CONFIDENTIAL

The Joint Select Committee of Parliament on the Monopolies and Restrictive Trade Practices Bill, 1967 met at 10.00 A.M. on 3rd August, 1968.

(180)

SHRIMATI VIOLET ALVA IN THE CHAIR.

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WITNESS: SHRI M. R. MASANI

CHAIRMAN : Every one of you knows Mr. Minoo Masani, a Member of the Lok Sabha. He is now going to give us evidence on the Bill on which we are working. He wants to take 15 to 20 minutes to be able to explain his point of view on this Bill.

Mr. Masani, you may begin.

SHRI M. R. MASANI: Madam Chairman, I am grateful to you for the invitation that you and the Committee have extended to me to appear before you and I am happy to be able to state my own position which also happens to be position of the Party to which I belong. I would like to excuse myself from going into the detailed clauses of the Bill because, as a Member of Parliament, I would like to see the results of the labours of this Select Committee. Therefore, if you will kindly permit me, I would like to confine myself to the salient features of the Bill, the broad aspects of it and not get involved in the details of clauses which are still to be adequately drafted.

Now I belong to a school of thought and a Party that is opposed to monopoly. That is because we believe in competition. We attach the highest importance to the value of competition for economic progress and growth. In the statement of policy of the Swatantra Party of March 19 and 20, 1960, soon after we came into existence, we said:

"The Swatantra Party believes that the free choice of the producer, the investor, the worker and the consumer must be given due place and importance. The Party believes in the incentives for higher production and expansion inherent in competitive enterprise with adequate safeguards for the protection of labour against unreasonable profits, prices and dividends in those cases where there is no competition or where competition is not adequate to secure the necessary corrective... Wherever the State enters the field of industry or business the Swatantra Party is of the view that it should not be given a monopolistic position, but should show results facing competition on equal terms."

In our Election Manifesto last year we said:

"The Swatantra Party is opposed to all monopoly, whether in the State or free sector, and will seek to re-establish competition wherever possible for the benefit of the consumer. Monopolies, where tolerated will be subject to essential control....Where owing to temporary scarcity of certain vital resources regulation becomes inevitable, there should be a quasi-judicial authority to indicate the necessary priorities and allocations!"

We are, therefore, for maximum competition and for minimum monopoly or social control.

These views were placed by me before the Das Gupta Commission when I appeared before them in November 1964. It is against this background, Madam, that I would like to consider the present Bills.

To start with, I would like to say that in my view the Bill is very poorly drafted. It is full of clauses or statements which are bound to cause needless litigation and uncertainty which should be avoided. Secondly, I am rather aghast to see that the bill is an entirely different one from that which was recommended by the Das Gupta Commission before which I had appeared. Now my Party has stated its opposition to this Bill in a resolution of our Central Parliamentary Board on January 27 this year which I shall place before the Committee --

"The Swatantra Party has always opposed any monopoly, whether in the State or in the private sector, and would welcome the introduction of genuine and reasonable anti-monopoly legislation which would seek to prevent those concerned from exploiting the monopolistic situation. The Central Parliamentary Board of the Party, having examined the Monopolies and Restrictive Trade Practices Bill now before Parliament, is alarmed at finding that the provisions of the Bill have to a large extent little to do with combating monopolies but are so designed as to give Government all manner of arbitrary authority over all industrialised trading concerns regardless of whether or not they are monopolies. The Bill bears little resemblance to the draft legislation recommended by the Das Gupta Commission on Monopolies. If enacted in its present form the Bill would prevent this country from enjoying the benefits of technological progress and economies of size on the one hand and would place everyone engaged in industry, trade or ervices at the mercy of the politicians and bureaucrat to whose arbitrary whims and fancies the Bill provides neither a judicial nor any other check. The Board, therefore, calls upon the Swatantra's Members of Parliament to fight this pernicious Bill while making it clear that the Party stands for opposition to monopoly in whatever sector it may raise its head."

Madam, I would like to make five submissions to this Committee arising out of this line of thought. The first is that the exclusion of State enterprise is fatal to the purposes of this Bill. The only monopolies in India today are Government enterprised. There is no monopoly, to my knowledge, in the whole of India outside State or Central Government enterprises. I shall be glad to be informed of any that exists. It is possible that a monopolistic situation may exist but legislation against monopoly is not against a monopolistic situation but against monopolistic power being exercised.

This distinction is wellknown in legislation in all countries of the world. It is particularly when a monopolistic situation tends to give monopoly power that interference becomes necessary. So I say that there is no example of monopoly power outside of Government enterprises in India to day.

In fact, the biggest enterprises in this country are invariably Government enterprises and the only monopolies are Government monopolies. For instance, the LIC is a monopoly. The IAC is a monopoly. Air India is a monopoly, and one could go on like that. Beside these big giant enterprises of Government private enterprises looks like pigmies. The "Economic Times" of 20th January this year gave some figures. I will just mention a few. I am sure the Members are aware Hindustan Steel Ltd., is the biggest of our enterprises in India that has assets exceeding a thousand crores of rupees. It is the only corporation, the Economic Times stated, to be listed among the world's 200 top enterprises outside the United States. The three biggest concerns in India are Government enterprises - Hindustan Steel Ltd., with Rs. 1018 crores, the Indian Oil Corporation with Rs. 222 crores, and the Hindustan Aeronautics with Rs. 183 crores. Of the ten big corporations in India, nine are Government enterprises; the only enterprise in the private sector being among the first ten is the Tata Iron and Steel Co. It is because of this that the Monopolies Inquiry Commission of 1965 in its Report at page 186 said, that the State monopolies must be brought within the ambit of monopoly legislation and within the control of the Monopolies Commission proposed to be set up. I am sorry to see that in this particular Bill that recommendation of the Monopolies Enquiry Commision has been brushed aside.

Now it would not perhaps be so bad if these State enterprises are profit-making and efficiently run enterpries. But we are painfully aware that the State enterprises in India are making a loss for this country. In other words they are run inefficiently. People who were for the Socialist pattern of development in our country have now turned against it. I would like to mention one example Prof. Galbraith, the American Socialist, when he was Ambassador to India, was starry eyed about our State sector and he had not use for people like me who were opposed to it. He recently wrote a book, "The New Industrial Society" in which he has said:

> "In India and Ceylon nearly all public owned corporations operate at a loss. The situation is similar in other new countries. One result is that a large number of socialists have come to feel that public corporations are by their very nature in the words of a Minister in a Western Country, 'remote, irresponsible bodies immune from public scrutiny or democratic control".

That is why I say that Government monopolies are the more dangerous because they combine police power with industrial power.

WITNESS (CONTD)

If there is one monopoly that must be controlled and curbed or destroyed it is a Government monopoly which ismore dangerous than any private one. Therefore my first submission is that either this Bill should be amended to bring within its scope State enterprises or the Bill should be dropped. This measure leaving out the only existing monopolies in India makes no sense to me whatsoever.

My second submission is that the permanent Monopolies Commission sh proposed to be established should be an independent body. It should not be dependent on the Government of the day. It should be like High Court or Supreme Court Judges, at least quasi-judicial in its nature and in regard to its functioning.It should be supreme subject only to an appeal to the Courts of Law. As the Bill stands at present, my understanding is that the proposed Monopolies Commission is merely an advisory body. First, it can be by-passed whenever Government so desires and secondly even when it is consulted, its findings can be ignored. This makes a mockery of this entire legislation.

My third point is that there should be an appeal to the Supreme Court and that appeal should be unfettered and not limited as it is in the clauses of the Bill at present.

My fourth submission is that Chapter III on concentration of economic power is entirely irrelevant to the purposes of an anti-monopoly Bill. This chapter is based on confusion between monopoly and size. The first time I became aware of this was when I was Chairman of the Road Transport Reorganisation Committee appointed by our Government in 1960 or thereabouts. We were touring the country and we went to Madras and, when witnesses came before us, official and unofficial, several of them referred to Messrs. T. V. Sundaram or Southern Roadways, one of the most well-run enterprises in India, as a monopoly. This puzzled me because I did not know it enjoyed monopoly. So I made enquiries from the Madras Government officials who were present and they gave me certain facts which showed that there were other operators on the routes which had been allocated to Southern Roadways. So I asked the witnesses: "Do you know that there is competition on every route and the Southern Roadways is only one of the operators? Why do you then call it a monopoly?" They said: "Oh, it is so big! " So this confusion between size and monopoly seems to have affected the drafters of this Bill and I suggest that the Select Committee cure this confusion by eliminating this whole Chapter which is irrelevant.

Size is not in itself a bad thing. Size is a function of efficiency. I speak from a management or efficiency point of view as a Management Consultant. There are enterprises which should be small to be efficient. A farm can only be efficiently run if it is small. Giant farms, whether run in the US on the capitalist model or in the Soviet Union or China on the Communist collective model, both have failed to deliver the goods. The production per acre is among the lowest in the world. A small farm of 2 acres of of 5 acres as in Formosa or Japan properly run, with capital investment, gives the highest crop of wheat or rice in the world. An economic farm of 5 or 10 acres does well and then it tapers off when it becomes bigger and bigger, depending on its size. On the other hand there are industrial enterprises where size is also an advantage. These are called economies of scale or economies of size. And to deny ourselves the befits of economies of size is to be reactionary and out of date. A big corporation is not a monopoly if there are other big corporations or small corporations competing with it. In other words, size and monopoly are two entirely different things which may or may not coincide in any particular case.

