunerative trade, both external and internal, covering about 54 items. Its presence in the national economy cannot be dismissed lightly as that of one more bureaucratic corporation in which "Chota Hitlers" thrive on the tax-payers' money. Neither is it a mere nest of privileges and patronage for politicians who constitute under socialism a perquisitive society of the worst type, an

industry in itself, distinguished by production of forces of social disharmony, and a menace to the freedom and dignity of the individual and the democratic way of life.

The State Trading Corporation has done, is doing and will continue to do, if allowed, irreparable harm to the economy of the country. Trading is not a mere matter of profits. It is carried on by techniques built over generations and thrives on mutual trust and enormous flexibility of operations which cannot be aspired to even in its dreams by any bureaucratic corporation. The manganese ore trade provides but one example of the damage done to the economy by the State Trading Corporation.

Since the State Trading Corporation cast its avaricious eye on this item, this export trade which earned for the country in 1957 nearly Rs. 30 crores of foreign exchange has been in the doldrums. More than 60 mines have been closed and unemployment has spread. Our export trade in this item has been lost to the extent of nearly 50%, as admitted even by the economic survey put out with the budget papers for 1959/60. Our established importers of manganese ore in the United States, Japan, the U.K. and the continent are turning away from us, fed up as they are with the bureaucratic bungling of the officials of the State Trading Corporation. A full-scale enquiry into these matters is long overdue and as an example to other bureaucrats, those found guilty of mishandling the trade to the detriment of our much-needed foreign exchange should be severely dealt with.

Now state trading is sought to be introduced in the food-grains trade. Our major problem is one of increasing food production and not distribution. As rightly pointed out by one of the leading statesmen:

"If you destroy a free market, you create a black market. If you have ten thousand regulations, you destroy all respect for the law."

I have warned before that state trading in foodgrains will mean state controls right from the farm to the retail shop in the remotest village. It will require an enormous bureaucratic set-up. It will not only corrupt public life in the country, but also give such a stranglehold to the politicians over the economy that the democratic way of life would be in jeopardy. I, therefore, earnestly appeal to Government to give up this doctrinaire and ideological approach towards our food problem. Also, the numerous and conflicting policy statements by Ministers should be stopped forthwith. Thanks to ideological gibberish freely indulged in by politicians, already a scarcity psychology has been created. As the findings of five Agro-Economic teams which recently carried out a survey in a number of states bear out, wheat cultivators are displaying a tendency not usual in years of good harvest. They are holding back their stocks in spite of higher prices and a record crop of 73 million tons. This is the direct result of the scarcity psychology. Instead of the much accused trader who is depicted as a hoarder and profiteer, today the Government is making the very producers into hoarders!

In the context of rising food prices, I have to repeat the warning which I have given several times before. Resort to Providence as represented by the Nasik Security Printing Press in order to pay for the ambitious schemes launched by Government beyond its normal resources has pushed up the price line. It is not a matter of surprise at all that inflation produced by deficit financing should first be reflected in food prices in an underdeveloped economy where the major portion of many a family budget is spent on food. It is, of course, understandable that politicians who are playing the mischief should seek to take refuge for this phenomenon by trying to dub the traders as hoarders and profiteers. There are limits even to the gullibility and patience of the people. I want to warn them once again that while the commonsense of

doctrinaire politicians and planners may have gone on a holiday, the laws of economics do not go on a holiday.

While on the question of food prices, we cannot but look with alarm on the menace which is posed to the democratic way of life by the proposal for joint co-operative farming. It is nothing but introduction of collectives of the Soviet type by the back door. It is, on the Soviet planning model, a device for extracting the agricultural surplus for financing the ambitious industrial projects in the politico-bureaucratic sector of the economy which goes under the misnomer of the public sector. Recent developments in Communist China where the "Big Leap Forward" has proved to be nothing but a big leap backward ought to show to our planners enamoured of communist totalitarian planning techniques that Soviet model of comprehensive planned development by the state is not suited to this country and the first casualty will be our democracy while even the promised land of prosperity and efficiency is not guaranteed by such planning. Our planning should be realistic and should take into account the available resources in terms of local finances, foreign aid, technical skill and organisational skill, and above all should utilise the initiative and enterprise of individuals to the fullest extent possible. One of the oldest and most respected of India's sacred books, the "Bhagavadgita", has a good moral for our unpractical politicians enamoured of Marxian dogmas. Says the Gita:

"That action which is blindly undertaken without any regard to capacity and consequences, involving loss and hurt, is called *Tamasic*."