Now, it is alleged that there is concentration of power. But it is not in the hands of big corporations. I happened to have the experience of a big corporation for 16 years, one of the best run in India. Even when I was with them and increasingly now..

SHRI K. DAMODARAN: Concentration of economic power.

WITNESS: Concentration of economic and political power, both allegations are made, So I will deal with both. First of all, as far as I can make out, big business in this country has no political power whatsoever,; it is a demoralised body retreating all the time with its back to the wall. They may have power to get licences by bribery and corruption. I am not referring to that. That exists in every system. But I do not believe that big business in India has so much power as to affect the elections in the country or to build up or destroy political parties. That is borne out of the facts of political life.

The economic power to which the hon. Member referred is also not there. Madam, as far back as 1964 on the 4th of March, I made a speech in the Lok Sabha on the Budget of that year, 1964. I dealt with the point which the hon. Member has made. This is how I dealt with it:

"On this point of concentration and control the hon. Minister said that ownership is diffused, it is true, but there is control. Who has the control today? What can those who are at the head of banks and companies do? Let me just mention that under the Industries (Development and Regulation) Act, a company is not entitled to hire a director without the permission of the Government. Having hired him, the company cannot either dismiss or pay the salary of the director without Government's permission. Any company with a capital investment of more than Rs. 25 lakhs cannot come into existence without the permission of the Government. Having come into existence, it cannot make any product other than one approved by Government. Then, again, this product cannot be sold at a price other than that approved by Government. No capital can be raised without the permission of Government. No machinery can be imported without the permission of Government and foreign exchange given by it. And raw materials from abroad cannot be obtained except at the mercy of Government.

Who has control in this country? Only the people in Delhi who exercise this power. It is not an accident that we find the planes full of senior business executives, who ought to be devoting their time to creating wealth and production for the country, chasing minor officials around the corridors of the Secretariat, trying to get files moving. This humiliating and sickening situation shows where the real control is in this country".

So economic power no longer rests with those who are at the head of big enterprises, it rests with politicians and bureaucrats. Those of you who have read the book the New Class by Djilas, a Yugoslavia communist, for which he was sentenced to 10 years' improsonment, will remember that there is a new class of State capitalists among the Yugoslavia commissars and the leaders of the Communist Party in the Soviet Union. Because we live in a mixed economy, we have a mixed new class. It consists of Ministers and bureaucrats working hand and glove with corrupt businessmen. These are the only vested interests in this country and it is against this class that our legislation should be directed. We have to see how to break the monopoly of this new class, which ultimately holds the country to ransom. Therefore I say that this chapter would be retrogressive and would prevent India from advancing. It can be asked why a big company should go into various lines, for instance, why a major industrial enterprise like Tatas should make lipsticks and perfumes. The answer is that the Government asked them to do so. It was Prime Minister Jawaharlal Nehru and the Commerce Ministry who pleaded with Tatas to make cosmetics, because these things had been banned for import purposes and the women of India were complaining about it. So they, right from the Prime Minister downwards, requested ~~him this~~ "Please make cosmetics because nobody else is doing it, so you do it". So it was in the national interests that the Commerce Ministry and the Prime Minister of that time pleaded with Tatas to make cosmetics. That is why it was done. I have got the correspondence if anybody wants proof.

WITNESS (CONTD) : So Government themselves felt the need and did it.

Now what happens in other countries? Take Britain which has a socialist Government today. Today the British Socialist Government demands and encourages mergers because it wants bigger corporations than exist today. I will give two or three examples. In Britain the Labour Government has encouraged Leyland Motors and British Motors to merge, although they were both very big Corporations, bigger than anything we have in India. The Industrial Reorganisation Committee gave a loan of £ 25 millions to make it possible for Leylands to merge. Similarly the AEC, one of the big engineering companies, and GEC have been encouraged to merge with the blessings of the Labour Government. The English Electric Company and English Computers and Tabulators have been similarly encouraged to merge.

In Japan, General MacArthur and the Americans had smashed Mitsubishi on the ground that it was a cartel. Under the present dispensation it has been allowed to get together under its control the enterprises which had been scattered under the American dictatorship. In Italy two of the biggest Chemical Companies have been encouraged by the Government to merge and they are controlling 80% of the market. In Germany companies have been encouraged to merge. Why? It is not because of the size being in itself a good thing but it makes for efficiency of the concern to compete on equal terms in the international market. In other words, if you believe in export promotion, one of the ways of export promotion is to encourage enterprises to grow until they achieve maximum efficiency in production and skill. So my plea is that the whole concept of interconnected undertakings and Chapter III on Concentration of Power should be dropped from the Bill as being entirely irrelevant and reactionary and restrictive of our economic progress.

My last submission is that, once this legislation is placed on the Statute Book, the entire system of licensing and controls should be wound up overnight. Price control and licensing are only a substitute for anti-monopoly legislation; because competition is not there, a certain amount of special social regulation becomes necessary. Once competition is re-established by anti-monopoly legislation, there is no case whatsoever for the continuance of the Capital Issues Control Act, the Import Export Control Act, the Foreign Exchange Regulations Act, the Industrial Development and Regulations Act, the Tariff Commission Act, the Essential Commodities Act and the Companies Act in so far as they restrict the freedom of enterprise to be brought into operation at all. I hope that the Committee would recommend in its Report that once the Monopolies Bill is on the Statute Book, the control apparatus -- licence permit raj -- should be disbanded and the theraputic effects of competition, which is the greatest cure for concentration or monopolies, should be allowed to have it play. That is all that I have to say. I shall answer any questions that may be put. ~~(Ends)~~

CHAIRMAN: You have put your point of view very ably indeed. We shall begin the questions from this side. Mr. Sinha.

SHRI A.P. SINHA: I have never put any question to M.P.s whenever they came

SHRI A.R. SAIGAL: I shall put later

SHRI C.C. DESAI: This would look like a dialogue within the Party. In order to avoid any such interpretation, I may be permitted to put some questions. For the present I hope Mr. Masani will forget -- he may not forget but we will forget -- that I belong to the Swatantra Party and that I am putting the questions merely as an M.P. and as a Member of the Select Committee. He said that the power rests mainly with the Government -- that is correct -- but there is something like a string behind the power. The power can be exercised directly as well as indirectly and it seems that the framers of the Bill have this indirect power in their mind when they say that some legislation should be enacted for controlling the evil exercise of power by the monopolists or those in whom economic power may be concentrated. How will you get over this particular point that it is not direct exercise of power that is sought to be controlled but the indirect control that may be exercised by those who pay to the parties or who oblige the Government, apart from their exploitation of the people like the consumers? I am only asking this question of exercise of power through the Government.

WITNESS: Yes, it is possible that political power or economic power can be exercised through the mechanism of Government by those who may not be in the Government. That is theoretically possible. In Communist countries the Politbureau really exercises the power through those who are actually in office as the Prime Minister or the President. This is a very well known fact. But in democratic countries this is a very abnormal situation. It does not normally exist. Certainly it does not exist in our country today. Even though we are in the Opposition, I have never known of anyone who has donated to my Party asking for any return or asking for any action on my part or my Party's part which would be a quid pro quo for what they have done. I would like to hope that other parties are equally fortunate in their donors. I can certainly speak for the business houses that have financed my Party quite openly. They have been good enough never to expect anything from us. This I am proud to say. I would like to think that even the Congress Party which receives money from similar people is not subordinated to those who are donating. As I said earlier, lobbying in the Secretariat or greasing the palm of Ministers has been known to happen in respect of getting a profit or making a quick rupee. That is a part of human nature that has to be stamped out, in the interest of the public good, but I am not aware that any political party in India is being run by monopolists like a puppet with strings behind. This is a fanciful thing that those who drafted the Bill are suffering from -- a sort of obsession. Therefore, to me, no case has been made out for interference with economic power.

There is a case for monopoly legislation. It does not need any argument that monopoly should be prevented wherever it is anti-social, both in the State and Private Sector,. I once again repeat that so far as the anti-monopoly part of the Bill is concerned, to the extent it is anti-monopolistic, if the State enterprises are included, we would support it Chapter III has nothing to do with monopolies and we are opposed to it.

SHRI CC DESAI: You must have seen a report in today's paper of a judgment by the Madras High Court in which the Judge is reported to have quoted that the companies which made donations were expecting certain favours lik e licences.

WITNESS: That is an old judgment.

SHRI C.C. DESAI: That is precisely the Swatantra Party's objection that the people paying money do expect something.

WITNESS: This Bill will not stop it, this will only put economic patronage in the hands of corrupt politicians who will take money from one industrialist and cut the throat of another. It is introducing political patronage in place of the law of supply and demand and will create corruption in the economic field. There is only one sane law of economics, and that is the law of the market where the consumer is king. Competition alone gives this power or right to the people to dictate the economic pattern. I call it the ballot of the market place. We go to the ballot every five years and, even if I misbehave, I may continue for that period, but in the market the smallest consumer determines the pattern of production and the biggest industrialist whether by market surveys or by other mechanism, keeps his eye on the preference of the consumers.

Every year in Bombay we have the monsoon and the shops are stocked with overcoats and ~~mb~~ umbrellas. Let us imagine this year the popular fashion is to wear overcoats and umbrellas are considered out-of-date and of the 19th century. So they are left unsold in large quantities.

SHRI M. R. MASANI (contd.) : What is the effect ? The effect is that, next year, those who had been making umbrellas will switch over at least to a certain extent from making umbrellas to making overcoats, and next year the supply of overcoats will catch up and the supply of umbrellas will come down, because that is how the profit motive works. Therefore I say that the profit motive and the law of supply and demand are the only correctives to political corruption, nepotism and bribery. Arbitrary power in the hands of the Planning Commission or the Government is the surest way to create corruption and inefficiency in our national life, as it has been created in the last twenty years and is still to be seen. The only way to stop that corruption is to remove political power from economic affairs and give it back to the consumer, to the men, women and children who do their shopping in the bazaars and markets and who determine the pattern of production by the choice they make in purchasing goods.

It may be Madam, that some of the Members of the Select Committee also go to the races. I am taken there once a year by friends who think that I should occasionally visit the race course. There is a totalisator, where all the preferences for the horses running in a race are totalled up to find out how many people are backing one horse, how many people are backing another horse, which is the favourite, which is the outsider, and so on, and the dividends are declared on that basis. Likewise, in the markets of India a similar tote is working ! Who wants what kind of soap, who wants what kind of other articles, say, shoes, clothes, clocks, and so on. All these are totalled up, and out of these collective preferences of the consumers for a particular brand of a particular article the pattern of production of an articl comes to be determined and the article is produced, and the big industrialists have to conform to that pattern. Now that is real economic democracy, and that is why we are against monopoly.

SHRI C.C. DESAI : Now, one of your main objections is to the exclusion of the public sector or the State sector from the scope of the Monopolies Bill and you said that the biggest monopoly in the country is in the public sector or in the State Sector.

SHRI M. R. MASANI : I am disinclined to call it "public sector" and I have called it "State Sector" and have advanced the reasons for doing so.

SHRI C. C. DESAI : But the distinction that I was going to make there was that in the State sector or, say, the public sector, the ownership is broadbased; the ownership is located in Government as Government is representative of the people. It may be that we are not in the Government today but nevertheless we believe in the system of Government and, therefore, the power exercised by the State sector is ultimately traceable to the people, whereas in the case of the private sector it is exercised by a few individuals. And won't you make a distinction between a few individuals exercising that power or that influence br pulling strings, and the same powerbeing exercised by Government, which, as I said, is broad-based, whatever may be the form of Government, whatever may have been the result of the elections at a particular time ? How would you get over this possibility possible distinction that the exercise of power is tainted according to the person who exercises the power ?

SHRI M. R. MASANI : The facts as I see them are exactly the reverse. State-ownership is not broadbased ; State ownership is in the hands of a very small number of people. Legally, of course the President of the Republic is the only owner; so, technically of course the answer is that one man alone is in charge of State enterprises and it is really concentration of ownership because they are all in the hands of the President of our Republic. But I will go behind the technical answer and go to the reality. The reality is that the Minister, the Secretary, perhaps even the Joint Secretary, are in charge of and run the biggest enterprises in India. For example, what is the democratic control over Hindustan Steel Limited, the giant enterprise we have, the monster we have, the monster which is eating up our national capital and losing crores of rupees every year ? Nothing.

SHRI C. C. DESAI : There is the Committee on Public Undertakings.

SHRI M. R. MASANI : Of course it is there but it is of no avail in setting them right. I happen to be the Chairman of a sister Committee, the Public Accounts Committee, and I have seen how far the Public Accounts Committee has been effective. Now let us face facts. Our capacity to control these enterprises is extremely limited. We can improve their working only a little and I am one who is trying my best to exercise whatever little ability I have in the sphere that had been given to me as Chairman of the Public Accounts Committee. Parliament, by its very nature, is not competent to control industrial enterprises. Parliament is not made to establish industrial enterprises and run them properly. It has only got to represent the will of the people in regard to the broad political issues of the day. Parliament is impotent in facing the monster of waste and killing it, or to exercise control over economic affairs, and we have seen how impotent Parliament has been in the last twenty years.

This is also true of the British House of Commons, which has repeatedly debated this subject and has always ended by saying that the formula by which Parliament in Britain can control State enterprises is still to be found. I refer to the debates in the House of Commons that take place from time to time. They have now created a committee for nationalised enterprises in England, so that our Committee on Public Undertakings is just an echo or reflection. I made enquiries in England and I was told that even today Members of Parliament in England realise that parliamentary control over State enterprises is nominal. That is why Professor Galbraith, the great economist has said this :

> "One result is that a large number of socialists have come to feel that public corporations are, by their very nature, in the words of a Minister in a Western country - (he is a member of Harold Wilson's Socialist Government in England)-- 'remote, irresponsible bodies immune from

public scrutiny or democratic control'. "

And this is what I am insisting on. What little experience I have shows that Parliament, as constituted, is incapable of controlling State enterprises. Also, on the other hand, the so-called private enterprises are really public enterprises, and that is why I object to the words "public sector" and I prefer to call it "State Sector." Many corporations have 30,000, 40,000 and 50,000 shareholders. Let me take the case of the Tata Iron and Steel Company about which I am now speaking vaguely from memory. I left Tatas eleven years ago. When I left, I think they had about 30,000 workers, but 60,000 shareholders. Now, in my view, that is more economically democratic, and such a joint stock company with such a large number of shareholders is a cooperative society, an industrial cooperative, and that is the form that the progressive world has adopted to run industrial enterprises.

Let me put it this way, Madam. Our human body has been given various functions by nature; a division of labour takes place within our system. We smell with our noses. We eat with our mouths. We digest with our stomachs. We breathe with our lungs, and so on. Now supposing we were to trying to digest with our lungs or breathe with our stomachs, what would happen ? It is just as absurd as this to try to make Parliament and Government run industrial enterprises, to give, as it were, the Managing Agency to the Government of India pertaining to all ~~experimental~~ al companies. It would be contrary to the laws of nature, and as far as I am concerned, State enterprises are a monstrosity contrary to the laws of nature. If State enterprise must exist, let them remain but for the benefit of the consumer - I have no objection; I believe in a mixed economy. But if State enterprises come to acquire an economic monopoly and begin to exploit the consumer to his detriment — which is what I see today — then I say that you are really conniving at State monopoly capitalism, and it is most reactionary thing in the world according to Mr. Djilas, the Yugoslav communist.

SHRI C. C. DESAI : I am not yet clear in spite of what you have said against public enterprises. If the monopoly situation in the State sector or public sector results in exploitation of the consumer and in the making of unconscionable profit, yet, thebenefit goes to the Treasury and therefore to the people, whereas in the case of the private sector, if the monopoly situation results in the exploitation of the consumer, or in the making of excessive profit, it goes into the private pocket, and that is the distinction which I find difficult to get over.

SHRI M. R. MASANI : Madam Chairman, again I think this is fancif ul. State enterprises just now do not make profits for the benefits of the publi c exchequer ; when that happens, we shall come to the bridge and cross it ! The present position is that they are not on the whole making any profit at all; they are only incurring losses. Take the Railway Board for example, or the Railway Ministry above it. It simply exploits the consumer, the railway passenger, also other railway users. The Indian Railways are a most inefficient monopoly. It is true that they are made by the Finance Minister to make a certain contribution from the Railway Budget to the General Budget. But at whose cost ? At the cost of the consumers, and the tax-payers are the same persons by and large. Therefore this is a specious argument. That is why the Swatantra Party has stated very clearly in its Policy Statement that wherever the State enters into field of industry or business, it should not be given a monopolistic position but should show results facing competition on equal terms. That is why the Swatantra Party stand is that State Corporations must be brought within this Bill, otherwise the whole Bill should be rejected.

SHRI C.C. DESAI: I agree that State enterprises should not be given a monopolistic position, but that does not necessarily mean that monopoly in the State enterprises is objectionable.

WITNESS: I do not understand this. The State should not have a monopoly. They should be subjected to this Bill and brought within the ambit of the Commission.

SHRI C.C. DESAI: Now, I come to the question of competition. Everybody agrees that competition is the best spur to production and production is best for growth. But what is there in this Bill which aims at belittling the element of competition? Why is it said that, if this Bill is passed, competition will not be there?