There is said to be no compulsion in joint co-operative farming. But as a straw in the wind, I will only draw your attention to the following portion from the Bombay Tenancy Bill which is proposed to be placed before the Assembly:

"30. (1) If the land to be allotted to a co-operative

farming society under section 32 does not form a compact block due to some intervening land being held by a person who is not a member of the society and it appears to the Collector that in the interest of efficient cultivation, the land to be allotted to the society should form a compact block, he may serve a notice on the person and the society calling upon them, if willing, to take steps and admit the person to membership of the society within the prescribed period.

“(2) If the person and the society are unwilling or fail to comply with the notice under sub-section (1), the Collector, with the previous approval of the State Government, shall make a declaration that it is necessary to acquire the land held by the person for the formation of a compact block of land for the co-operative farming society.”

The motives for introducing joint co-operative farming are also suspect in another way. The history of every country shows that it is the peasantry which forms the backbone of any democracy in that it is widespread over the countryside and collectivist measures of socialists and communists cannot be imposed over it. But as soon as they are herded into collectives, it becomes easy to browbeat, intimidate and manipulate them into the collectivist pattern of economy and life which the socialists and communists specialise in. Dr. Albert Hunold of the Mont Pelerin Society has rightly pointed out:

“What Communism and also milder forms of Collectivism cannot stand and what they find most inimical to their purpose is peasant agriculture in the sense of independent proprietors. But, notwithstanding, in order to catch the support of rural workers and small peasants, hungry to own land, Communist propaganda approached them and destroyed them as soon as they were in power. (Russia 1917, Hungary 1945, Eastern

Germany 1945, China 1946, etc.) Everywhere the same story! First the land-hungry rural population is fed with revolutionary slogans about 'land reforms', then there is, in a second phase, some distribution of land in small lots, but then, in a third phase, the peasantry is betrayed by a policy which fights the peasant owner (the 'kulak' in Russia where Stalin murdered them in millions) and which creates a collectivist structure of agriculture. The consequence is a new State Feudalism which is incomparably worse than private monopoly.”

Along with foreseeing and preventing the dangers of joint co-operative farming, for future attitude towards agriculture, it would be desirable to ponder over the words of one of the most eminent economists in the World, Prof. F. A. Hayek:

“The capital supply of underdeveloped countries is bound to remain small per head for a long time. In consequence, the capital to be most effective, ought to be spread widely and thinly. This requires that it be used by many small capitalists in little units and the best use is made of the knowledge of local circumstances and particular conditions.

“Planners always have a bias for large industrial units which are not a most effective use of capital in an underdeveloped country. In fact, a large part of capital investment ought to go into agriculture, to develop a food surplus which will provide the basis for more industrialisation later on.”

While the Second Plan has pushed up the food prices and brought misery to millions in this country, it has also played havoc with our industrialisation. I wish to draw your attention to the serious foreign exchange crisis faced by the coun-

try. Thanks to the policy of indiscriminate issue of licences by the then Union Commerce and Industry Minister in 1955-1956 — it is a matter of great regret that anybody guilty of such a gross betrayal of the interests of the country should go unpunished — the country continues to be on the brink of a foreign exchange crisis. The generous foreign aid given by our friends abroad while evoking our gratitude to them should not blind us to the realities that it is only a stop-gap measure and not a permanent solution. We must have a long-term foreign exchange policy which should be closely tied in with a realistic export promotion policy. To think of a target-oriented, ambitious Third Five-Year Plan is to repeat the mistakes of the Second Plan on a larger scale. To err once is human, but to repeat the error which will bring disaster to millions of people in this country is nothing less than betrayal. Not even the most popular leaders can hide under the alibi of the elective character of their office when they try to distribute general penury and inflict untold sufferings on the people on the pretext of serving them. Even a Communist country has learnt the lessons of wild planning and the injustice it promotes. Premier Nikita Khrushchev in his famous speech at the 20th Congress of the Communist Party of the Soviet Union said:

"Stalin thought that now he could decide all things alone and all he needed were statisticians! He treated all others in such a way that they could only listen to and praise him."

It is pertinent to point out that for increasing production in the country in order to abolish poverty, there is crying need for rationalising the tax structure, both individual and corporate, direct and indirect. It is also imperative to desist from introduction of fanciful price policies in public undertakings which would mean nothing but imposition of more indirect taxes on an already overburdened people. A mora-

torium on navel ideas and the application of blinkers to wild horse economists are highly desirable for the good of the nation.

I wish to emphasise once again that the Forum of Free Enterprise would continue to do its good work of educating the country against the menace of state capitalism which socialism and communism seek to introduce. I appeal to all those who are in Government and powers-that-be to devote a little time for reading the latest literature emanating from the socialist friends of Europe and to see how ridiculously behind thinking of Socialists in India is.