WITNESS: There are two respects in which I think the Bill is pro-monopoly and anti-competition. The first is the exclusion of State enterprises which are the only monopolies in India. To pass a Bill against monopolies and by definition exclude the only existing monopolies is farcical! It shows lack of honesty of purpose. If Government really wants to stop monopoly, then obviously LIC, IAC and other State monopolies - these could be determined on closer examination - should be brought within the scope of the anti-monopoly legislation. Then, quite obviously the other respect in which free competition is inhibited is Chapter III. Chapter III denies the benefit of free competition to the Indian economy and the Indian public. Free competition does not mean that you are limited to certain areas. Free competition means that if three giants want it they must fight it out. That will bring down prices in competition in the market. To stop that kind of three giants fighting and bring then down to the size of pigmies is to inhibit production. Therefore, I consider Chapter III to be the enemy of competition. As one who believes and whose Party believes in free competition, I find the whole Chapter III is pro-monopolist and it will create small monopolies protected by the politicians of the day. Now, what is the licensing system? It is pro-monopoly equally, though there are no absolute monopolies, as I said earlier. Take the motor-car business. Only three or four produce cars in this country. If a fifth wants to produce a cheaper car and benefit the consumer, why should it be denied? Why should I be made to purchase the "kachra" I get in the market? Why should I not have a chance of getting a fifth kind of car at a cheaper ~~rate~~ price? So, as we have pointed out, the system of licences and permits creates a set of semi-monopolies, which are inhibiting competition. We should have competition completely unfettered. There should be no bar to the size of an undertaking.

SHRI C.C. DESAI: I am also opposed to industrial licensing, but one reason for industrial licensing is to avoid dissipation of resources by putting up unnecessary and uncongenial institutions. That is ~~they~~ their justification.

WITNESS: That is a thesis which I deny. I think industrial licensing has been used to acquire economic power in the hands of politicians who want to line their pockets.

SHRI C.C. DESAI: My last question is, what is your concept of a quasi-judicial monopoly commission?

WITNESS: This should be discussed. I have not studied it, but if I were a Member of this Committee, I would examine the position obtaining in different countries. But let us put it this way. Those who are appointed should be people of very high status, not necessarily judicial. They must have the requisite experience of business and industry. They should know what the running of an enterprise means. Suppose you choose four or five people of unimpeachable integrity and character. Appoint them for long terms, say, seven years or five years and then give them full power to adjudicate on this matter. Whatever they decide is final,, subject to the Supreme Court of the country alone. Government should have no right to interfere, either positively or negatively, with the findings of the Monopolies Commission. Now, I would say that if they are protected from the executive, just as the High Court or Supreme Court Judges, although appointed by the Government, as a judicial authority, I would be quite satisfied. If one wanted to make it more independent,,one could say that the President in his discretion, and after consulting the Government and other non-official bodies and parties in the country should appoint such a Commission, and the Cabinet of the day should have no hand in it.

SHRI C.C. DESAI: There is no such thing as "the President in his discretion" in the Constitution.

WITNESS: I believe there is. My view is that of Dr. Rajendra Prasad. There are discretionary powers for the President, though unfortunately they have not been exercised in the last twenty years. They should be exercised in a proper situation.

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SHRI K.R. GANESH: Mr. Masani, our difficulty is this. We expected you to say something on the Bill, but you have explained your own view point, the ideology that you represent. It is very difficult to enter into an ideological discussion with you in the context of this Select Committee. However, I will try to ask you a few questions. You have gone through the Commission's Report and you say that there is no private monopoly in this country.

WITNESS: Not At the moment, but there could be.

SHRI K.R. GANESH: You have gone through the Report of the Monopolies Inquiry Commission where they have to this conclusion that monopoly has grown in this country.....

WITNESS: I do not accept it. I think there is no monopoly in India. My reading of the Report is that for the time being they have come to the conclusion that there is no monopoly in the private sector in India today, but there is growth of size, and so on.

SHRI K.R. GANESH: In spite of that they have recommended the setting up of a Monopolies Commission.

WITNESS: I accept the draft Bill which they have appended to their Report.

SHRI K.R. GANESH: These are two different things. This Bill may be a little advanced. I congratulate the Ministry for that, but that is a ~~two~~ separate matter. The fact remains that the Monopolies Inquiry Commission, after a review, came to the conclusion, with which you disagree, that the monopoly tendencies in this country have grown and as a result of that it is affecting the political and social life of this country.

WITNESS: Now I must enter a caveat. I agree with the Monopoly Inquiry Commission's Report which says that there are no monopolies, but in order to prevent such a danger arising anti-monopoly legislation should be introduced. I am hundred per cent for it. I must clear my position on that point.

SHRI K.R. GANESH: I will leave that point. You are an elder statesman.

SHRI ANADHESWAR PRASAD SINHA: The Report has never said that there is no monopoly. I think they have given certain examples of existing monopolies.

SHRI C.C. DESAI: This is the sentence, in Chapter VII, of their Report:-

> "The foregoing study has convinced us that the dangers from concentrated economic power and mono polistic and restrictive practices are not imaginary but do exist in a large measure either at present or potentially".

WITNESS: I agree that there is a danger of it, but at present it does not exist.

SHRI CHANDRA SHEKHAR: The danger exists.

WITNESS: "Dangers" and "facts" are two different things.

SHRI K.R. GANESH: Now, you know the Directive Principles of the Constitution. I do not know whether you share with this view that during the last twenty years of development in our country, a greater part of our national income has gone into the hands of those who are the propertied people, and this has helped the growth of monopolies. This has led to a situation in which in the country there is tremendous tension. Therefore, consistent with the Directove Principles and consistent with all that our national movement stood for, of which you were a part a very long time ago, is it not necessary for us, at this stage, to legislate, so that economic as well as social power is reduced and finally eliminated?

WITNESS: I am very sympathetic to the hon. Member's objectives. I believe in social justice. I believe in Lenin's abstract definition of communism as " a free and equal society ". The difference between the hon. Member and myself is not about our objectives, it is about the method and the results. Now, he talked about a greater share going into a limited number of pockets. That has undoubtedly been the result of Socialism in India. That is why I am against socialism of this kind or pattern in India. Socialism of the State Capitalist kind as followed and practised in the Soviet Union and in India, invariably lines the pockets of a small minority. Some of us foretold in the past fifteen years in Parliament that the Second and Third Five Year Plans would only line the pockets of politicians, bureaucrats and businessmen, who should not be allowed to thrive at the cost of the consumer. That was because competition was inhibited. The consumer was deprived of his fair share. So, my answer is that I agree that the result of your pattern of Socialism has been what you say, which I have strongly opposed. In my pattern which is a completely free market and free competition, the growth of wealth will take place in the way it has happened in more progressive countries like the United States, Switzerland, Sweden, Japan, Australia, New Zealand, West Germany and so on, i.e., the money would filter down to the pockets of the common people. It is your socialist pattern that has prevented it.

WITNESS: (CONTD): Secondly you talk about tension in the country. There is tension in the country; tension is due to poverty, and that poverty, is due to the wrong economic policies and planning of the Socialist Government. If India had followed my pattern of economic development it would have been a more prosperous country by now and the tension would have been much less, but following reactionary and restrictive economic polities has led to stagnation. And stagnation causes tension, not inequalities. People do not mind another man having enough and more. So long as I have something, I do not grudge the other man. My answer is the tension is due to stagnation caused by socialist policies and not due to inequalities.

SHRI K.R. GANESH: You have referred to the socialist development in this country. Of course personally I think many of us do not believe that we have had socialist development. It is an obsession.

WITNESS: It is the claim.

SHRI K.R. GANESH: May be. Would you please say why in your paradise., the United States, Britain, Formosa, West Germany and so many other countries where unrestricted industrial development has taken place in spite of that at the late stage they had to have monopoly regulations? Today the condition there is that vast majority of the people - you must have also read that the American poor demonstrated - obviously ......

WITNESS: Vast majority?

SHRI K.R. GANESH: Quite a substantial majority of the people.

WITNESS: 2 per cent

SHRI K.R. GANESH...... are not enjoying the benefits of the national income of thes e countries.

WITNESS: Madam, I am entirely for the anti-monopolies legislation of America, Britain, West Germany, Japan, etc. I must go on correcting hon. Members whenever they try to put something into my mouth. I am for competition and against monopoly; I have always admired the anti-Trust legislation of the United States, West Germany and other countries. In fact I remember mentioning to Ministers six or seven years ago: "Why don't you people bring an anti-monopolies Bill? We will support you". It was soon after my Party came into existence. But the results are not what the hon. Member imagines. The poor in America number somewhere between 1 to 2 per cent and we would be very happy if in our country the poor, who are now 60 to 65 per cent, could be reduced to two per cent. Let us first get to that stage and then you can think of further Utopias where even that two per cent can be abolished.

SHRI K.R. GANESH: You have referred to Prof. Galbraith and Djilas. Would you kindly tell us something, if you have read, about the conclusions drawn by, not a communist, but a western socialogist and economist, Prof. Gunnar Myrdal in his very elaborate and important book, the Asian Problem, in which he has come to the conclusion that the problem in Asian Countries - and particularly he has referred to India - is due to the fact that the democratic revolution in India against Feudalism in the rural areas and against monopolies in the industrial sector has not been taken seriously and it is as a result of that this problem has come up? Would you kindly enlighten us on this?

WITNESS: I have received Prof. Gunnar Myrdal's three volumes beautifully bound together only three days ago with his compliments. I have just written a nice letter thanking him for his courtesy and I propose to read it in due course. I therefore cannot comment on your summary of his conclusions because I do not know what he has said. But Prof. Gunnar Myrdal and I have often talked things over and I know him very well. We have talked a good deal about Indian affairs and I should be very surprised if he does not come to the same conclusions as those of Prof. Galbraith who was very thick and with him. They were working together at one time. Since I have not read the book I cannot comment on it.

SHRI K. DAMODARAN: Mr. Masani, you stand for mixed economy in which the public sector competes with the private sector.

WITNESS: On equal ~~in~~ terms.

SHRI K. DAMODARAN: Yes; on equal terms. Now suppose the Government changes their policy a little and asks the private sector to build railways because we are in need of railways;;.....

WITNESS: We need roads; not railways.

SHRI K. DAMODARAN: Roads there are plenty. Anyway, suppose we want railways...

WITNESS: Yes suppose.....

SHRI K. DAMODARAN: Suppose railways are needed in the country. Will the private sector be prepared to invest money in building railways and if so according to your calculation - of course it is a hypothetical question - how many crores can they afford to invest in how many years and how many miles can they build?

WITNESS: I appreciate the hon. Member's question and the spirit behind it but without going into railways as such.......

SHRI K. DAMODARAN: I want you to take this example of railways because I have some particular motive in asking this.

WITNESS: Madam, Chairman, my difficulty is that the hon. Member has taken an example which I am unable to follow for, having studied the problem of transport, I have a belief that the railways are a 19th century mode of transportation based on certain fuels and power; they are no longer modern. The history of America, Britain, Germany etc. shows that now the pulling up of railway lines is going on on a large scale. The Beeching Report in Britain is an example. So this example which the hon. Member has taken is not one which appeals to me. Of course, one can imagine that India now needs more railways as Mr. Damodaran would like me to do. In that case I wouldsee no objection to Government inviting private capital to build railways and offering it a franchise of certain routes which would be given to the private sector for a certain number of years under social control so that they can get back the money they have invested. This sort of thing is done in the United States and other countries. Roads are farmed out; bridges are farmed out to private enterprise. Suppose you need a bridge very badly and the Government have not got the money, what they do in the United States is they farm out the bridge or the highway to a private company and say that for ten years or until you get your money back you will have a monopoly of charging money as a toll on the road or the bridge from the motorists and others who pass through. Thus a beautiful highway or a bridge is built and on the day the capital invested is repaid the road or the bridge lapses to the Government, or the community. That is the principle that is applied to roads and railways. For anything that is in short supply, if the Government do not have the capital it would be correct for them to throw it open to private enterprise un der social control in the interest of the community and I think if the profit is there private enterprise will come forward.

SHRI K. DAMODARAN: I ask the question because from the Report of the monopolies Inquiry Commission I came to know the difference between the public sector and the private sector. At one place they say that funds are not available for slow-yielding but important investments but they are easily available for speculation and for certain branches of trade and industry with promise quick returns. Unless there is quick return the private sector is not prepared to invest ~~f~~but the Government is bound to invest in concerns and in enterprises where there is only a slow return.

WITNESS: Why bound? They choose to.

SHRI K. DAMODARAN: Because they have to do that in the interest of the people. Take the case of the railways in the British days. For a long time there was no profit.

WITNESS: That is Infrastructure.

SHRI K. DAMODARAN: This Report clearly says that when there is no quick return private capital is not available but plenty of private capital is available for speculation and certain branches of trade and industry, where there are quick returns. But that is not the case with the public sector. How can you change this interest of the private sector and ask them that even if they do not get any return in the interests of the 50 crores of people of India they should lose some money and invest their capital in these things?

WITNESS: So far as the infrastructure is concerned, that is, transport, communications, agriculture, water and perhaps even electric power, what the Hon. Member says is true that these are services that do not give quick returns. That is why normally in all countries Governments undertake the burden with the tax-payers' money or loans, but to expect a private investor to go in for an enterprise where the return is low is contrary to human nature and it should not be expected. People are interested in saving money only for a profit. Otherwise they would spend it by going to cinemas or drinking or whatever they want to do, but they would not go and invest in a venture if there is no adequate return. As Bernard Shaw said, "capital is the reward of abstinence" and abstinence requires a guarantee that there are better things to expect at the end. So it is not reasonable to expect anyone to invest money where there is no adequate return. The profit motive is a very good thing; the profit motive is a yardstick of efficiency. It is only when the consumer wants something that there is big profit. What you call consumer goods industries rather scoffingly, I, as a Gandhian socialist, would say are the most important industries because they give the people the simple pleasures of life. There is nothing wrong with them; the consumer goods industries are the most socialist industries, while the heavy industries are unsocialist because they do not give the people a good time. So the question whether the Government should produce anything outside the infrastructure has to be gone into. It is not for you and me and the Government to say "we know what is good for the people; they do not know what is good for themselves". If the people want motor cars and not railways, then motor cars are better for the people than railways. If the people want cloth instead of steel, cloth is better than steel. Your assumption that "we know better what is good for the people" is a claim to infallibility which only Communist and Fascist dictatorships indulge in, and no democratic Government can claim to know for the people what the people do not know for themselves.

SHRI K. DAMODARAN: You have no objection to Government investing in small industries?

WITNESS: I have no objection, I would wlecome it.

SHRI K. DAMODARAN: About one statement, you said free enterprise and competive price mechanism exist in the private sector, there is no monopoly as such.

WITNESS: I would be glad to know of an example.

SHRI K. DAMODARAN: After so much deliberation the Monopolies Commission has produced this report. You agree with the report ?

WITNESS: The report does not say what I denied. They have not given a single example.

SHRI K. DAMODARAN: They have defined it in a particular way. On page 137 they say: " "Big business" by its very "bigness" sometimes succeeds in keeping out competitors." You want competition and competitive price.

WITNESS: I do not agree with that.

SHRI K. DAMODARAN: Again on page 136: "But what little development there is owes much to the adventure and skill of a few men who have in the process, succeeded also in becoming "big business" thus concentrating in their hands a great portion of the economic power controlling and directing the production and distribution of national wealth and income". That is at page 136. Again on page 101 there is this statement: "By concentrating power in the hands of a few it denies opportunity to others to develop managerial talent".

WITNESS: I do not agree with this particular remark.

SHRI K. DAMODARAN: According to the Monopolies Commission report, in various paragraphs they have said that under present conditions the monopolies, according to their own interpretation, are actually obstructing the full play of competition and the price mechanism. You would agree with that portion of the report ?

WITNESS: I do not agree. I still say that the Monopolies Commission found no monopolies in existence in India in the private sector.

SHRI K. DAMAODARAN: Again, "economic disparity which is a consequence of undue concentration of economic power in the hands of a few monopolies affects economic growth itself in the long run", etc. On this widening disparity, to his question you replied. According to the Monopolies Commission due to the fact of the existence of monopoly and concentration of power .....

WITNESS: Caused by the system of licensing.

SHRI K. DAMODARAN: Because of this widening disparity, that prevents even the growth of industries. Unless you prevent these monopolies and economic concentra of power in a few hands, how can you have a development programme at all ?

WITNESS: The only known method of avoiding concentration of economic power or monopoly is competition. Government control is a weapon very inferior to the forces of the market. The first primary weapon is the free market and free competition. Social control is only an auxiliary weapon which may be used, but it can never take the place of free competition.

SHRI K. DAMODARAN: You spoke about licensing policy. The Monopolies Commission on page 8 says: "We are convinced that the system of controls in the shape of industrial licensing however necessary from other points of view, has restricted the freedom of entry into industry and so helped to produce concentration".

WITNESS: With that I agree.

SHRI K. DAMODARAN: So concentration has been helped by the present policy.

Again they say on page 7 -- it is not merely due to the policy of the Government but to the corrupting influence of the big business itself -- for example, "Licensing authorities were naturally inclined to prefer men who have proved their ability by success in big industrial ventures in the past to men who had still to establish their ability." They say they are naturally giving licences to the big people. Only big people become bigger people.

WITNESS: Madam, I hold the view that the licensing system which has operated in this country under the name of Socialism has created more concentration of business, but I do not know that the motives were as dishonourable as the Hon. Member makes out. Take this example of Tata's TOMCO. To think that a license to make lipsticks was given to them because Government wanted to favour them, whereas others were dying to make them, is a fanciful picture. The Commerce Secretary, who was Mr. C. C. Desai, wrote to Tatas asking "whether it would be possible for TOMCO to undertake preparation of these articles and put them on the market with due regard to quality and price; Tatas might be in a position to fill the void with satisfaction to the fair sex". Prime Minister Nehru took interest in this because there were no lipsticks for ladies and imports had been banned. In another letter Mr. M. O. Mathai writes again: "I quote below a note which the Prime Minister sent to me yesterday: 'Will you please write to Mr. .... and ask him what has happened to the proposal that Tatas made long ago about manfacturing various cosmetics ? There is great need for this because of restriction of import' ". Here is proof. Neither the Prime Minister nor Mr. Desai were trying to favour Tatas. They were asking the Tatas to oblige the country and the Government by entering the field. Mr. Desaid followed the Prime Minister again in a later letter: "There will be no difficulty in your getting import licence for raw materials and equipment in the event of your deciding to go in for manufacturing cosmetics. As you have decided to import these commodities, it is only right that we should give every encouragement", etc.
Madam, what is the position ? First, Government create scarcity. By that they create a vacuum. Nobody comes forward to fill the vacuum.

SHRI K. DAMODARAN: The process increases concentration.