The earlier-day British prophets of Nationalisation and State ownership are disillusioned today. A vigorous proponent of this ideology since 1911, Mr. R. Kelf-Cohen, who also had experience of running a number of nationalised industries between 1945 and 1955, has exposed in his recent publication, "Nationalisation in Britain — The End of a Dogma," the fallacy of this socialist concept. He says:

"Looking back and rereading some of our best efforts, I am astonished at the slight intellectual effort we put into the work. We were content to prove that everything was wrong with the existing set-up. Faults were many and easy to find. But when we turned to alternatives, we talked airily of compensating existing shareholders and setting up a Public Board to run the industry. That was about the sum-total of our constructive thinking. We did not trouble to work out a detailed scheme of compensation, or future organisation, for one selected industry.

"There was magic in the words 'Public Board' or 'Public Corporation'. They were to be staffed by selfless men of outstanding ability, devoted to the national interest. We assumed that such men were to be found in large numbers; naturally they had no

chance to come forward in the degenerate Capitalist era in which we were living. We also assumed that the workers in the industries would be transformed by the Act of Nationalisation and devote themselves to the national interest. Thus the combination of selfless management and selfless workers would bring about the brave new world of Socialism — so utterly different from Capitalism."

He poses the present Socialist dilemma as follows:

"The more independent the nationalised boards, the more they will exercise power without 'accountability'; the less they are independent, the greater the risks of centralisation and lack of enterprise."

To those who believe in the myth of popular control over state establishments, the following paragraph from Mr. Cohen's book is to be recommended for study:

"The [Sidney and Beatrice] Webbs distrusted the increasing powers of ministers; so they naturally objected rather strongly to ministerial responsibility. 'What has happened in fact, during the past half century with the continuous increase in the functions of government has been the gradual establishment of a largely unself-conscious bureaucratic conspiracy against Parliamentary interference or control' (page 172). They came to the conclusion that ministers, assisted by their able civil servants, were successful in indulging in evasion and denial of information; and they end up with the startling conclusion that 'Parliamentary control, even over policy, has become an illusion and a sham' (page 172)."

With the march of technology, socialism and communism stand bankrupt in the Court of World History. Dynamic free

enterprise within socially desirable regulations is the only answer to the needs of the modern world. The words of the architect of West German Miracle, Dr. Ludwig Erhard, need close study:

"I share the view that the economic and social development of India **does** not permit the mere imitation of any pattern, **as** it is only the creative force of this country and its people which will show the right way. However fully economic planning may be accepted, in particular in a phase of development, economic life is not shaped at the draft-board, but by human beings, and anybody who thinks he can disregard basic human nature is heading for frustration. This means that the human individual must be rendered conscious of the sense and the value of his work and effort, and must be shown that better performance leads to the personal advantage of a better life. He must be given the chance of individual development, and must enjoy the fruits of his own success."

Those who in the name of social justice embraced collectivist dogmas of Communism, Socialism and Fascism have ended up with the formulation of a totalitarian **perquisitive** society and economic feudalism. People can no more be fooled nor can economic laws be changed. Human nature still remains the same and will always respond to trust with trust and appeal for goodness with goodness and generosity with generosity. But if perverted rulers succeed in **raising** up the bogey of class warfare, arousing the meaner side of human nature and distrust the people, then for the wind they sow, they will have to reap the whirlwind.

For those **who** mistake the dynamic free enterprise of the 20th century as the *laissez faire* capitalism of the 19th century, I humbly prescribe some other innocent pastime than this

tilting at imaginary windmills. The age of 19th century *laissez faire* is dead and gone and **Don Quixotes of Socialism** may better bring themselves up-to-date with the knowledge of technological developments and the changing nature of the world.

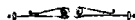
Both Socialism and Communism lead to State Capitalism. State ownership is not public ownership, and equality of opportunity or of any other sort is not possible in a state capitalist society which socialism and communism inevitably lead to. Let us heed the warning of Mahatma Gandhi who said:

"The State represents violence in a concentrated and organised form. The individual has a soul, but as the state is a soulless machine, it can never be weaned from violence to which it owes its very existence."

Unless we resist insidious inroads of collectivist ideologies, we will live to learn the sad lesson that the edifice of Socialism can be built only in the graveyard of democracy. The new order which will emerge will not be materially different from the slave state of Fascists, fulfilling **Mussolini's** dictate,

"Everything for the state; nothing outside the state; nothing against the state."

I conclude with an humble appeal to all my countrymen to realise what glorious future lies before us if only we could cling passionately to democratic values, allow the fullest scope to individual initiative and enterprise, recognise the dignity and worth of individual and place trust in him and reading the signs on the wall give a decent burial to socialism, communism and other collectivist manifestations of a bygone era, and thus bring about through democracy and free enterprise within socially desirable state regulations an era of plenty, of prosperity, of freedom and social justice.



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

—A. D. Shroff

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