WITNESS: It is wrong to say that either the Prime Minister or the Commerce Secretary were trying to oblige the firm. They were asking the firm to oblige them. What the Hon. Member says is not fair even to the Government of that time. If you do not believe the evidence in the correspondence .....

SHRI K. DAMODARAN: You said economic controls rest in the hands of the Government.

SHRI CHANDRA SHEKHAR: What about the Tatas? Is it not proved. Because they are in the public sector it is proved. We do not know about Tata's quotation?

WITNESS: I must strongly object to this remark.

SHRI CHANDRA SHEKHAR: He has repeated twice.

SHRI CHANDRA SHEKHAR: Twice he has repeated it.

SHRI BABUBHAI M. CHINAI: Is it necessary that against the witness who has come here we should say something which is not at all relevant? I ask that question.

Shri K.Damodaran: You said that economic controls rest with the Government, in the hands of the Government, according to you. But according to the Monopolies Inquiry Commission, the influence of the monopolies is there, not potential monopoly, that monopolies are existing today in India.

Witness: They do not say so.

Shri K.Damodaran: The influence of monopoly?

Witness: What they say is that there is a danger of monopoly.

Shri K.Damodaran: No danger of monopoly.

Witness: What is the name of the monopoly?

Shri K.Damodaran: Influence of the monopoly is there is a danger of monopoly. In the Minute of Dissent it is said-

"The influence of monopoly can to some extent determine the manner in which economic controls are exercised."

Whatlthe Government exercises economic control over the influence of these monopolies...

Witness: I say I do not agree with this remark, wherever it is from.

Shri K.Damodaran: You said about corrupt politicians and bureaucrats.

Witness: Corrupt business also.

Shri K.Damodaran: According to the Monopolies Inquiry Commission-

"We cannot also ignore the unfortunate reality that some big businessmen do not hesitate to use their deep pockets to try to corrupt public officials in the attempt to continue and increase their industrial domain."

Witness: I gave the example of Serajuddin and Malaviya. That is a proved case.

Shri Chandra Shekhar: What about Tatas? Is it not proved? Because they are in the public sector it is proved. We do not know about Tata's quotation?

Witness: I must strongly object to this remark.

Shri Chandra Shekhar: He has repeated twice.

Shri Rabi Ray: Comment in Hindi.

Sabahi: Comment in Hindi.

Shri Chandra Shekhar: Twice he has repeated it.

Shri Babubhai M.Chinai: Is it necessary that against the witness who has come here we should say something which is not at all relevant? I ask that question.

CHAIRMAN: We should be very strictly relevant in this.

WITNESS: The case I cited is a proved case.

SHRI BABUBHAI M. CHINAI: We are not duds sitting here, even according to the Hon. Member.

SHRI K. DAMODARAN: Parliament goes into the working of public sector concerns. They have got some Parliamentary Committees. Do you agree that the Parliamentary Committee must have the power, similar power, to go into the private concerns also?

WITNESS: I do not think free enterprise in any country, corporate enterprise, can be investigated into by Parliamentary Committees regarding their domestic affairs.

SHRI K. DAMODARAN: How can they be controlled?

WITNESS: By company legislation and industrial legislation, you exercise control.

SHRI K. DAMODARAN: No Parliamentary Committee should be there?

WITNESS: How can it be? Of course, the PAC does enter into the affairs of private companies in so far their relations with Government are concerned. Take the Road Rollers case. One of them was a private company which behaved in certain way with Government. But you cannot have Parliamentary Committees going and investigating into the domestic field of private enterprise ....

SHRI K. DAMODARAN: Now, you agree and everybody agrees that there is some sort of antagonism between growth and equality. So can you find out some method to reduce this antagonism between growth and equality, that is in the normal tools of planning and legislation, not in any other way - our own tools of planning and legislation in accordance with the Directive Principles of the Constitution.

WITNESS: It is a very good question. It is one of the dilemmas, to choose between ~~from~~ equality and growth. It is faced in every country, as in the Soviet Union when in 1932 ...

SHRI K. DAMODARAN: The disparity is not so much if you take the figure in the Soviet Union. There are differences in wages but they are not so much. It is not even 8 times or 10 times but here it is one thousand times, five thousand times, and a lakh times. This wide disparity never exists in the Soviet Union.

WITNESS: Madam, I was about to agree with the Hon. Member that the problem of reconciling economic growth with more equality is a very real one as everyone has found, from Communists to capitalists. In the Soviet Union, which I have studied very well, till about 1930, they used to talk about equality. From 1932 the whole talk was reversed and equality was attacked because they found that equality was leading to economic stagnation and industrial progress was retarded. They found that unless wage differentials were given, the people were not prepared to work hard and put their heart into it. So, Stalin - I am quoting him - described the concept of equality as having nothing to do with socialism, as a petty bourgeoise deviation worthy of a primitive society". He had to go that far to spit at equality in order to destroy it, and from then on, the Soviet Union has moved more in the direction of inequâlities. Now, the answer is provided by free competition, free competitive enterprise. In the United States today, there is perhaps more social equality and economic equality than in any other part of the world. The differentials are the narrowest. In an American factory a highly paid technician gets only ~~the~~ $2\frac{1}{2}$ times the wage of a cooly. The highest paid technician in an American average enterprise gets today only $2\frac{1}{2}$ times the wage of the least paid worker whom we call a cooly in India. This is unsurpassed in the whole world. In India, as far as I have studied it, the range is 20 to 1 or 30 to 1 between the cooly and the highest paid technician. In the Soviet Union, it is 80 or 100 times to one, the highest differential in the whole world.

Shri K. Damodaran : From where do you get it?

Witness : I get it from the Soviet Union's statistics. I do not wish to argue. I have taken the trouble to study them as you may not have taken. I am only saying that whatever you may say, the dilemma is a very genuine one. My answer is that free competitive enterprise would provide both growth and a close approximation to equality. You do not get absolute equality, you cannot get it. But you can move ~~in~~ closer to equality than in socialist countries.

Shri Babubhai M. Chinai : May I know whether you think, after reading this Report, that the Monopolies Inquiry Commission is much worried about the size of the industrial undertakings or the money concentration in that particular industrial concern.

Witness : If I may say so with all respect, Madam Chairman, I find that the Report of the Monopolies Inquiry Commission is a confused document written by people who are not very clear in their own minds. They use words loosely. They always combine monopoly and concentration of power as if they have anything in common instead of keeping them apart and discussing them separately. Hence there is an amount of confusion in whatever is there. They have not got a good grasp, they have not gone deep enough, their background was lacking. I do not think that the Report is one that can be quoted; and I believe that the spirit of it is in the draft Bill that they have attached to the Report. As I said, that Bill was by and large acceptable to me. If that Bill had come before Parliament, I would have tried to improve on the Bill but not resisted it and I would have advised my Party to come out firmly for the Bill. But the Bill that is before Parliament is an entirely different one for reasons that I have already given and I do not want to repeat them. Therefore, my attitude and my Party's attitude is negative. But I should like to assure the hon. Member that with the conclusions of the Commission as embodied in the Bill we have very little difference.

Shri B. M. Chinai : May I know from you whether in view of the fact that there are certain existing laws like the Industries (Regulation and Development) Act, 1951, the Company Law, etc. and there are about eight...

Witness : I have read them out earlier.

Shri B. M. Chinai : Do you think that the proposed Commission is essential so far as the removing of the monopoly is concerned?

Witness : I said — the hon. Member was not present then — that these laws that he has mentioned which I also mentioned are an alternative to anti-monopoly legislation. Because competition is not assured, the fear of a monopoly is there, all these controls are imposed. That is why I came to the conclusion that as soon as this law is put on the Statute Book, the entire apparatus of controls embodied in these laws should be dismantled completely and the market freed subject only to the anti-monopoly law. In other words, you cannot have both, you can have one way or the other.

Shri B.N.Chinai : Do you think that there is any concentration of power as such and, if so, do you agree that even there are certain trade union organisations also which have certain concentration of power, especially in the bargaining power as they call it? Would you like to have such a Commission also for such trade union organisations?

Witness : As I said before,-the hon. member came later, - I do not believe that there is any concentration of economic or political power in the hands of industry but only in the hands of the Government in Delhi. As regards the second part of the question, trade unions can become a danger to society where they enjoy privileges....

Shri K. Damodaran : But never the industrialists?

Witness : I am a believer in trade unionism and collective bargaining and the right to strike. In the United States trade unions have acquired so much power and wealth that now investigation teams and Commissions have been appointed to consider how trade unions should be controlled in the public interest like corporations. I do not think we are near that day yet. Our trade unions are miserably poor, bankrupt bodies, strike committees glorified by the name of trade unions run by agitators and politicians who are not genuine trade unionists. Therefore, I see no danger as Mr. Chinai seems to do.

Shri B.N.Chinai : No, I only enquired.

Witness : In India, some trade unions are becoming a danger to the life of the community. They go on strikes, break the law and they may be indisciplined. But I do not think that present day trade unions are a threat to our democratic society.

Shri B.N.Chinai : Do you know that the present trend in other countries like the U.K., Japan and America is for amalgamation of different companies?

Witness : I have already explained that in great detail earlier.

Shri B.N.Chinai : I have some other points for clarification. In view of the fact that we are required to compete with other countries in export trade, etc. we have to see that we have more production and lower costs. What is your reaction to this comparing the size of the industrial concerns in this country vis-a-vis other countries?

Witness : I gave examples before you came to show how our biggest concerns are pigmies compared to small concerns in other countries. We have not reached the stage of having to protect ourselves from too much bigness. For export purposes, it is good that our enterprises became bigger.

Shri V.N.Mandal : Question in Hindi

Witness : Reply in Hindi

Shri Candhra Shekhar : Mr. Masani, though you have brought in extraneous matter in your general observations and replies to questions....

Witness : Madam, I do not know what extraneous matter I have brought in. I spoke on the Bill.

Shri Chandra Shekhar : Anyhow, I shall not go into that. I shall only concentrate on the Bill and the Report of the Monopolies Inquiry Commission. You said that you agree with the general observations of the Monopolies Inquiry Commission Report?

Witness : No. I said I broadly agree with the fruits of their investigations and the draft Bill that they have suggested. But the observations are confused; partly I agree with them and partly I do not agree.

Shri Chandra Shekhar : Do you agree with the studies that they have made, has because in the very beginning they have said that they had taken up 100 commodities which are of general use to the consumer and they have cometo the conclusion that in the production of these 100 consumer goods, there is a high degree of concentration?

Witness : No, I do not agree.

Shri Chandra Shekhar : Again on pages 225 to 259 they have mentioned a few hundred commodities and they have given the percentage of concentration. And in many cases, they say, 100 per cent production is in the hands of a few industrialists. Will you agree with that observation of the Monopolies Inquiry Commission?

Witness : I myself gave the example of the automobile industry which has artificially been made into a pocket borough of a few entrepreneurs. If I had my way, I would throw open the manufacture of motor cars to whoever wants to make them, widen the field of production and bring down the price of cars and improve their quality. This is the result of the Socialist pattern which I have also criticised for the same reason.

Shri Chandra Shekhar: Let us not now go into controversy of what sort of socialist pattern it is. Now if you see page 225, you will find that they have mentioned engineering good, industrial machinery and other things in every field of our industrial production. There are hundreds of industries where concentration is one hundred per cent.

Witness: What do you mean by 100 per cent? One operator?

Shri Chandra Shekhar: Yes.

Witness: That is not so. There is not a single field where there is only one operator.

Shri K.Damodaran: Bata is there - 99.9 per cent.

Shri Chandra Shekhar: Gl axo and WIMCO are also there. They have given the example of Glaxo baby foof and they have said that not only do they indulge in undue competition but they also threaten the small manufacturers.

Witness: I am not prepared to accept that without scrutiny. But I agree with the general proposition that in many of these industries only a small number of operators are working. This is ~~not~~ inevitable in a backward country like ours where there is not so much competition and no incentive to be there.

Shri Chandra Shekhar: You agree with the approach of this Report.

Witness: More or less.

Shri Chandra Shekhar: Now this Bill is for tackling a problem that has been found out by the Commission.

Witness: Yes.

Shri Chandra Shekhar: So the ~~EI~~ Select Committee will have to see whether the observations of the Commission are fulfilled, or those problems mentioned in the Commission's report are tackled by the Bill or not. If they are not adequate, the Select Committee will be duty bound to improve upon that Bill.

Witness: Correct.

Shri Chandra Shekhar: So I wish to draw your attention to page 125 of the Report - the Chapter on Monopolistic and Restrictive Practices. There they say:

> "Our study of product-wise concentration brings out prominently the fact that in a large number of industries, a single undertaking is the only supplier or at least has to its credit a very large portion of the market as compared with its competitors."

Again on the same page, they say:

> "We see no reason to exclude such dominant sellers from our ~~mt~~ understanding of monopoly."

And not only that, they have in Chapter VI dealt with the consequences of monopoly and have enumerated all those evils- political corruption, ~~xx~~ social corruption, etc. Now, you say that the State should not enter into economic activities.

Witness: Normally.

Shri Chandra Shekhar: You say that the State or the Government has to decide the economic policies of the nation.

Witness: Yes

Shri Chandra Shekhar: And the State has to see whether those policies are implemented or not. For the implementation of those policies, the State has to bring in certain regulatory measures. That is ~~thx~~ within the power of the State.

Witness: Yes.

Shri Chandra Shekhar: So if Government takes certain measures to regulate the economic policy or to ~~ix~~ implement the economic policy as envisaged by Parliament and the State, what is your objection?

Witness: Madam Chairman, at the very beginning, I read the Statement of Policy of my Party where I quoted the followed words:

> "The Party believes in incentives for higher production and expansion inherent in competitive enterprise with adequate safeguards for the protection of labour and against unreasonable profits, prices and dividends in those cases where there is no competition, or where competition is not adequate to secure the necessary corrective."

This I believe to be an enlightened statement which any socialist should be ready to identify himself with. I will now quote from the Manifesto of the German Socialist Democratic Party and you will see that it is almost similar to what I have quoted. ~~XX~~ The Manifesto which came two years later, says:

> "Free choice of consumer goods and services, free choice of working place, freedom for employers to exercise their initiative and free competition are essential conditions of a Socialist Democratic economic policy. The autonomy of trade unions and employers' associations in collective bargaining is an important feature of a free society. Totalitarism control of the economy destroys freedom. The Social Democratic Party, therefore, favours a free market wherever free competition really exists. ~~X~~ Where

a market is dominated by individuals or groups, however, all manner of steps must be taken to protect freedom in the economic sphere. As much competition as possible, as much planning is necessary...."
Now I agree hundred per cent with the German Socialist Democratic Party Manifesto and there I leave it. If somebody does not agree with it, that is his choice.

Shri Chandra Shekhar: This point was raised by Mr.C.C.Desai also. Do you think the conditions that operate in West Germany are similar to those in India? Here in this country we are facing paucity of resources. Planning here is not a pleasure choice for the Government. We have scarce resources and we have to plan their utilisation according to our priorities of national production. That problem is not being faced by West Germany. That is an affluent society. How do you compare West Germany with India?

Witness: The question is : How did they become affluent just as ~~xx~~ we want ~~xxx~~ to become affluent ourselves? They did not become ~~xx~~ affluent from the word go. Affluence was not given to them by nature or God. They achieved it by the methods I have mentioned. If they had followed our methods, they would be in our miserable plight to-day. It was Ludwig Erhard, the great Liberal, who defied the Allied Command and announced on the radio one day the ending of all controls overnight, when the Anglo-American-French Command was still there on German soil. It is that policy of decontrol and competitive economy that has made possible the German Miracle. Or take the case of Asian countries like Thailand, Formosa, Japan, Malaysia, Singapore and the Phillipines; these are to-day going places while we are stagnating. Mr. Lee Kuan yew, Prime Minister of Singapore, who is a Socialist and leader of the Socialist Party, came to Bombay and addressed an ~~xxx~~ Asian Socialist Conference in 1964. I will quote from memory what he said.

He said: "We have to face this problem — why is it that our socialist countries are stagnating while Taiwan, Japan, the Philippines, Thailand and Malaysia which are practising free enterprise are having a boosting economy and are making great progress?" Nobody has answered that question. The answer is that the policies we stand for, which are intelligent socialist policies, Twentieth Century socialist policies, are much more desirable for the objectives that the hon. Member has in mind than his nineteenth century socialist policies .....

Shri K. Damodaran : Singapore is a socialist country?

Witness : It is led by a Socialist Prime Minister who practises free enterprise.

Shri Chandra Sekhar : This is wrong reading of history. You have given instances of certain Asian under-developed countries like Taiwan....

Witness : Underdeveloped? They are much more developed than we are.

Shri Chandra Sekhar : Have you taken into consideration the enormous foreign aid and free gifts that they have had from other countries and the smallness of their problems? They are not comparable to India. Why don't you give the example of Chiang-Kai-Shek who was for free enterprise and was thrown into Formosa?

Shri Chandra Shekar (contd.) : That is another example in history which can be compared with India. Did you read the history of Chiang-kai-shek who followed the same pattern of economic development which he envisaged and he was forced into Formosa?

Witness : Madam Chairman, my reading of history is slightly different from that of the honourable Member's. The economic programme of the Kuomintang was a highly socialistic programme with which Pandit Nehru was in full agreement. It talked about socialist principles. It is not fair to belittle the problems of Formosa. They have problems as large and as acute as ours. They are trying to solve them. It is true they have got economic aid. But the amount of economic aid we have received from the United States few countries in Asia have received. The result is different. When I was in Taiwan in 1963 the United States announced that because the Republic of China had done so well with the economic aid, it would stop aid and today the Republic of China is not receiving an iota of aid while we are still holding out our hands for more economic aid. We have a lot to learn from these countries.

Shri Chandra Shekar : Mr. Masani, you say there are three giants and they are competing in the industrial field. But the tendency the world over has been seen that these three giants do not quarrel among themselves but they enter into cartels and some sort of an alliance and try to squeeze the profits from the common man and that is the problem. It is to be tackled.

Witness : I agree with Mr. Chandra Shekhar 100 per cent. If three giants are competing thereby producing goods and keeping down prices, it is good. If, however, they make any cartels or price fixing arrangements, the law must take care of it. In the United States, as you know, whenever motor car or other companies enter into a cartel, the Directors are given prison sentences for violating the anti-monopoly law.

Shri Chandra Shekhar : About this proliferation in various industrial activities, you give an example of Tatas. I do not know if you have studied them. What is your opinion about other countries. There the industrialists specialise in one field of production and they try to bring cheaper goods and specialised qualities. When this tendency is there that a business house produces or proliferates in hundred industrial fields, how do you support this tendency in this country from your point of view?

Witness : First of all, the fact is open to question. Mitsubishi in Japan, if I remember, has at least as wide a range of products as Tatas or any other enterprise in India. I would like the honourable Member to check this. I shall be surprised if it is not so. Recently in other Western countries also people who have developed one industry are now expanding into others. So there is nothing particularly unique. There are reasonable reasons for that. I have studied the history of Tatas. I have written articles on the subject myself. Tatas are only one example of the managing agency system. When we were very backward in the middle of the 19th century, people were shy of investing capital in business. They wanted confidence. Certain names acquired confidence by hard work, wise investment and honest handling of other peoples' funds. So they were prepared to put in money only when the enterprise inspired confidence. Then it was only Tatas who were there. The vacuum which was there was filled by those in whom people had trust. Therefore, the development is easy to understand. Now we are talking of more and more competition. Now more people will come in. With this the need for restrictive legislation in the country lessens. The process is already going on. My own impression of Tatas in the last twenty years is that they have not advanced much. They have not expanded as they were doing in theearlier years. They did not want to expand particularly. It is only when there is a growing need, when there is limitation, when there is demand that they come forward with new projects. Now they are not expanding as they were doing earlier.

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Shri Chandra Shekhar: Mr. Masani, you have quoted about some Mitsubhishi of Japan. If I may point out some time ago in this Select Committee certain provisions of the Japanese Monopoly Act were put for consideration, from the Indian Chamber of Commerce, those people did not agree to these provisions. If you study the problem ....

Witness: I am not concerned with other people's evidence. I can only say with respect to Japan that the process that General MacArthur set in train has been reversed.

Shri Rabi Ray : Remarks in Hindi.

Witness : I appreciate the honourable Member's question. I sympathise with it as I sympathised with Dr. Lohia in his economic thinking during the last few years. I would also like to see a country where there is a wide base of property - what is called in the West a property owning democracy . That would be my object where everyone is free, where nobody is a slave, where nobody is a slave in his economic environment or of any other man. I do not believe in a society of masters and servants. I would like to see a society of collaborators, partners. The only difference between my honourable friend's line of questioning and mine is about the methods.

I also want to move towards an equal and a free society. Why are the efforts of Czechoslovakian Communists who want to move in the direction of liberalisation today being checked? Why are they threatened with Armed force and invasion? Why was Hungary stopped from moving in that direction? Why did Imperialism come into play at that stage? Sarkar is not samaj; samaj is very much bigger than sarkar. In the second half of the 20th century, Government's power is the biggest enemy of human progress. There is no other big enemy left; private capital has been destroyed and it has retreated. Therefore socialists have to learn to shift their guns from one direction to another where the new threat comes from. My only point is that I realised, when I wrote 'Socialism Reconsidered' to which you referred, that I was fighting the wrong enemy who had ceased to be there. A new enemy had come on the scene and I saw no point in wasting my energy fighting the old enemy. Mr. Djilas said that ten years back he could not have foreseen this New Class and its economic threat to our society. But in India I was able to see it ten years before Mr. Djilas could see it because I was not living in a communist society and hence I could think for myself. So today the governmental power has become the main threat to our free and equal society. That is why the vested interests have come and if you go on fighting private business, you are fighting the wrong enemy, because your real enemy is the politicians and bureaucrats who seize power.

Shri Rabi Ray : Remarks in Hindi

Witness Reply in Hindi

Chaudhary Nitiraj Singh : Mr. Masani, in your opening remarks you said that you would not speak on the clauses of the Bill but would await the Bill as it comes from the Select Committee. But subsequently you were pleased to remark that the Bill is poorly drafted.

Witness : I hope it will emerge in a better form.

Chaudhary Nitiraj Singh : May we know which of the clauses according to you are poorly drafted?

Witness : If the hon. Chairman permits me, I would send a note on the subject. I cannot do it just now because I am not prepared now.

Chairman : You can send your note on that within a fortnight or so.

Witness : All right.

Chowdhary Nitiraj Singh : If I have understood you correctly, you seem to be of the view that the licensing system and price control should be abolished. If that so?

Witness : Once the Bill goes on the statute book, there will be no excuse for that.

Chowdhary Nitiraj Singh : You feel that free competition should be allowed but the Monopolies Inquiry Commission is of the view that big business would not allow a new enterprise to come up and it would crush it. Would you suggest some ways by which this should be prevented?

Witness : I personally do not believe that big business in the field is likely to stop small ~~bxx~~ business from entering. Many of our big business houses are not models of efficiency either. I believe that if some small enterprise properly managed with modern techniques comes up, it should be possible for it to compete on equal terms with big enterprises which have been sitting on their comfortable seats and getting rather flabby and self-satisfied over a long period of time. If you ask me as a Management Consultant, I would not discourage a small entrepreneur from entering the field, if he has the know-how and the dynamism to fight a big giant. I believe this can be done on equal terms. I do not share the pessimism of the Commission.

Choudhary Nitiraj Singh : Then you have suggested that you would like Chapter III which deals with concentration of economic power to be deleted completely.

Witness : I believe that that Chapter has no place in this legislation.

Choudhary Nitiraj Singh : According to you, there is no substantial concentration of economic power in the country in private hands.

Witness : I believe there is no such concentration. Concentration is in the hands of the Government which should be curbed by every democratic method.

Chaudhary Nitiraj Singh : Should we take it that according to you there is no concentration.

Witness : You can take it that there is no concentration of economic or political power in India outside New Delhi.

Chaudhary Nitiraj Singh : Mr. Rabi Ray cited an instance. Do you not agree that some people in this country have acquired immense wealth by questionable means?

Witness : I am sure they have, particularly in the last 20 years through this Socialist Government.

Chaudhary Nitiraj Singh : Should we not try to curb them?

Witness : You should curb them by disbanding controls and allowing free competition.

Chaudhary Nitiraj Singh : Is that the only means according to you?

Witness : Yes, that is the only means.

Shri Mulka Govinda Reddy : Mr. Masani, regarding the constitution of this Commission and the powers of the Commission, the Commission is empowered to go into the question of expansion of any industries and the Government is not competent to interfere in that. Will you be satisfied with this position?

Witness : I think the Government of the day, the political Government, should be completely outside the sphere of this kind of legislation. It should be between this particular Tribunal that you would set up and the Supreme Court. The Government should not come in at any stage because the Government of the day is a political government and it may for the reasons that have already been explained have its own links and may misuse this power for the benefit of certain sections of the community.

Shri Mulka Govinda Reddy : If that power is given to the Commission, the Bill can be passed with minor amendments here and there though this is not in accordance with the Bill that was recommended by the Commission?

Witness : I do not know whether it can be put in so simple a way that if this clause is improved, the whole thing can be passed. I took objection to Chapter III, the restricted appeal to the Supreme Court, and this. If this is put right, I would congratulate the Committee but I would still oppose the Bill because of other reasons.

Shri Mulka Govinda Reddy : If you elimin te the power of the Government will you agree?

Witness : If you do that, that will make the Bill better but that will not cure other defects.

Shri I.S.Sahgal : Comments in Hindi

Witness : Reply in Hindi

Shri P.D.Himatsinghka : In one of the Chapters the Commission had dealt with concentration of economic power and in the light of that they have given a sample of the Bill which intends to cover the restrictive trade practice and therefore you agree that the Bill is somewhat of a model which can be adopted?

Witness : I said that the Report in its drafting -- with due respect to the hon. Chairman who is an estimable person -- is confused. I think the Commission suffered from bad counsel or confused thinking but, as the Member points out, when it came to drafting legislation, they dropped the part which was confused and stuck to their real task of drafting an anti-monopoly Bill. So I said, while I cannot accept all the remarks, I am inclined to agree with the draft Bill which is by and large acceptable to me.

Shri Himatsinghka : If there is a legislation which will control restrictive trade practices, which are intended to increase the prices, will you agree?

Witness : If Chapter III is dropped, I would be prepared to consider sympathetically and perhaps suport separate legislation that would define and stop price manipulation on the part of the competing enterprises. That I would consider to be a proper way of approaching the problem of price manipulation.

Chairman : We thank you very much. You may send the amendments soon.

Witness : I would thank you and the Members, who are colleagues of mine, for their kindness. I have enjoyed my morning. There was only one unhappy moment when Mr. Chandra Shekhar said something. I should think that he is no longer in a temper and would withdraw that imputation.

Shri Chandra Shekhar : I shall be prepared to withdraw and that may be expunged provided Mr. K.D.Malaviya's name is expunged.

Witness : That is a proved case. I leave it at that. Thank you.

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(The witness then left the meeting) (12.18)

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